

## RESIGNING A PARTICIPATION

<p><b>The purpose of this Guidance Note</b></p>	<ul style="list-style-type: none"> <li>• To assist participants who wish to resign their participation in ASX Settlement to understand the process involved</li> </ul>
<p><b>The main points it covers</b></p>	<ul style="list-style-type: none"> <li>• Requirements to resign a participation</li> <li>• ASX's requirement for the participant to have a plan for the orderly winding down of its activities as a participant</li> <li>• Issues that a participant should address in such a plan</li> </ul>
<p><b>Related materials you should read</b></p>	<ul style="list-style-type: none"> <li>• ASX Settlement Operating Rules Guidance Note 3 <i>Changes in Participation</i></li> </ul>

**History:** Guidance Note 2 amended 15/06/15. A previous version of this Guidance Note was issued in 03/14.

**Important notice:** ASX has published this Guidance Note to assist participants to understand and comply with their obligations under the ASX Settlement Operating Rules. It sets out ASX's interpretation of the ASX Settlement Operating Rules and how ASX is likely to enforce those rules. Nothing in this Guidance Note necessarily binds ASX in the application of the ASX Settlement Operating Rules in a particular case. In issuing this Guidance Note, ASX is not providing legal advice and participants should obtain their own advice from a qualified professional person in respect of their obligations. ASX may withdraw or replace this Guidance Note at any time without further notice to any person.

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## 1. Introduction

This Guidance Note is published to assist participants who wish to resign their participation in the ASX Settlement clearing and settlement facility to understand the process involved.

## 2. Requirements to resign a participation

A participant wishing to resign its participation in ASX Settlement must.

- give at least 20 business days' written notice to ASX Settlement Pty Limited (ASX) of its intention to resign and the proposed date of resignation;
- satisfy ASX that it has taken, or will have taken before the proposed date of resignation, proper steps for the orderly winding down of its business in respect of ASX Settlement; and
- comply with any reasonable direction of ASX in relation to the orderly winding down of its business in respect of ASX Settlement.<sup>1</sup>

A participant resigning its participation in ASX Settlement and in another ASX market or clearing and settlement facility can do so in a single notice of resignation, provided it complies with all of the relevant requirements in the Operating Rules for each such market and/or clearing and settlement facility.

## 3. Resignation notice not effective until accepted by ASX

A participant's resignation notice is not effective until the notice is accepted by ASX in writing.<sup>2</sup>

ASX will only accept a participant's resignation notice when the participant has:

- complied with all of the requirements mentioned under heading 2 above;
- satisfied all its obligations to ASX, including having paid all outstanding fees owing by the participant under the ASX Settlement Operating Rules.<sup>3</sup>

Otherwise, ASX will not unreasonably refuse to accept a participant's resignation notice.<sup>4</sup>

ASX will notify a participant when it has accepted the participant's resignation notice. Until that happens, the participant is obliged to comply with all of its obligations under the ASX Settlement Operating Rules,<sup>5</sup> including the obligation (where applicable) to continue having a settlement bond or sponsorship bond lodged with ASX.<sup>6</sup>

<sup>1</sup> ASX Settlement Operating Rule 4.15.1. The participant must also comply with any reasonable direction of ASX in relation to the orderly winding down of its business in respect of any related body corporate of ASX Settlement.

<sup>2</sup> ASX Settlement Operating Rule 4.15.2 opening paragraph.

<sup>3</sup> ASX Settlement Operating Rule 4.15.2 paragraphs (a) and (b).

<sup>4</sup> ASX Settlement Operating Rule 4.15.2 concluding paragraph.

The acceptance by ASX of a participant's resignation notice does not affect any accrued rights which ASX, its related bodies corporate or other participants have against the participant or any accrued obligations which the participant has to ASX, its related bodies corporate or other participants.<sup>7</sup>

#### 4. Obligations of participant upon resignation

If ASX accepts a participant's resignation, the participant must, before the expiry of the notice period:

- ensure that all outstanding transactions that affect a CHESS holding under its control are completed;
- make proper arrangements in respect of participant sponsored holdings under its control by
  - relinquishing control of those holdings;<sup>8</sup> or
  - converting those holdings to issuer sponsored holdings; and
- removing all direct holdings under its control from the CHESS subregister.<sup>9</sup>

Upon the expiry of the notice period, ASX may take such action as it considers necessary to effect the orderly resignation of the participant.<sup>10</sup>

#### 5. The requirement for an orderly wind-down plan

As mentioned above, a participant wishing to resign its participation in ASX Settlement must satisfy ASX that it has taken, or will have taken before the proposed date of resignation, proper steps for the orderly winding down of its settlement business.

Where a participant has already wound down its business and is effectively inactive, it need merely state that fact in its resignation notice.

Otherwise, the participant should include with its resignation notice a detailed plan outlining the key dates and milestones for the orderly winding down of its settlement business. The plan should cover:

- the proposed date of resignation;
- how the participant will continue to supervise its business and comply with its obligations under the ASX Settlement Operating Rules up to the date of resignation;
- details of the intended communications with clients about its resignation;
- details of the participant's plans for completing all outstanding transactions that affect CHESS holdings and removing all its direct holdings from the CHESS subregister;
- details of how and to whom the participant intends to migrate its participant sponsored holdings; and
- details of any other steps the participant intends to take to minimise any potential impact its resignation may have on clients.

<sup>5</sup> ASX Settlement Operating Rule 4.17.1.

<sup>6</sup> ASX Settlement Operating Rule 4.15.4. ASX Settlement Operating Rule 4.9 specifies when a participant must lodge a settlement bond or sponsorship bond with ASX.

<sup>7</sup> ASX Settlement Operating Rule 4.17.1.

<sup>8</sup> This must be done in accordance with ASX Settlement Operating Rule 8.17. Notice of the change of controlling participant must be given to ASX Settlement by both the participant relinquishing control and the participant assuming control, either as part of an intended novation process referred to in section 6 below or within 2 business days of being notified by the participant sponsored holder.

<sup>9</sup> ASX Settlement Operating Rule 4.15.3 paragraphs (a) – (c).

<sup>10</sup> ASX Settlement Operating Rule 4.15.3 closing paragraph.

A participant resigning its participation in ASX Settlement and in another ASX market or clearing and settlement facility at the same time should ensure that the plan addresses all of the relevant requirements in the Operating Rules for each such market and/or clearing and settlement facility.

### 6. Issues to consider in an orderly wind-down plan

In formulating its orderly wind-down plan, a participant should have regard to the following issues that commonly arise in the context of participants resigning:

- The participant should be able to novate its sponsorship agreements to another settlement participant via a 'participant change notice'.<sup>11</sup> However, the client must be given 20 business days' notice of the intended novation and the novation will not take effect until the client has received a notice from the new controlling participant confirming that the new participant consents to acting as the client's controlling participant.<sup>12</sup> Where applicable, these notice requirements need to be factored into the participant's orderly wind-down plan. Sponsored holdings that are not able to be novated to another participant will need to be converted to issuer-sponsored holdings,<sup>13</sup> the relevant holder identification records cancelled<sup>14</sup> and the sponsorship agreements terminated by written notice to the client.<sup>15</sup>
- The participant must continue complying with all of its obligations under the ASX Settlement Operating Rules<sup>16</sup> until its resignation notice has been accepted by ASX. This includes its obligation to pay relevant fees, including the annual participant fee. Any refund of all or part of that fee is at the discretion of ASX.
- ASX will not accept a resignation notice from a participant unless the participant has satisfied all its obligations to ASX.<sup>17</sup> This includes returning all ASX equipment and paying all outstanding fees and other amounts (including monetary penalties) due to ASX.
- Pending enforcement action by ASX against a participant for a breach of the ASX Settlement Operating Rules may hold up its resignation, particularly if there is any likelihood of a monetary penalty being imposed by ASX in relation to the breach. Where ASX receives a notice of resignation from a participant against whom there is pending enforcement action, ASX will endeavour to finalise that action as quickly as it reasonably can, although its ability to do so will very much depend on the level of co-operation it receives from the participant. If the participant wishes its resignation to take effect prior to the conclusion of the enforcement action, ASX may be prepared to accept the provision of a bond or bank guarantee sufficient to cover any potential monetary penalty to ASX as an acceptable way forward.

### 7. Where to send a resignation notice

A participant's resignation notice (including, where applicable, its plan for the orderly winding down of its clearing business) should be sent to:

The Manager, Participant Transitions  
ASX Clearing Services  
Level 5  
20 Bridge Street  
SYDNEY NSW 2000

<sup>11</sup> ASX Settlement Operating Rule 7.1.10. The prescribed form of participant change notice is set out in ASX Settlement Operating Rules Appendix 4.

<sup>12</sup> Typically, the notice from the resigning participant of the intended novation and the notice from the new controlling participant confirming that it consents to acting as the client's controlling participant would be sent in the one communication to clients.

<sup>13</sup> Pursuant to ASX Settlement Operating Rule 9.7.1.

<sup>14</sup> Pursuant to ASX Settlement Operating Rule 8.18.6.

<sup>15</sup> Pursuant to ASX Settlement Operating Rule 7.1.11(a).

<sup>16</sup> ASX Settlement Operating Rule 4.17.1.

<sup>17</sup> ASX Settlement Operating Rule 4.15.2(b).

The ASX Participant Transitions team will notify all relevant areas within ASX of the intended resignation, including Operations, Participants Compliance and Finance. It will also act as the primary point of contact and liaise with the participant in relation to whether its plan for the orderly winding down of its clearing business is satisfactory to ASX.

ASX Participant Transitions will co-ordinate the operational aspects of the resignation, including arranging for the cancellation of data subscriptions, return of ASX equipment and payment of outstanding ASX fees.

### **8. Continuation of certain rule obligations following resignation**

It should be noted that notwithstanding ASX's acceptance of a participant's resignation notice:

- the ASX Settlement Operating Rules continue to apply and ASX continues to have jurisdiction in respect of the participant concerning any conduct or any failure to comply with the rules which occurred before the acceptance of the notice, whether that conduct or failure was by the participant or by any other person for whose conduct the participant was responsible; and
- the participant continues to be bound by any indemnity given by it under the rules.<sup>18</sup>

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<sup>18</sup> ASX Settlement Operating Rule 4.17.2 paragraphs (a) and (b).