

Chapter 7: Clearing and Settlement

OVERVIEW

This chapter sets out the requirements in relation to clearing and settlement for the Exchange.

In particular, it deals with:

- settlement of Exchange transactions
- settlement agents
- the clearing and settlement administrator
- corporate action adjustments;
- taxation adjustments; and
- documentation requirements.

Rules 7.01 to 7.28 apply in respect of CHES approved securities.

Rules 7.29 to 7.89 apply in respect of non CHES approved securities.

SETTLEMENT OF EXCHANGE CHES APPROVED SECURITIES TRANSACTIONS

Exchange obligations to participate in CHES and settlement of CHES approved securities

- 7.1 The Exchange may elect to be admitted to participate in CHES as a participating exchange.
- 7.2 Each Exchange broker who is eligible to participate in CHES (directly or indirectly), may with the approval of the Exchange participate in CHES for the purposes of settling transaction conducted on the Exchange.
- 7.3 The Exchange, and each Exchange broker that is admitted to participate in CHES as a broker or participating exchange, shall comply with the ASTC Settlement Rules.
- 7.4 The Exchange calculates, in respect of all qualifying transactions in the same security, the delivery position of every Exchange broker which has settlement obligations in relation to that security designated for settlement on a particular settlement day. The Exchange issues settlement directions to Exchange brokers. Every Exchange broker that has a delivery obligation in the security must meet that obligation on the settlement day.
- 7.5 The Exchange will calculate the payment position of every Exchange broker which has settlement obligations on the settlement day. The Exchange issues a settlement statement to the Exchange broker specifying the amount of the payment to be made by the Exchange broker into the designated account of the Exchange, or the amount of payment to be made by the Exchange to the Exchange broker.
- 7.6 The Exchange facilitates this process by making and receiving payments or causing payments to be made or received but its net position for each day's settlement is zero.
- 7.7 If ASTC announces a date on which transactions in the Exchange securities become eligible to be settled in DvP settlement, the Exchange, and each Exchange broker, shall, unless otherwise agreed with the counterparty, on and from that date:
 - (a) deliver or receive securities in DvP settlement;
 - (b) if the Exchange broker is the selling Exchange broker in relation to a transaction in those securities:

- (i) irrevocably authorise ASTC to include its PID in each settlement instruction; and
- (ii) irrevocably authorise ASTC to effect a settlement transfer in respect of the transaction; and
- (c) if the Exchange broker is the buying Exchange broker in relation to a transaction in those securities, irrevocably authorise ASTC to include its PID in each settlement instruction.

Delivery of Securities

7.8 The Exchange or the Exchange broker shall deliver securities by settling a transaction in accordance with these rules.

Part Delivery

7.9 If the number of securities delivered by an Exchange broker falls short of its settlement obligations, the Exchange may apply the lesser number of securities that are available for part settlement.

Dividend, Interest, Capital Returns

7.10 Unless otherwise determined by the Exchange, transactions in securities will be officially quoted by the Exchange on the Exchange trading system as "ex dividend", "ex interest" or "ex capital return" as the case may be, on the fifth Business day prior to and inclusive of the books closing date.

Corporate Action

7.11 The Exchange may at any time publish guidelines on procedures to be taken by an Exchange broker in relation to corporate actions.

New Issues - Cum Bonus

7.12 Unless otherwise determined by the Exchange, where bonus issues are not subject to ratification by a meeting of holders of equity securities, transactions in securities will be officially quoted by the Exchange on the Exchange trading system as "ex bonus" on the fifth business day prior to, and inclusive of, the books closing date.

7.13 Unless otherwise determined by the Exchange, where bonus issues are subject to ratification by a meeting of holders of securities, transactions in securities will be officially quoted by the Exchange on the Exchange trading system as "ex bonus" on the later of the meeting of holders of equity securities which ratifies the issue, or on the fifth business day prior to and inclusive of the books closing date.

New Issues - Cum Entitlement

7.14 Unless otherwise determined by the Exchange, transactions in securities carrying a specific entitlement of non-renounceable rights, will be officially quoted by the Exchange on the Exchange trading system as "ex entitlement" on the fifth business day prior to and inclusive of the books closing date.

New Issues - Cum Priority

7.15 Unless otherwise determined by the Exchange, transactions in securities carrying a general priority, without a specific entitlement to participate in a new issue for which there are no renounceable rights, will be officially quoted by the Exchange on the Exchange trading system as "ex priority" on the fifth business day prior to and inclusive of the books closing date.

New Issues - Cum Rights

- 7.16 Unless otherwise determined by the Exchange, where rights issues are not subject to ratification by meeting of holders of equity securities, transactions in securities will be officially quoted by the Exchange on the Exchange trading system as "ex rights" on the fifth business day prior to and inclusive of the books closing date.
- 7.17 Unless otherwise determined by the Exchange, where rights issues are subject to ratification by a meeting of holders of equity securities, transactions in securities will be officially quoted by the Exchange on the Exchange trading system, as "ex rights" on whichever is the later of the first business day following the meeting of holders of equity securities which ratifies the issue, or the fifth business day prior to and inclusive of the books closing date.

Settlement Of Transactions

- 7.18 Except in the case of sales of securities:
- (a) when by mutual consent the parties agree to a particular settlement date no more than 30 days after the date of the transaction;
 - (b) classified by the Exchange as deferred delivery; or
 - (c) classified by the Exchange as deferred settlement
- settlement of sales shall be on the third business day after the date that the transaction was created on or reported to the Exchange trading system.
- 7.19 The settlement day of sale of securities referred to in rule 7.18(b), when:
- (a) the classification has been removed; and
 - (b) the parties have not agreed to a particular settlement date,
- shall be the third business day after the day on which the classification was removed.
- 7.20 Subject to rules 6.26 to 6.36, the settlement day of a sale of securities referred to in rule 7.18(c) shall be the fourth business day after the despatch date for those securities.
- 7.21 If the Exchange publishes a despatch date that has been varied, an Exchange broker may vary the date by which settlement with a client is required notwithstanding previous notification to the client of a date for settlement.

Failure to Deliver Securities

- 7.22 If a buying the Exchange broker does not receive securities by 10.30am on the settlement day (or such other time as may be notified by the Exchange from time to time) then there will be a failure of delivery. The failed delivery shall incur an immediate and continuing fee on such terms and conditions as determined by the Exchange from time to time, until such time as an effective delivery is made.

Settlement Agent

- 7.23 Unless it is itself a clearing broker, an Exchange broker must appoint the Exchange as its settlement agent, or with the approval of the Exchange, another settlement agent.

Obligations of an Exchange broker in relation to a Settlement Agent other than the Exchange

7.24 An Exchange broker shall ensure that a settlement agent other than the Exchange appointed by the Exchange broker:

- (a) complies with the rules, the ASTC Settlement Rules, the Corporations Act and all relevant law, in so far as they relate to the settlement of securities transactions on behalf of the Exchange broker and, without limiting the generality of the foregoing, facilitates investigations and disciplinary proceedings conducted by the Exchange pursuant to the rules;
- (b) keeps an office open during ordinary office hours on every business day where the Exchange broker conducts a securities business for the receipt, delivery and settlement of securities transactions, on behalf of the Exchange broker;
- (c) on an annual basis, takes out and maintains in full force and effect professional indemnity insurance and such other insurance policies which provide to the settlement agent cover against liability for negligence, errors, omissions, misstatements, statutory warranties and indemnities and loss or deprivation of securities or loss or destruction of documents of title;
- (d) has taken out and maintains insurance in accordance with rule 7.24(c) of a kind and amount which the Exchange broker determines to be adequate having regard to the nature and extent of the business carried on by the settlement agent and the responsibilities and risks assumed or which may be assumed by the settlement agent in connection with that business;
- (e) co-operates in the external audit of the Exchange broker required by the rules, the ASTC Settlement Rules and the Corporations Act;
- (f) arranges for an audit of the operations of the settlement agent to be carried out once every financial year. The audit will review compliance by the settlement agent with the rules and the ASTC Settlement Rules and any other procedures prescribed from time to time by the Exchange or ASTC;
- (g) within five business days after completion of the audit, arranges for a copy of the auditor's report to be provided to the auditor of the Exchange broker;
- (h) keeps detailed records of all banking transactions carried out by the settlement agent in relation to the Exchange broker trust account and accounts to the Exchange broker on a daily basis for all such banking transactions;
- (i) holds an Australian financial services licence which authorises it to undertake the relevant activities and is an Exchange broker; and
- (j) observes the following obligations in respect of settlement of securities transactions carried out by the settlement agent on behalf of that Exchange broker to:
 - (i) transfer securities from that Exchange broker's account only if the sub-ledger records for that Exchange broker record sufficient securities to cover that transfer;
 - (ii) keep detailed records for each client of the Exchange broker and the Exchange broker, with respect to the Exchange broker's account; and
 - (iii) reconcile the Exchange broker's account.

7.25 Unless the contrary intention appears, where an Exchange broker appoints a settlement agent in accordance with these rules:

- (a) the settlement agent may exercise a right or perform an obligation on behalf of that Exchange broker; and
- (b) reference to an Exchange broker shall include a reference to its settlement agent.

Liability of Exchange Broker for Acts and Omissions of a Settlement Agent

7.26 If a settlement agent does any act or refrains from doing an act which if done or not done (as the case may be) by an Exchange broker would constitute a breach of the rules, the ASTC Settlement Rules, the Corporations Act and/or and other relevant law, such act or omission shall be deemed for the purposes of these rules to be the act or omission of the Exchange broker which appointed the settlement agent to perform or exercise on behalf of that Exchange broker the obligations or rights of the Exchange broker from which such breach arises.

Obligations of Exchange Brokers

7.27 If the Exchange broker has appointed a settlement agent other than the Exchange then:

- (a) an Exchange broker shall give at least five business days notice to the Exchange prior to commencing or ceasing to use the settlement agent's certification stamp;
- (b) an Exchange broker shall immediately notify the Exchange of the termination of the appointment of a settlement agent;
- (c) the obligations of an Exchange broker which are imposed upon Exchange brokers by the rules, the ASTC Settlement Rules, the Corporations Act and other relevant law shall not be qualified or removed by the Exchange broker using the services offered by a settlement agent; and
- (d) an Exchange broker shall at all times ensure that all documents created by a settlement agent in performing the obligations or exercising the rights of the Exchange broker in connection with settlement of securities transactions are and shall remain the property of the Exchange broker over which the settlement agent shall not be able to assert or impose a lien.

Charges for Exchange Services

7.28 Charges payable by Exchange brokers in relation to services provided by the Exchange under chapter 7 shall be determined by the Exchange from time to time.

SETTLEMENT OF NON- CHESSE APPROVED SECURITIES TRANSACTIONS

Delivery and Settlement Obligations

7.29 The delivery and settlement obligations in relation to an Exchange transaction are as follows:

- (a) the selling Exchange broker must deliver the securities to the buying Exchange broker by delivering all valid documents necessary for the securities to be registered in the name of the buyer; and
- (b) the buying Exchange broker must pay to the selling Exchange broker the consideration for the securities

in accordance with rule 7.30.

- 7.30 Unless otherwise determined by the Exchange, settlement of a transaction must take place on the fifth business day after the date the transaction was created on the Exchange trading system.
- 7.31 Exchange brokers must keep open an office for the receipt, delivery and settlement of transactions on every business day.

Failure to Settle

- 7.32 If an Exchange Broker fails to settle an Exchange transaction in accordance with rule 7.30, the Exchange broker must pay a fee to the Exchange at the rate determined by the Exchange from time to time. Payment of such a fee does not remove the Broker's obligation to complete their settlement obligations under rule 7.30.

Settlement Agents

- 7.33 The Exchange may approve an organisation to act as a settlement agent for Exchange brokers in relation to transactions if the organisation:
- (a) is a public company;
 - (b) maintains appropriate professional indemnity insurance and insurance against fraud of its officers;
 - (c) has net tangible assets of not less than \$5,000,000 dollars;
 - (d) satisfies that it has the necessary:
 - (i) skills;
 - (ii) experience;
 - (iii) procedures; and
 - (iv) resourcesto properly carry out the functions of a settlement agent in relation to transactions; and
 - (e) confirms in writing to the Exchange its willingness to act as a settlement agent for Exchange Brokers.
- 7.34 The Exchange will from time to time publish a list of organisations approved to act as settlement agents for Exchange brokers.
- 7.35 An Exchange Broker may, upon giving prior written notice to the Exchange, appoint an organisation that is approved by the Exchange under rule 7.33 to act as their settlement agent in relation to Exchange transactions.
- 7.36 Unless the contrary intention appears, where an Exchange broker appoints a settlement agent in accordance with the rules:
- (a) the settlement agent may exercise or perform an obligation on behalf of the Exchange broker; and
 - (b) a reference to the Exchange broker in this chapter 7 of the rules includes a reference to its settlement agent.

- 7.37 Where an Exchange broker appoints a settlement agent, the Exchange broker must ensure that the settlement agent complies with the rules in so far as they relate to the settlement of transactions by the Exchange broker.
- 7.38 An act or failure to act by a settlement agent that would constitute a breach of the rules by an Exchange broker is deemed for the purposes of these rules to be an act or failure to act by the Exchange broker that appointed the settlement agent and who would otherwise have had an obligation in relation to the relevant act.

Clearing and Settlement Administrator

- 7.39 The Exchange may appoint a clearing and settlement administrator on such terms as the Exchange believes are appropriate to monitor the orderly settlement of transactions.
- 7.40 During any period that the Exchange has not appointed a clearing and settlement administrator, the Exchange will be the clearing and settlement administrator for the purpose of the rules.
- 7.41 An Exchange broker must, by 4.30pm or such other time prescribed by the Exchange on each day on which they have a transaction or transactions due to settle, notify the clearing and settlement administrator which of their transactions have settled or failed to settle. Where a transaction has failed to settle, the reasons for the failure to settle must also be provided. The notification must be in the form prescribed by the clearing and settlement administrator and approved by the Exchange.

CORPORATE ACTIONS ADJUSTMENTS

Dividend, Interest and Capital Returns

- 7.42 Unless otherwise determined by the Exchange, transactions in securities will be quoted by the Exchange on the Exchange trading system as 'ex dividend', 'ex interest' or 'ex capital return', as the case may be, on the seventh business day before and inclusive of the books closing date to determine shareholders entitled to participate in the distribution.
- 7.43 When a transfer of securities sold 'ex dividend', 'ex interest' or 'ex capital return' is delivered either on the business day before, or on the books closing date:
- (a) the selling Exchange broker must clearly endorse the security description on the transfer 'ex dividend', 'ex interest' or 'ex capital return', as applicable; and
 - (b) the buying Exchange broker must not lodge the transfer with the issuer for registration on or before the books closing date.
- 7.44 When a transfer of securities sold 'cum dividend', 'cum interest', or 'cum capital return' is delivered during the two business days before and inclusive of the books closing date, or on any day afterwards, the selling Exchange broker must allow the amount of the dividend, interest or capital return at the time of settlement.
- 7.45 When a transfer of securities sold 'cum dividend', 'cum interest' or 'cum capital return' is delivered either on the business day before, or on the books closing date, and the buyer has agreed to receive the benefit in cash, and settlement is adjusted by the amount of the dividend, interest, or capital return involved:
- (a) the Exchange broker must clearly endorse the security description on the transfer 'ex dividend', 'ex interest' or 'ex capital return', as applicable; and
 - (b) the Exchange broker must not lodge the transfer with the issuer for registration until after the books closing date.

New Issues - Cum Bonus

- 7.46 Bonus issues not subject to ratification by a meeting of holders of securities are governed by the following:
- (a) Unless otherwise determined by the Exchange, transactions in securities will be quoted by the Exchange on the Exchange trading system, as 'ex bonus' on the seventh business day before and inclusive of the books closing date.
 - (b) A selling Exchange broker may, during the two business days before and inclusive of the books closing date or on any day thereafter, effect delivery of the old securities by a deduction from the settlement of a cash adjustment at a value determined by the Exchange in accordance with rule 7.65 in lieu of the accruing bonus securities.
 - (c) The cash adjustment must be paid by the buying Exchange broker on delivery of the accruing bonus securities by the selling Exchange broker.
 - (d) Any transfer of securities delivered by the selling Exchange broker on any of the two business days before and inclusive of the books closing date must be endorsed 'ex bonus' as adjunct to the security description and the buying Exchange broker must not lodge the transfer with the issuer for registration purposes until after the books closing date.
- 7.47 Bonus issues subject to ratification by a meeting of holders of securities are governed by the following:
- (a) Unless otherwise determined by the Exchange, transactions in securities will be quoted by the Exchange on the Exchange trading system, as 'ex bonus' on whichever is the later of the first business day following the meeting of holders of securities which ratifies the issue, or on the seventh business day before and inclusive of the books closing date.
 - (b) The selling Exchange broker must not deliver securities during the period from the second business day before the books closing date to the day on which the issue is ratified by a meeting of holders of securities, both days inclusive.
 - (c) When securities are delivered in settlement of a 'cum bonus' transaction on either of the two business days before and inclusive of the books closing date, the settlement will be adjusted at a value determined by the Exchange in accordance with rule 7.65 and the transfer will be registered 'ex' the benefit.
 - (d) Any transfer of securities making up the delivery must be clearly endorsed 'ex bonus' as an adjunct to the security description and the buying Exchange broker must not lodge the transfer with the issuer for registration purposes until after the books closing date.
 - (e) The cash adjustment must be paid by the buying Exchange broker on delivery of the accruing bonus securities by the selling Exchange broker.

New Issues - Cum Entitlement

- 7.48 Unless otherwise determined by the Exchange, transactions in securities carrying a specific entitlement of non-renounceable rights will be quoted by the Exchange on the Exchange trading system as 'ex entitlement' on the seventh business day before and inclusive of the books closing date.

- 7.49 When a transfer of securities sold 'ex entitlement' is delivered either on the business day before or on the books closing date:
- (a) the selling Exchange broker must clearly endorse the security description on the transfer 'ex entitlement'; and
 - (b) the buying Exchange broker must not lodge the transfer with the issuer for registration on or before the books closing date.
- 7.50 When a transfer of securities sold 'cum entitlement', is delivered either on the business day before or on the books closing date, and settlement is adjusted by a value determined by the Exchange in accordance with rule 7.65:
- (a) the selling Exchange broker must clearly endorse the security description on the transfer 'ex entitlement'; and
 - (b) the buying Exchange broker must not lodge the transfer with the issuer for registration until after the books closing date.
- 7.51 A selling Exchange broker may during the two business days before and inclusive of the books closing date, effect delivery of the old issue securities by a deduction from the settlement of a cash adjustment (refer rule 7.65) in lieu of the accruing securities.
- 7.52 Unless advised by the buying Exchange broker on or before the fifth business day before and inclusive of the final date of closing of acceptances of the offer that the buyer does not wish to participate in the issue, the cash adjustment must be paid by the buying Exchange broker on delivery by the selling Exchange broker of the accruing new issue securities.

New Issues - Cum Priority

- 7.53 Unless otherwise determined by the Exchange transactions in securities carrying a general priority, without a specific entitlement to participate in a new issue for which there are no renounceable rights, will be quoted by the Exchange on the Exchange trading system, as 'ex priority' on the seventh business day before and inclusive of the books closing date.
- 7.54 When a transfer of securities sold 'ex priority' is delivered on the business day before or on the books closing date to determine holders of securities entitled to participate in the issue:
- (a) the selling Exchange broker must clearly endorse the security description on the transfer 'ex priority'; and
 - (b) the buying Exchange broker must not lodge the transfer with the issuer for registration on or before the books closing date.
- 7.55 Securities sold 'cum priority' may be delivered by a selling Exchange broker on a continuing basis but when not delivered by the third last business day before and inclusive of the books closing date, the buying Exchange broker on or before the fifth business day before and inclusive of the date on which the priority entitlement will lapse, must advise the selling Exchange broker of the amount of the new issue securities for which application is desired and must place the seller in funds to the extent of the required application money.
- 7.56 When securities are sold 'cum priority' and are delivered by the selling Exchange broker on or before the third business day before and inclusive of the books closing date but are not transferred to the buyer's name on a 'cum priority' basis and the buyer decides to participate in the issue, the buying Exchange broker on or before the fifth business day before and inclusive of the date on which the priority will lapse, must claim on the original selling Exchange broker in

writing for the number of new issue securities for which application is desired, and must place the seller in funds to the extent of the required application money. The request for protection must also include details of:

- (a) the original selling Exchange broker's code and transfer identification number;
- (b) the name of the transferor; and
- (c) the actual date of purchase by the claimant.

New Issues - Cum Rights

7.57 Rights issues not subject to ratification by meeting of holders of securities are governed by the following:

- (a) Unless otherwise determined by the Exchange, transactions in securities will be quoted by the Exchange on the Exchange trading system, as 'ex rights' on the seventh business day before and inclusive of the books closing date.
- (b) When a transfer of securities sold 'ex rights' or 'cum rights' in respect of which settlement is adjusted under rule 7.57(c), is delivered on any of the two business days before and inclusive of the books closing date. It must be clearly endorsed by the selling Exchange broker 'ex rights' as an adjunct to the security description and the buying Exchange broker must not lodge it with the issuer for registration purposes until after the books closing date.
- (c) When Securities sold 'cum rights' are delivered during the last two business days before and inclusive of the books closing date or any day thereafter, the selling Exchange broker must allow a deduction from the settlement of a cash adjustment at a value determined by the Exchange in accordance with rule 7.65 in lieu of the accruing rights.
- (d) The cash adjustment must be paid by the buying Exchange broker on delivery of either a renunciation form for the accruing rights or the accruing securities by the selling Exchange broker.

7.58 Rights issues subject to ratification by a meeting of holders of securities are governed by the following:

- (a) Unless otherwise determined by transactions in securities will be quoted by the Exchange on the Exchange trading system, as 'ex rights' on whichever is the later of, the first business day following the meeting of holders of securities which ratifies the issue, or the seventh business day before and inclusive of the books closing date.
- (b) The selling Exchange broker must not deliver securities during the period from the second business day before the books closing date to the day on which the issue is ratified by a meeting of holders of securities both days inclusive.
- (c) When securities are delivered in settlement of a 'cum rights' transaction on either of the two business days before and inclusive of the books closing date settlement will be adjusted by the cash adjustment at a value determined by Exchange in accordance with rule 7.65, and the transfer will be registered 'ex rights'.
- (d) Any transfer of securities comprising the delivery must be clearly endorsed 'ex rights' as an adjunct to the security description, and the buying Exchange broker must not lodge the transfer(s) with the issuer for registration purposes until after the books closing date.

- (e) The cash adjustment must be paid by the buying Exchange broker on delivery of either a renunciation form for the accruing rights or the accruing securities by the selling Exchange broker.

Rights

- 7.59 Except by arrangement with the buying Exchange broker, or unless otherwise determined by the Exchange, renounceable rights must not be delivered on any of the last two business days before and inclusive of the date announced by the issuer as being the final date for the receipt of renunciation forms.
- 7.60 When rights have not been delivered, in the terms of rule 7.59, the seller, unless otherwise instructed in writing by the buyer as provided in rule 7.61, must protect the buyer by applying to the issuer for the securities in respect of such right and the amount of application money payable by the seller must not exceed the minimum required by the issuer.
- 7.61 An instruction issued by the buyer in the terms of rule 7.60 must be delivered to the seller by the buyer not later than 3.00 p.m. on the last day for delivery of rights. The instruction must state that:
 - (a) protection is not required; or
 - (b) protection is required and payment of application money in excess of the minimum is to be made in which case such excess must be provided by the buyer at that time.

Options

- 7.62 When options are undelivered on the third business day before and inclusive of the date on which the buying Exchange broker must lodge transfers and related documents for exercise, the buyer must on or before the second business day before and inclusive of that last day for lodgement date, advise the selling Exchange broker of the number of options to be exercised and shall place the selling Exchange broker in funds to the extent required and the selling Exchange broker is bound to exercise the options.

Convertible Securities

- 7.63 Where:
 - (a) the settlement day for a transaction in convertible securities is on or before the third business day before and inclusive of the last business day designated on each occasion by the issuer for holders to convert their securities;
 - (b) the selling Exchange broker has not made valid delivery by the settlement day; and
 - (c) the buyer of such securities wishes to convert any of the securities,then:
 - (d) the buying Exchange broker must on or before the second business day before and inclusive of the last business day designated for conversion, advise the selling Exchange broker of the number of convertible securities to be converted; and
 - (e) the selling Exchange broker must:
 - (i) take immediate action to effect the conversion; and
 - (ii) effect delivery of the converted securities within five business days of receipt of share certificates or allotment listings.

Securities Subject Of A Takeover

- 7.64 Securities subject of a takeover offer, must from the first business day following the day on which the offer is despatched, be quoted on each of the following bases:
- (a) normal delivery - which will not be distinctly denoted and whereby the seller has not accepted the offer and the buyer is entitled to delivery of securities purchased; and
 - (b) offer accepted - which will be distinctly denoted as offer accepted - delivery of securities received from the offeror company or should the takeover offer lapse, settlement will be by delivery of securities of the company originally traded.

Cash Adjustments

- 7.65 A cash adjustment for the purposes of rules 7.46, 7.47, 7.50, 7.57 and 7.58 is a value determined by the Exchange when a selling Exchange broker has not delivered securities sold 'cum bonus', 'cum entitlement' or 'cum rights' by the third business day before and inclusive of the books closing date.
- 7.66 The cash adjustment represents an amount in lieu of the accruing securities.
- 7.67 Cash adjustments (including application money) will be made for all accruing securities notwithstanding that some or all of the accruing securities may be issued for no cash consideration.

TAXATION ADJUSTMENTS

Dividend Withholding Tax

- 7.68 When securities sold 'cum dividend' are delivered in the name of a non-resident, on or before the third business day before and inclusive of the books closing date, and a claim for the dividend is received, the non-resident seller is responsible for the amount of the dividend less withholding tax. The selling Exchange broker must supply the name and address of the seller to the buying Exchange broker who is then responsible for lodging an application for the refund of withholding tax with the Deputy Commissioner of Taxation.
- 7.69 When securities owned by a non-resident are sold "cum dividend" or "cum interest" and delivered with an adjustment for dividend or interest the selling Exchange broker will be responsible to the buying Exchange broker for the full amount of the dividend or interest. It is the selling Exchange broker's responsibility to lodge an application for the refund of withholding tax with the Deputy Commissioner of Taxation.

Claims

- 7.70 When securities are purchased 'cum dividend' and delivered by the seller before the last two business days before and inclusive of the books closing date, but are not transferred to the buyer's name on a 'cum' basis, the original seller is only responsible to the buyer for the tax paid amount received by him from the issuer.

Dividend Imputation Credits - Transfer Of Shareholder Status For Tax Purposes

- 7.71 When a claim is made in respect of a franked dividend, a cum dividend disposer must either:
- (a) transfer the franked dividend to the unregistered cum dividend acquirer under this rule and Division 6A of Part 111AA of the Income Tax Assessment Act 1936; or
 - (b) compensate the unregistered acquirer in accordance with rule 7.77 for the loss of entitlement to the franked dividend, if required to do so, in accordance with that rule.

7.72 Prior to issuing:

- (a) a dividend statement to the disposer under rule 7.73; and
- (b) an Exchange broker's transfer of franked dividend certificate under rule 7.74; or
- (c) a dividend statement to the acquirer under rule 7.75

the selling Exchange broker must verify, from evidence supplied by or on behalf of the disposer, that the disposer, or the disposee's nominee, received or has an entitlement to receive the franked dividend.

7.73 Except for claims settled under rule 7.77, the selling Exchange broker must issue to the disposer a dividend statement in the form prescribed by the Exchange from time to time.

7.74 Subject to verification of the disposer's dividend entitlement under rule 7.73, the Exchange broker transferring the franked dividend must issue a transfer of franked dividend certificate in the form prescribed by the Exchange from time to time. Such certificate must be issued to the Exchange broker making the claim:

- (a) if the claim is made on or before the books closing date, at the time of settlement of the relevant transaction or by the fifth business day after the dividend payment date, whichever is the earlier; or
- (b) if the claim is made after the books closing date, at the time of paying the dividend to the acquirer in satisfaction of the claim.

7.75 Subject to verification of the disposer's dividend entitlement under rule 7.73 the selling Exchange broker must issue to the acquirer a dividend statement in the form prescribed by Exchange from time to time.

7.76 If the franked dividend cannot be transferred to the acquirer in accordance with the provisions of this rule 7.76, and the acquirer is an Australian taxpayer, the disposer must, if required by the acquirer, pay to the buying Exchange broker, on behalf of the acquirer, an amount equal to the imputation credit that would have been attached to the franked dividend, in addition to settlement of the claim.

7.77 Where a compensatory payment is made under rule 7.76, the selling Exchange broker must pay to the acquirer the amount claimed under rule 7.76 and at the same time advise the acquirer of the receipt of a dividend equivalent, rather than a franked dividend.

7.78 Where a transfer of securities is delivered during the ex period:

- (a) in settlement of an ex dividend transaction; or
- (b) in respect of an outstanding cum dividend transaction where the selling Exchange broker's transfer of franked dividend certificate under rule 7.74 or a dividend statement under rule 7.75 has been issued

and the transfer is registered in error before the books closing date, the acquirer must either:

- (c) transfer the franked dividend back to the disposer in accordance with this rule 7.78, as if the acquirer had disposed of the securities to the disposer on a cum dividend basis; or
- (d) if required to do so, compensate the unregistered disposer in accordance with rule 7.77 for the loss of entitlement to the franked dividend.

- 7.79 If the selling Exchange broker issues a dividend statement or a transfer of franked dividend certificate, the selling Exchange broker may be called on by either the Australian Taxation Office or the Exchange to substantiate the basis on which such documentation was issued.

DOCUMENTATION REQUIREMENTS

Certification Stamps

7.80 An Exchange broker must have a certification stamp that includes:

- (a) the name – SIM Venture Securities Exchange Ltd;
- (b) the Exchange broker's name and code number; and
- (c) the Exchange broker's facsimile signature.

7.81 A settlement agent must have a certification stamp that includes:

- (a) the name – SIM Venture Securities Exchange Ltd;
- (b) the settlement agent's name and code number;
- (c) the settlement agent's facsimile signature; and
- (d) a statement that it is executed as agent and the Exchange broker's identity is available on written request.

Use of Certification Stamps

7.82 A selling Exchange broker must place its certification stamp in part 1 of a transfer form before delivering the transfer form to the buying Exchange broker.

7.83 A buying Exchange broker must place its certification stamp in part 2 of a transfer form before delivering the transfer form to the issuer or its share registrar for registration.

7.84 A reference in this chapter 7 to a buying or selling Exchange broker's using their certification stamp includes a reference to a settlement agent using their certification stamp on behalf of the Exchange broker.

Transfer Documents

7.85 Unless otherwise determined by the Exchange, Exchange brokers must use white forms of transfer or renunciation which conform with the layout prescribed by the Corporations Act.

Registration Of Documents

7.86 For the purposes of rules 7.87, 7.88 and 7.89, transfers or renunciations includes split transfers and split renunciations.

7.87 Except where transfers or renunciations require the transferee's signature, the buying Exchange broker must forward transfers to the issuer for registration within five business days of receipt, but when the books of the issuer close for any purpose all transfers in its possession must be lodged with the issuer before the registers close, unless the transfers are in respect of a transaction settled on an 'ex entitlement' basis.

7.88 All transfers and renunciations forwarded to the issuer for registration must be accompanied by an advice of lodgement for registration. The advice must be dated and include the:

- (a) number of units;
- (b) name of the transferor;
- (c) name of the transferee;
- (d) register in which the securities are to be registered;
- (e) certificate or reference number relative to each transfer

but where all transfers and renunciations are micro-filmed before lodgement and are suitably referenced, the advice of lodgement need not contain the details set out in paragraphs (a) to (e) above.

Transfer Noting in Estate Matters

7.89 A security transfer or a security renunciation and transfer executed under grant of probate or letters of administration is valid delivery when relevant documents of probate have been sighted by the issuer and a 'probate exhibited' stamp has been applied to the transfer by the issuer or its share registrar.