

Primary Market Facility for NSX Issuers

Practice Note 17

Issued: 2021



Primary Market Facility (PMF) for NSX Issuers

Practice Note 17

The purpose of this Practice Note

This practice note outlines how NSX will administer the access by NSX listed or intending to list Issuers to the CHES Primary Market Facility (PMF) for the purposes of Delivery versus Payment (DvP) batch settlement of CHES/TAS approved securities.

This practice note is not a substitute for the Issuer seeking its own professional advice. There may be differences in each and every case that the Issuer needs to fully consider as to the ultimate requirements for listing procedures, adhering to the NSX Rules, conditions of listing and adhering to the Australian Corporations Act.

The main points

1. Circumstances of Utilising DVP Batch Settlement of Placements or Initial Public Offerings
2. Procedures for Applying to Use the PMF
3. Fees Associated with the PMF
4. Copy of Applications and Correspondence to be Given to NSX
5. NSX Weekly Diary and Participant Bulletins
6. List of Annexures
7. Further Information

ANNEXURE 1: PMF Application Form
ANNEXURE 2: PMF Application Guidance
ANNEXURE 3: PMF Form of Deed Poll

Related materials

- NSX Business Rules Sub-Part DA
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Guidance

The NSX issues practice notes to promote commercial certainty, reduce costs to business and assist market participants, and we are available to discuss any questions you have in relation to a practice note.

NSX may replace practice notes at any time. Issuers should contact NSX to ensure that they have the latest version of a practice note. As a practice note is only a guide to NSX practice, Issuers are advised to contact NSX to discuss their particular circumstances and the application of the listing rules. NSX cannot give legal advice to Issuers and recommends that they consider taking advice from a qualified professional person.

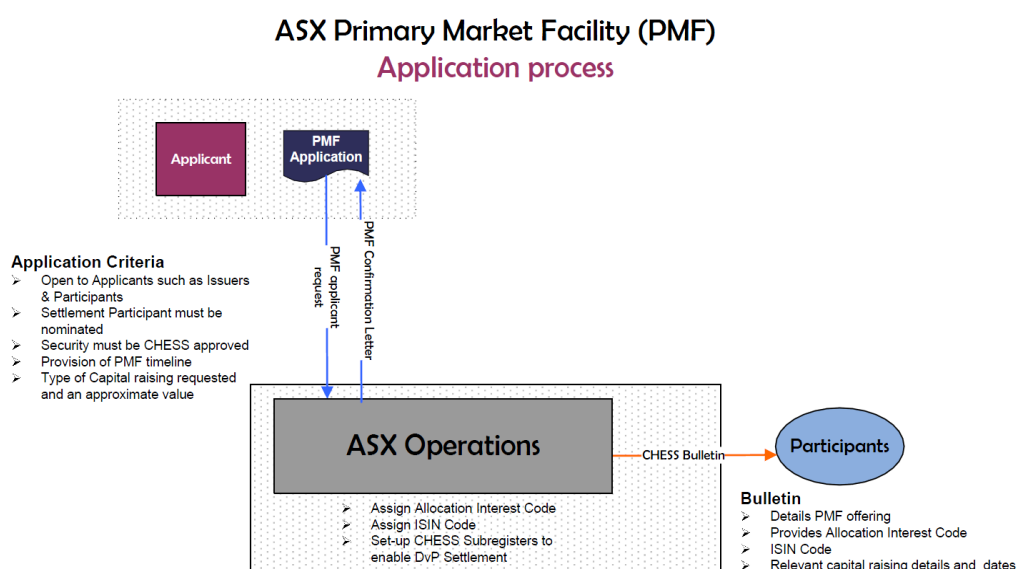


Section 1 – Placements or Initial Public Offerings

1. The primary market facility is an optional service available to Issuers. It allows them to use CHESSE DvP to settle allocation interests in the following types of primary market offers:
 - a) firm allocations;
 - b) institutional book builds; and
 - c) placements.
2. An Issuer may request that only certain components of a primary offer be settled in CHESSE DvP. The inclusion of a firm allocation or an institutional book build does not preclude another component of the offer from also being settled by CHESSE DvP.
3. Primary market facility transactions are not covered by the National Guarantee Fund or the NSX Compensation Arrangements. Issuer's are required to demonstrate how they intend to manage the associated risk of using CHESSE DvP settlement.

Section 2 – Application Procedures

1. Application process diagram



2. An NSX-listed Issuer (Applicant) that wishes to apply to use the PMF for a capital raising should follow the procedures set out below:

a) Contact NSX Operations

The prospective Applicant contacts NSX with regard to their making a potential PMF Application to discuss any issues or guidance that NSX has with the process and application. NSX provides approval to contact ASX Settlement. This is especially important for first time applicants.

Note: An Applicant may be an Issuer, Issuer's Agent, Registry or an ASX Participant.



b) Contact ASX Settlement

The prospective Applicant contacts ASX Settlement with regard to PMF Application.

c) Lodge Application

Applicant completes a PMF Application and lodges both with ASX Settlement and NSX.

It is suggested that the Applicant consult with ASX's Corporate Actions & Depository staff (contact details are at the end of this Practice Note) particularly for first time applicants. This is particularly important for free form questions in Parts B & C where the extent of details required may not be fully understood. For example Part B, Question 1 requires that applicants provide detail outlining the:

- Type of capital raising
- Value of capital raising
- Proposed cut-off date for PMF transactions
- Proposed security transformation date

Refer to Annexure 1 for the PMF Application Form and Annexure 2 for PMF Application Guidance.

d) Deed Poll Required

Applicant executes and submits a Deed Poll to ASX Settlement. This deed poll confirms that the Applicant Issuer is bound by the ASX Settlement Operating Rules.

Refer to Annexure 3.

e) Assistance

The Corporate Actions & Depository team within ASX Clearing & Settlement Operations, will provide ongoing assistance as part of the lodgement process as well as during the DvP settlement timeline. NSX Operations should be informed of any issues arising from the application process so that NSX is able to assist with discussions with ASX.

f) PMF Application approval

The Corporate Actions & Depository team notifies the Applicant via a letter. Assuming acceptance, this letter will confirm the dates and PMF fees relating to the capital raising. The Issuer must forward a copy of this approval letter to NSX.

g) Registration for processing

ASX Operations creates the appropriate structures to facilitate DvP transaction processing of the PMF offering:

- Set-up allocation interest code and ISIN for the PMF capital raising;
- Set-up CHESS sub-registers
- Assign registrar to sub-register

h) NSX participant bulletin

An ASX Participant Bulletin is disseminated detailing the PMF offering.

i) Transactions

DvP transaction processing commences as per the PMF offering timetable.



j) Settlement Completion

The registrar transforms the allocation interests (PMF securities) into the Issuer's new securities for each holding and reconciles the issued capital.

Section 3 – Fees

1. Issuers will incur fees for this service. All fees are invoiced direct to the Issuer by ASX. Fees are subject to change from time to time by ASX Settlement and are published in the guide "ASX Schedule of Fees: Clearing and Settlement" available from the ASX Settlement.
2. These fees are subject to change by ASX Settlement.
3. The PMF processing fee is usually charged to the Issuer, including the DvP Settlement messages relating to the PMF capital raising. On occasion, the PMF processing fee may be billed to another entity, for example the Applicant based on instructions received by the ASX Corporate Actions & Depository team from a duly authorised person.
4. NSX has waived its fees associated with this service.

Section 4 – Correspondence given to NSX

1. The Issuer undertakes to copy NSX on all correspondence with ASX Settlement or to notify NSX as soon as practicable.
2. The Issuer will inform NSX of progress and results of the PMF activity and if required by NSX Listing Rules lodge the required announcements in relation to the capital raise.

Section 5 – NSX Market Notifications

1. NSX provides market notifications on PMF activity to Participants as part of the Daily Diary service.

Section 6 – List of Annexures

1. The attached Annexures as noted within the procedures above are listed below for your reference:
 - a) Annexure 1: PMF Application Form;
 - b) Annexure 2: PMF Application Guidance;
 - c) Annexure 3: Form of Deed Poll.



Section 7 – Further Information

1. Further information can be obtained from NSX by contacting:

Market Operations

National Stock Exchange of Australia Limited

Email: trading@nsx.com.au

2. PMF Contacts

The Corporate Actions & Depository team within ASX Clearing & Settlement Operations is the area that will work with the Applicant throughout the process and they may be contacted at:

Email: pmf@asx.com.au



Annexure 1 – PMF Application Form

**APPLICATION FOR THE ADMISSION
OF A CLASS OF BATCH INSTRUCTIONS
IN DvP BATCH SETTLEMENT**

To: ASX Settlement Pty Limited (“ASXS”)
Level 5, 20 Bridge Street
SYDNEY, NSW 2000

Email: pmf@asx.com.au
Fax: (02) 9227 0264
Tel: 1800 623 571

PART A - Applicant's Details

Name of the Entity:

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.....

Name of AMO:

Business Name (if applicable):

Australian Company Number (if applicable):

Australian Registered Business Number (if applicable):

Registered Business Address:

.....

Mailing Address:

.....

Facsimile Number:

Contact Name:

Contact Telephone Number:



PART B - The Class of Batch Instructions to be Admitted to DvP Batch Settlement

1. Please provide a description of the class or classes of Batch Instructions to be included in DvP Batch Settlement (including details of counterparties, etc.).

2. Are the Participants that will be parties to the class or classes of Batch Instructions aware that there is no National Guarantee Fund (“NGF”) coverage for the Batch Instructions? Yes / No

3. It is a condition of admission to DvP Batch Settlement that if the Batch Instructions do not receive the benefit of NGF coverage, that parties to the Batch Instructions are aware of this fact. Accordingly, if you answered ‘no’ to Question #2 above, please explain how it is proposed to advise those parties that the Batch Instructions will not receive the benefit of NGF coverage.

4. Please describe the measures, which you have put in place to reduce the risk of default by the counterparties to the Batch Instruction.

5. Have you advised ASIC of details of the Batch Instructions to be included in DvP Batch Settlement? Yes / No

Does ASIC require that the Batch Instructions be the subject of an investor protection regime?

If no, please explain why and provide evidence.

Yes / No

6. If ASIC does require the Batch Instructions to be the subject of an investor protection regime, please attach evidence that the proposed investor protection regime is acceptable to ASIC.



PART C – General Settlement Participant

7. Does the inclusion of the Batch Instructions in DvP Batch Settlement mean that the Entity needs to be either a General Settlement Participant or communicate details of the Batch Instructions to be included in DvP Batch Settlement? Yes / No
8. If the Entity needs to be a General Settlement Participant: is the Entity a General Settlement Participant? Yes / No
 If no, attach your application to be admitted as a General Settlement Participant.
9. If the Entity does not need to be a General Settlement Participant but is required to communicate details of the Batch Instructions, please provide details of:
 (a) how it is proposed this communication will be effected; and
 (b) through whom the communication will be made (e.g., the particular Participant).
10. What is the proposed date of commencement for the Batch Instructions to settle in DvP Batch Settlement?

| | |
|-------|-----------|
| Name | Signature |
| Title | Date |

PRIVACY COLLECTION STATEMENT: As part of this application, ASXS requires you to submit personal information about your employees, principles, agents and service providers. This information is required to enable ASXS to assess whether the applicant will meet the obligations required pursuant to ASX Settlement Operating Rules for admission of class or classes of Batch Instructions in DvP Batch Settlement. Failure to provide this information in whole or in part may mean that ASXS is unable to assess whether the applicant will satisfy the obligations for use of DvP Batch Settlement pursuant to the ASX Settlement Operating Rules.

ASXS does not use or disclose this information for other purposes without the individual's consent or unless permitted to do so under the *Privacy Act 1988* (Cth).

This information may be disclosed to the National Adjudicatory Tribunal, ASX, the ASX Appeals Tribunal, or the Australian Securities and Investments Commission in the event that action is taken against you pursuant to the *Corporations Act 2001* (Cth) or the ASX Settlement Operating Rules.

Enquiries concerning access to personal information can be directed to the ASX Chief Privacy Officer at PO Box H224, Australia Square, NSW 1215.



Annexure 2 – PMF Application Guidance

ASX Settlement Guide to Completing the Admission of a Class of Batch Instructions in DvP Batch Settlement Application Form

1. Introduction

In accordance with ASX Settlement Operating Rule 10.4.1, ASX Settlement Pty Limited (“ASX Settlement”), has the right to determine if new classes of Batch instructions are eligible for DvP Batch Settlement.

In determining whether a class of Batch Instructions is eligible, ASX Settlement must have regard to the following:

- a) that the applicant is able to communicate reliably with CHES (if this is necessary);
- b) the ability of ASX Settlement to distinguish these additional Batch Instructions from Batch Instructions which receive coverage from the National Guarantee Fund (“NGF”);
- c) evidence that the inclusion of the additional Batch Instructions will not adversely affect NGF coverage;
- d) evidence that the Participants who are parties to the additional Batch Instructions have advised clients who wish to have these Batch Instructions settled in DvP Batch Settlement, that there is no NGF coverage;

that if the applicant needs to be a General Settlement Participant it is a General Settlement Participant, or appoints a General Settlement Participant to act on its behalf; and

- e) evidence that ASIC has been told of the application and evidence that:
 - it does not require an investor protection regime in respect of the additional Batch Instructions; or
 - if it does require an investor protection regime, that the investor protection regime proposed by the applicant is acceptable to ASIC.

2. What details ASX Settlement Expects to Receive in the Application Form

PART A – Applicant’s Details

Name of the Entity: In the case of an initial public offering (“IPO”), a decision will need to be made as to who is the appropriate entity to fill out the application. For example, it may be the Issuer who wishes to use DvP Batch Settlement, or it may be the underwriter. The appropriate entity to complete the form is the entity that actually wishes to use DvP Batch Settlement.



PART B – The Class of Batch Instructions to be Admitted to DVP Batch Settlement

Point #1: The description of the class of Batch Instructions to be included in DvP Batch Settlement should include:

- a) details of the counterparties to the Batch Instructions;
- b) whether the parties to the Batch Instructions are all presently Participants or will be required to become Participants in the future; and
- c) The source of the Batch Instructions (e.g., the settlement of the deliverable share futures contracts).

Point #2: In the past when ASIC originally considered if additional instructions should be included in daily settlement, ASIC raised concern that sufficient notification was provided to indicate that those additional instructions would be excluded from NGF coverage. Specifically, they required that parties to those additional instructions (and their clients) did not automatically assume, that because the instruction was included in settlement, it received the protection of NGF. ASIC determined that it was therefore necessary for parties to a non-NGF instruction for settlement understood that if there was a default the non-defaulting party would not be able to look to NGF for completion of the instruction.

Points #3 & #4: These points relate to ensuring that the integrity of CHESS is not compromised as a result of the inclusion of the additional Batch Instructions in DvP Batch Settlement. For example, a Participant with a payment obligation arising out of additional Batch Instruction may not have made arrangements with its bank to ensure that it could meet that increased payment obligation. As a result, the Participant may default on its payment obligations not only in relation to the “additional” Batch Instructions but also in relation to other Batch Instructions. Therefore, it is important that the applicant be able to demonstrate that default is unlikely.

Points #5 & #6: Again, in the original discussions with ASIC, they also wanted to ensure that from an investor protection point of view, they had some involvement in vetting any application for inclusion of additional instructions in settlement. In particular, ASIC wished to ensure that there was an acceptable investor protection regime in place, if they felt that such a regime was required.

PART C – General Settlement Participant

Part C requires details of how it is proposed that the additional Batch Instructions will settle in DvP Batch Settlement. There are two possibilities:

- a) that the applicant entity is a General Settlement Participant that provides details of the additional Batch Instructions to be settled in DvP Batch Settlement to the various counterparties; or
- b) the applicant communicates details of the additional Batch Instructions either to ASX Settlement, or to the parties to the additional Batch Instructions.

In relation to Point #b above, the communication could be in hard copy or in electronic format. Details should be included.

These questions will assist ASX Settlement in identifying what risks (if any) are associated with these additional Batch Instructions.

