

GUIDANCE NOTE: ELECTRONIC TRADE CONFIRMATION

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ASX SETTLEMENT PROCEDURE GUIDELINES



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www.asxonline.com > Participants > Library > Manuals

Context of this Document

The ASTC Procedure Guidelines must be read in the context of the ASTC Settlement Rules.

Any terms explicitly defined in the ASTC Settlement Rules and used in the ASTC Procedure Guidelines should be interpreted according to the definition given in ASTC Settlement Rules. This includes terms such as participant, register, holder, issuer, subregister, and financial product. Because of the large number of these terms, they have not been capitalised for emphasis in this document.

In the interests of readability and comprehension, where a procedure applies only in the context of securities in a listed company, the specific term security has been used instead of the more generic term financial product.

Change History

| Version | Date | Description of changes |
|---------|----------|---|
| 1.0 | May 2004 | Initial version of a merged guideline document incorporating details from both the PPG and IRPG |
| 3.1 | Jan 2016 | ASXOnline document merge. |

1 ETC OVERVIEW

Electronic Trade Confirmation (ETC) uses a set of CHES messages to pass trade confirmations between relevant parties such as fund managers, custodians and participants.

ETC provides a mechanism for communication of the following events:

- block trade;
- allocation of the block trade;
- contract notes matching the allocations; and
- transmission of settlement information to a fund/investment manager's custodian.

There is also a mechanism for the cancellation and rejection of these transactions.

CHES provides only a basic checking of the ETC messages. It is the responsibility of the participant's system to provide all other ETC functionality (e.g. matching orders against confirmed trades, ensuring that allocations total a block trade)

2 ETC ACCREDITATION

The set of ETC messages form a stand alone, optional service. Some users of the ETC service may not require access to other ASTC services that use the same network. For example, investment managers may wish to use ETC, but have no need for direct access to the CHES DvP Settlement environment.

This feature has created the need for a new form of CHES participant, referred to as an "ETC user". An ETC user is limited to using the CHES ETC environment. A fund/investment manager wishing to use this service would become an ETC user.

A participant requires accreditation to use the ETC functionality.

Existing CHES participants do not automatically have access to ETC functionality: accreditation and regulatory criteria must be met in the same manner as new participants.

3 ETC FUNCTION FLOW

The ETC procedures have been designed on the assumption that participants will use the ETC function flow as follows:

- Participant sends ETC trade;
- Fund/Investment manager sends Allocations;
- Participant sends corresponding Contract Notes; and
- Funds Manager advises Custodian of Settlement details.

If participants decide to vary the standard procedure (e.g. only utilise the contract note messages) they should define procedures for their own purpose.

4 ADVISING A BLOCK TRADE

Advising a block trade is used to advise a client fund/investment manager of the details of a block trade executed on their behalf.

Following the notification of a block trade, fund/investment manager determines the allocations required. The executing participant uses these allocations to create the associated contract notes.

PROCEDURE

- 4.1 The participant executes the block trade.
- 4.2 The participant sends an ETC trade advice to CHESSE. The advice contains all details of the trade that are known at that time.
- 4.3 CHESSE validates the ETC trade advice, forwards it to the targeted fund/investment manager, then notifies the sending participant that it has been sent.

Message Reference Table

| Section | Message Number and Description | Sender | Recipient |
|---------|-------------------------------------|-------------|-------------|
| 4.2 | 651 ETC Trade Advice | Participant | CHESSE |
| 4.3 | 518 Rejected Transaction | CHESSE | Participant |
| | 652 ETC Trade | CHESSE | F/IM |
| 4.3 | 654 ETC Trade Advice Acknowledgment | CHESSE | Participant |

5 CANCELLING A BLOCK TRADE

Cancelling a block trade is used to advise a fund/investment manager that an ETC trade has been cancelled by the participant.

The participant can cancel the ETC trade any time before contract notes for the ETC trade have been created.

PROCEDURE

- 5.1 The participant determines that a previously issued ETC trade must be cancelled and that contract notes relating to the ETC Trade have not been created.
- 5.2 The participant sends an ETC trade cancellation advice to CHESSE.
- 5.3 CHESSE validates the ETC trade cancellation advice, forwards it to the target fund/investment manager, and notifies the participant that it has been sent.

Message Reference Table

| Section | Message Number and Description | Sender | Recipient |
|---------|---|-------------|-------------|
| 5.2 | 667 ETC Trade Cancellation Advice | Participant | CHESSE |
| 5.3 | 518 Rejected Transaction | CHESSE | Participant |
| | 684 ETC Trade Cancellation | CHESSE | F/IM |
| 5.3 | 686 ETC Trade Cancellation Acknowledgment | CHESSE | Participant |

6 ALLOCATING A BLOCK TRADE

Allocating a Block Trade is used to advise a participant that:

- a Block Trade has been accepted by the fund/investment manager; and
- the allocations required by the fund/investment manager for the Block Trade.

Each allocation is sent as a separate ETC trade allocation Advice. On the final allocation for the block trade, the fund/investment manager indicates that allocations for the block trade are complete.

Allocations of a block trade are used by the executing participant in the creation of contract notes for the fund/investment manager. It is assumed that the account ID sufficiently identifies the destination account to the participant.

PROCEDURE

- 6.1 The fund/investment manager validates the ETC trade and determines the allocations required for the trade.
- 6.2 The fund/investment manager sends CHES the allocations required for the block trade, sending one message for each allocation. The fund/investment manager identifies the final allocation for a block trade by setting the Allocation Status field appropriately.
- 6.3 CHES validates each ETC trade allocation advice, forwards it to the target participant, and notifies the sending fund/investment manager that it has been sent.

Message Reference Table

| Section | Message Number and Description | Sender | Recipient |
|----------------|---|---------------|------------------|
| | 652 ETC Trade | CHES | F/IM |
| 6.2 | 653 ETC Trade Allocation Advice | F/IM | CHES |
| 6.3 | 518 Rejected Transaction | CHES | F/IM |
| 6.3 | 656 ETC Trade Allocation | CHES | Participant |
| 6.3 | 658 ETC Trade Allocation Acknowledgment | CHES | F/IM |

7 REJECTING A BLOCK TRADE

Rejecting a block trade is used to advise the executing participant that a block trade has been rejected by the fund/investment manager.

Upon receipt of an ETC trade rejection, the executing participant of the block trade should contact the source fund/investment manager to determine the requirements for the block trade. Once the block trade has been corrected, a new ETC trade advice is generated and transmitted by the participant.

PROCEDURE

- 7.1 The fund/investment manager determines that a block trade does not satisfy its requirements.
- 7.2 The fund/investment manager rejects a block trade previously sent to them by CHESSE.
- 7.3 CHESSE validates the ETC trade rejection advice, forwards it to the target participant, and notifies the sending fund/investment manager that it has been sent.

Message Reference Table

| Section | Message Number and Description | Sender | Recipient |
|---------|--|--------|-------------|
| 7.1 | 652 ETC Trade | CHESSE | F/IM |
| 7.2 | 655 ETC Trade Rejection Advice | F/IM | CHESSE |
| 7.3 | 518 Rejected Transaction | CHESSE | F/IM |
| 7.3 | 660 ETC Trade Rejection | CHESSE | Participant |
| 7.3 | 662 ETC Trade Rejection Acknowledgment | CHESSE | F/IM |

8 CANCELLING AND CORRECTING A BLOCK TRADE ALLOCATION

Cancelling and correcting a block trade allocation is used to advise a participant that a previously sent ETC trade allocation has been cancelled. The fund/investment manager can cancel either a single allocation or **all** allocations that relate to a specific block trade.

Upon receipt of an allocation cancellation, the participant removes all references to the cancelled allocation and awaits further instruction from the fund/investment manager. If a single allocation is cancelled, the fund/investment manager sends a replacement allocation. Similarly, if all the allocations for a specific block trade are cancelled, the fund/investment manager sends another complete set of allocations.

If an allocation is cancelled after a contract note has been sent by a participant, the participant will need to send a replacement contract note according to the ensuing new allocation.

PROCEDURE

8.1 The fund/investment manager determines that a previously sent ETC trade allocation (or all allocations of a block trade) must be cancelled.

For example, the participant has a query with an allocation and contacts the fund/investment manager to resolve the query. Once the discrepancy has been rectified, the fund/investment manager may need to send a replacement allocation to the participant.

8.2 The fund/investment manager sends CHES details of the trade allocation that must be cancelled. If all allocations of a block trade are to be cancelled, the cancellation advice targets the original ETC trade and the allocation cancellation level is set accordingly.

8.3 CHES validates the allocation cancellation advice, forwards it to the targeted participant, and notifies the sending fund/investment manager that it has been sent.

8.4 The fund/investment manager re-allocates the cancelled allocation and sends CHES the new allocations.

8.5 CHES validates the ETC trade allocation advice, forwards it to the targeted participant, then notifies sending fund/investment manager that it has been sent.

Message Reference Table

| Section | Message Number and Description | Sender | Recipient |
|---------|------------------------------------|--------|-----------|
| 8.1 | 653 ETC Trade Allocation Advice | F/IM | CHES |
| 8.2 | 661 Allocation Cancellation Advice | F/IM | CHES |
| 8.3 | 518 Rejected Transaction | CHES | F/IM |

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| Section | Message Number and Description | Sender | Recipient |
|----------------|--|---------------|------------------|
| 8.3 | 672 Allocation Cancellation | CHESS | Participant |
| 8.3 | 674 Allocation Cancellation Acknowledgment | CHESS | F/IM |
| 8.4 | 653 ETC Trade Allocation Advice | F/IM | CHESS |
| 8.5 | 518 Rejected Transaction | CHESS | F/IM |
| 8.5 | 656 ETC Trade Allocation | CHESS | Participant |
| 8.5 | 658 ETC Trade Allocation Acknowledgment | CHESS | F/IM |

9 ADVISING CONTRACT NOTE DETAILS

Advising Contract Note Details is used to advise a fund/investment manager of the details of a contract note created by the Participant.

Details of the contract note should match those provided on the ETC trade allocation. If an Account Id is used to communicate the details to appear on the contract note, it should be converted to the corresponding name and address details.

PROCEDURE

- 9.1 The participant ensures that the ETC trade allocation received from the fund/investment manager is valid.
- 9.2 If the allocation is valid, the participant sends CHESSE the details of the contract note. If the electronic contract note is to be followed by a paper notification for legal reasons, the electronic notification is marked accordingly.
- In the event that an invalid allocation is received, the participant contacts the originating fund/investment manager. The allocation may need to be cancelled and re-submitted.
- 9.3 CHESSE validates the contract note advice, forwards it to the targeted fund/investment manager, then notifies the sending participant that it has been sent.

Message Reference Table

| Section | Message Number and Description | Sender | Recipient |
|---------|---|-------------|-------------|
| 9.1 | 656 ETC Trade Allocation | CHESSE | Participant |
| 9.2 | 657 Contract Note Advice | Participant | CHESSE |
| 9.3 | 518 Rejected Transaction | CHESSE | Participant |
| 9.3 | 664 Contract Note | CHESSE | F/IM |
| 9.3 | 666 Contract Note Advice Acknowledgment | CHESSE | Participant |

10 REJECTING A CONTRACT NOTE

Rejecting a Contract Note is used to advise a participant that a contract note has been rejected by the fund/investment manager. The fund/investment manager can reject either a single contract note or all contract notes that relate to a specific block trade.

Once a rejection is received, the participant reconciles the details on the contract note against those provided in the ETC trade allocation. A new contract note must be issued to replace the rejected contract note. The participant should resolve any further discrepancies directly with the fund/investment manager.

PROCEDURE

- 10.1 The fund/investment manager determines that details of one or more contract notes for an ETC trade are incorrect.
- 10.2 The fund/investment manager sends CHES details of the contract note that has been rejected. If all contract notes for an ETC trade have been rejected, the contract note rejection targets the original ETC Trade and the contract note rejection level is set accordingly.
- 10.3 CHES validates the contract note rejection advice, forwards it to the targeted participant, then notifies the sending fund/investment manager that it has been sent.

Message Reference Table

| Section | Message Number and Description | Sender | Recipient |
|----------------|--|---------------|------------------|
| 10.1 | 664 Contract Note | CHES | F/IM |
| 10.2 | 659 Contract Note Rejection Advice | F/IM | CHES |
| 10.3 | 518 Rejected Transaction | CHES | F/IM |
| 10.3 | 668 Contract Note Rejection | CHES | Participant |
| 10.3 | 670 Contract Note Rejection Acknowledgment | CHES | F/IM |

11 CANCELLING A CONTRACT NOTE

Cancelling a contract note is used to advise a fund/investment manager that an ETC contract note has been cancelled by the participant.

Any settlement details sent by the fund/investment manager to its custodian should be cancelled by the fund/investment manager, pending the issue of a replacement.

The participant must issue a new contract note to replace the cancelled contract note.

PROCEDURE

- 11.1 The participant determines that a previously issued ETC contract note must be cancelled.
- 11.2 The participant sends an ETC contract note cancellation advice to CHES.
- 11.3 CHES validates the cancellation advice, forwards it to the targeted fund/investment manager, then notifies the participant that it has been sent.
- 11.4 The fund/investment manager cancels any settlement advice messages previously sent to their custodian.

Message Reference Table

| Section | Message Number and Description | Sender | Recipient |
|---------|---|-------------|-------------|
| 11.2 | 669 ETC Contract Note Cancellation Advice | Participant | CHES |
| 11.3 | 518 Rejected Transaction | CHES | Participant |
| 11.3 | 688 ETC Contract Note Cancellation | CHES | F/IM |
| 11.3 | 690 ETC Contract Note Cancellation Acknowledgment | CHES | Participant |
| 11.4 | 665 ETC Settlement Cancellation Advice | F/IM | CHES |

12 ADVISING A PARTICIPANT OF SETTLEMENT DETAILS

Advising a participant of settlement details is used to advise a CHES Settlement Participant (e.g. a custodian) of the details of a future CHES settlement required. The settlement agent uses this information to prepare for settlement.

PROCEDURE

- 12.1 The fund/investment manager determines that the settlement details relating to a specific trade allocation are in order.
- 12.2 The fund/investment manager sends CHES of the details of the settlement.
- 12.3 CHES validates the ETC Settlement Advice, forwards it to the targeted CHES settlement participant, then notifies the sending fund/investment manager it has been sent.

Message Reference Table

| Section | Message Number and Description | Sender | Recipient |
|---------|--|--------|-------------|
| 12.1 | 664 Contract Note | CHES | Participant |
| 12.2 | 663 ETC Settlement Advice | F/IM | CHES |
| 12.3 | 518 Rejected Transaction | CHES | F/IM |
| 12.3 | 676 ETC Settlement | CHES | Participant |
| 12.3 | 678 ETC Settlement Advice Acknowledgment | CHES | F/IM |

13 CANCELLING A SETTLEMENT REQUEST

To advise a CHESSE Participant (e.g. a custodian) that a previously sent ETC Settlement Advice has been cancelled. This may be done following the cancellation of a contract note by the participant.

Upon receipt of a settlement cancellation, the participant should cancel any pending settlement arrangement described by the target ETC settlement details.

Once the situation has been rectified, the fund/investment manager advises the participant of the new settlement details.

PROCEDURE

- 13.1 The fund/investment manager determines that a previously sent ETC settlement advice must be cancelled.
- 13.2 The fund/investment manager sends CHESSE details of the the settlement that must be cancelled.
- 13.3 CHESSE validates the ETC Settlement Cancellation Advice, forwards it to the targeted participant, then notifies the sending fund/investment manager that it has been sent.

Message Reference Table

| Section | Message Number and Description | Sender | Recipient |
|---------|--|--------|-------------|
| 13.1 | 663 ETC Settlement Advice | F/IM | CHESSE |
| 13.2 | 665 ETC Settlement Cancellation Advice | F/IM | CHESSE |
| 13.3 | 518 Rejected Transaction | CHESSE | F/IM |
| 13.3 | 680 ETC Settlement Cancellation | CHESSE | Participant |
| 13.3 | 682 ETC Settlement Cancellation Acknowledgment | CHESSE | F/IM |