



MEDIA RELEASE

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ASX extends OTC derivatives clearing solution to include client clearing for Australian investors

ASX today announces that it plans to extend its new OTC Derivatives Clearing Service to deliver a client clearing solution. This aims to provide important new risk management controls to Australian investors and asset managers, giving them the choice to protect their individual positions and collateral in the event of a significant default. This extension of ASX's OTC Derivatives Clearing Service is scheduled for delivery by the end of 2013, subject to regulatory approval and customer readiness.

ASX is making significant investments to give Australia a world-class financial market infrastructure. In December 2012 ASX announced that seven domestic and international banks had joined a foundation program to work with ASX to develop an OTC Derivatives Clearing Service for A\$ interest rate swaps by mid-2013. Subject to receiving the necessary approvals, this service is on track for delivery and will enable customers to meet their regulatory obligations under Australia's G20 commitments on central counterparty clearing of interest rate swaps.

By being integrated into existing ASX market infrastructure, the OTC Derivatives Clearing Service will provide operating efficiencies and cross-margining benefits with existing ASX derivative products. By being located onshore, the service gives customers confidence that their collateral and the clearing service will be regulated under Australian law.

ASX is now working to extend the OTC Derivatives Clearing Service to add a client clearing solution for Australian investors. This will provide important new client asset protection mechanisms, so that in the event of a default by a clearing participant, there is an orderly transfer of client positions and the associated collateral to another clearing participant.

ASX has been working with a client forum from the Australian investment community to develop a domestic OTC derivatives clearing solution. Nine major Australian funds managers and state government treasuries, which collectively manage around \$750 billion representing almost 40% of total Australian investor funds under management, have been providing important input to ensure the domestic service meets their needs, including the choice for collateral to be held onshore under Australian law.

They include AMP Capital, Colonial First State Global Asset Management, Future Fund, NSW Treasury Corporation, QIC, Queensland Treasury Corporation, Suncorp Bank, Treasury Corporation of Victoria and Victoria Funds Management Corporation.

David Dixon, Chief Investment Officer, Colonial First State Global Asset Management, said: "Australian clients should have a choice of being able to use an Australian clearing service where their collateral is protected and that is governed by Australian regulatory authority. This service has to be efficient and include strong safety features."

David Clarke, Chief Risk Officer of QIC, said: "We recognise that financial markets are increasingly global in nature. However, it is important for QIC as manager of \$70 billion in assets that we have flexibility and choice in controlling

the risk of our transactions. Having a domestic clearing solution available for Australian dollar interest rate swaps is therefore a valuable option to us. We are pleased that a number of banks are working with the ASX to deliver a local solution."

Tim Hughes, Treasurer of Suncorp Bank, said: "Suncorp sees great benefit both in terms of efficiency and risk mitigation in using a domestic-based clearing provider with Australian regulatory oversight."

Elmer Funke Kupper, ASX Managing Director and CEO, said: "ASX is currently working with seven banks on the technical design of its clearing services. We welcome the input by major Australian investors to ensure that the solution meets their needs. ASX believes it is important that investors have access to a world-class and highly liquid clearing service in Australia. It is part of our agenda to ensure that Australia has the infrastructure that position it well globally and in the Asian Century."

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