



MEDIA RELEASE

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ASX lowers fees for interest rate futures clearing participants

From 1 October 2014, ASX will lower fees and increase growth incentives for clearing participants in its interest rate futures and over-the-counter (OTC) clearing business. This will be achieved by implementing a new fee schedule for interest rate futures and by providing volume discounts for OTC clearing.

The new fee schedule recognises that volumes have grown strongly and that fees have not changed for more than 10 years. The new fees improve the sustainability of the derivatives business, encourage volume growth and position ASX to compete for liquidity in an evolving global market structure. The fee schedule and growth incentives reflect that customers use exchange-traded and OTC interest rate products together.

Derivatives are the largest contributor to ASX revenue, accounting for \$197 million, or 32% of total ASX group revenue, in FY13. Within the derivatives business, interest rate futures account for the majority of traded volume.

Australia has both the 5th largest exchange-traded interest rate futures market and the 5th largest OTC interest rate market in the world. The exchange-traded interest rate futures market has grown strongly over the last decade, with notional turnover increasing from \$21 trillion in FY05 to more than \$41 trillion in FY14 – a compound annual growth rate in excess of 7%.

ASX has made significant investments over the last two years to build a world-class financial market infrastructure for the Australian dollar market. The new services flowing from these investments include a clearing solution for OTC derivatives, a client clearing solution that gives important new protections to investors and a collateral management service that provides efficiencies to banks that operate in the Australian market. Each service deploys the best available technology and risk management solutions.

The implementation of a new fee schedule for interest rate futures signals the next phase in the development of ASX's Derivatives business. This phase involves continued investment in ASX's trading, clearing and risk management platforms, the launch of new products that more directly integrate the exchange-traded futures and OTC markets (a process known as 'futuresisation'), and improved alignment between ASX and its clients through lower fees and higher growth incentives. ASX is receiving direct input from clients in its investment program through dedicated risk and product committees.

New fee schedule for interest rate futures

On 1 October 2014, ASX will introduce fee changes that apply to the house interest rate futures volumes of customers who are clearing participants in ASX Clear (Futures), the clearing house that clears both futures and OTC activity.

The current headline fee for Australian dollar interest rate futures that are transacted on the exchange is 90 cents per contract side. The new fee schedule links the fees that clearing participants pay for their house business to the volume of Australian dollar interest rate futures and OTC clearing activity they transact with ASX. The fee discounts increase as participants transact higher volumes.

The new fee schedule is summarised below. It shows that the lowest available fee for incremental house volume will be 30 cents – applicable to customers who trade in excess of 2 million sides in interest rate futures and clear in excess of \$100 billion OTC interest rate swaps in a quarter. This represents a potential saving on those trades of 60 cents or 67%.

New fee schedule for interest rate futures transacted on ASX
(Cents per contract side excluding GST; applicable to clearing participant house business)

All thresholds are per quarter		OTC CLEARED NOTIONAL VALUE (\$b)			
		0 – 25	25 – 50	50 – 100	>100
INTEREST RATE FUTURES (House Sides – Million)	>4	40	35	30	30
	2 – 4	50	45	40	30
	1.25 – 2	60	55	50	40
	0.75 – 1.25	70	65	60	50
	0.25 – 0.75	80	75	70	60
	0 – 0.25	90	90	90	90

For example, a clearing participant who transacts 1 million Australian dollar interest rate futures contracts per quarter and less than \$25 billion of OTC cleared notional value will pay 90 cents on the first 250 thousand futures contracts, 80 cents on the next 500 thousand contracts and 70 cents on the next 250 thousand contracts.

In addition to the fee discounts that apply to the Australian dollar interest rate futures business, ASX will provide OTC clearing fee discounts that could reach 20% for those clients that meet the highest OTC clearing thresholds.

As part of the changes, ASX will discontinue the existing Large Volume Rebate (LVR) scheme in its futures business, which has been operating for over 10 years. Under the LVR, ASX customers shared in a rebate pool based on the overall revenue growth of the futures and OTC clearing business. The new fee schedule is significantly more attractive and provides greater certainty for clearing participants than the LVR.

Financial impact of fee changes in interest rate and electricity derivatives

The fee changes for interest rate futures and OTC clearing follow a recent reduction in fees and the introduction of new incentives for market makers in electricity derivatives. These came into effect on 1 July 2014.

ASX estimates that if the new fees and incentives for interest rate and electricity derivatives had been in operation in the 2014 financial year, along with discontinuation of the LVR, it would have reduced ASX's derivatives revenue by approximately \$17 million.

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