

Facilitated Membership

An ASX Clear (Futures) Service | 12 March 2018

Facilitated Membership is an ASX service model option available for firms who are seeking membership of ASX Clear (Futures). It provides these firms with the option to use a third party service model to provide the technology and operational support to connect to the clearing house.

ASX admission requirements support the ability for a Clearing Participant to enter into a Facilitated Membership arrangement by contractually engaging a Facilitation Agent. A Facilitation Agent is a firm with the expertise, resources and processes to perform the agreed outsourced activities on behalf of the Clearing Participant.

The Clearing Participant can choose to outsource some or all of its operational clearing activities to a Facilitation Agent including the requirement to maintain technical connectivity to the clearing house, perform post trade allocation activity and maintain account record keeping requirements on behalf of the Clearing Participant.

Once admitted, the Clearing Participant remains principally liable to ASX for its compliance with the ASX Clear (Futures) rules, ensuring the firm meets the minimum financial requirements, providing ASX with its default fund contribution and its performance as a Clearing Participant including all activities performed by the Facilitation Agent.

Membership benefits of ASX Clear (Futures)

- Margin efficiency with automated cross margin benefits for eligible OTC and exchange traded rates products
- Beneficial capital treatment of trade exposures held direct at the Central Counterparty
- Favourable haircut on margin
- Control of margin and collateral held in Clearing Participant name
- Eligible to participate in ASX volume discount scheme for interest rate futures house volume at ASX

Mechanics of Facilitated Membership



Operational processes

- Daily trade processing
- Allocation/Give in
- Exercise/Assignment
- Daily closeout
- Trade and associated margin reconciliation

Financial obligations

- Default fund contribution
- Daily and Intraday margin obligations
- Margin reconciliation

Frequently Asked Questions

What clearing activities can be outsourced to a Facilitation Agent?

A Clearing Participant applicant can choose to outsource some or all of its operational clearing activities to a Facilitation Agent, including:

- Technical connectivity to the clearing house
- Post trade allocation activity
- Account record keeping requirements on behalf of the clearing participant.

What clearing activities cannot be outsourced to a Facilitation Agent?

A clearing participant remains principally liable to ASX at all times, and must directly meet the requirements of the ASX Clear (Futures) rules, including:

- Licensing requirements authorising an applicant to act as Clearing Participant
- High business integrity
- Corporate capacity – a body corporate carrying on business in its own right

Are there any requirements a Facilitation Agent needs to meet?

A Facilitation Agent must have the expertise, resources and processes to perform the agreed outsourced activities on behalf of the Clearing Participant.

The Clearing Participant needs to undertake appropriate due diligence enquiries before entering into a Facilitated Membership arrangement, and includes:

- Establishing that the Facilitated Agent can perform the agreed outsourced activities on behalf of the Clearing Participant competently and reliably
- Identifying and addressing any business, operational and other risks involved with the Facilitated Membership arrangement
- Establishing appropriate contractual arrangements between the Clearing Participant and the Facilitated Agent.

In addition, the Clearing Participant is required to have appropriate management supervision processes to ensure that any activities performed by the Facilitation Agent continue to comply with all applicable obligations under the ASX Clear (Futures) rules.

Who will receive daily reporting from ASX?

Both the Clearing Participant and Facilitation Agent can receive reports from ASX. Depending on the outsourced activities, the Facilitation Agent may receive a subset of the full suite of reporting available to the Clearing Participant.

Where the Facilitation Agent performs all daily trade processing and position keeping tasks, the Facilitation Agent

will receive comprehensive reporting for all trade and position activities to support reconciliation activities.

The Clearing Participant will receive full reporting for all of the Clearing Participant's business at ASX, including those related to outsourced activities. Reporting will detail all trade and position activities, and full financial statements for daily settlement.

Where will the Clearing Participant's infrastructure be located?

The Clearing Participant and Facilitation Agent can elect to house the clearing platform infrastructure at a site agreed between them that meets ASX requirements detailed in [Guidance Note 1: Admission as a Participant](#).

The Clearing Participant remains responsible for the infrastructure and will submit a technology process flow diagram as part of the Participant application process. The process flow diagram will need to include detail of the Clearing Participant's infrastructure location at the agreed site, how the systems will connect to ASX and the number and location of access points.

What are the BCP arrangements for Facilitated Membership?

The Clearing Participant needs to provide a Business Continuity Plan (BCP) as part of its application. The BCP addresses details of system/data recovery and personnel availability, see [Guidance Note 10: Business Continuity and Disaster Recovery](#). The Facilitation Agent must be able to satisfy those obligations for tasks that the Clearing Participant has outsourced to it as part of the Facilitated Membership agreement.

The Clearing Participant will also need to have a robust BCP to support future changes to the allocation of resources and processes, performed by the Facilitation Agent on behalf of the Clearing Participant.

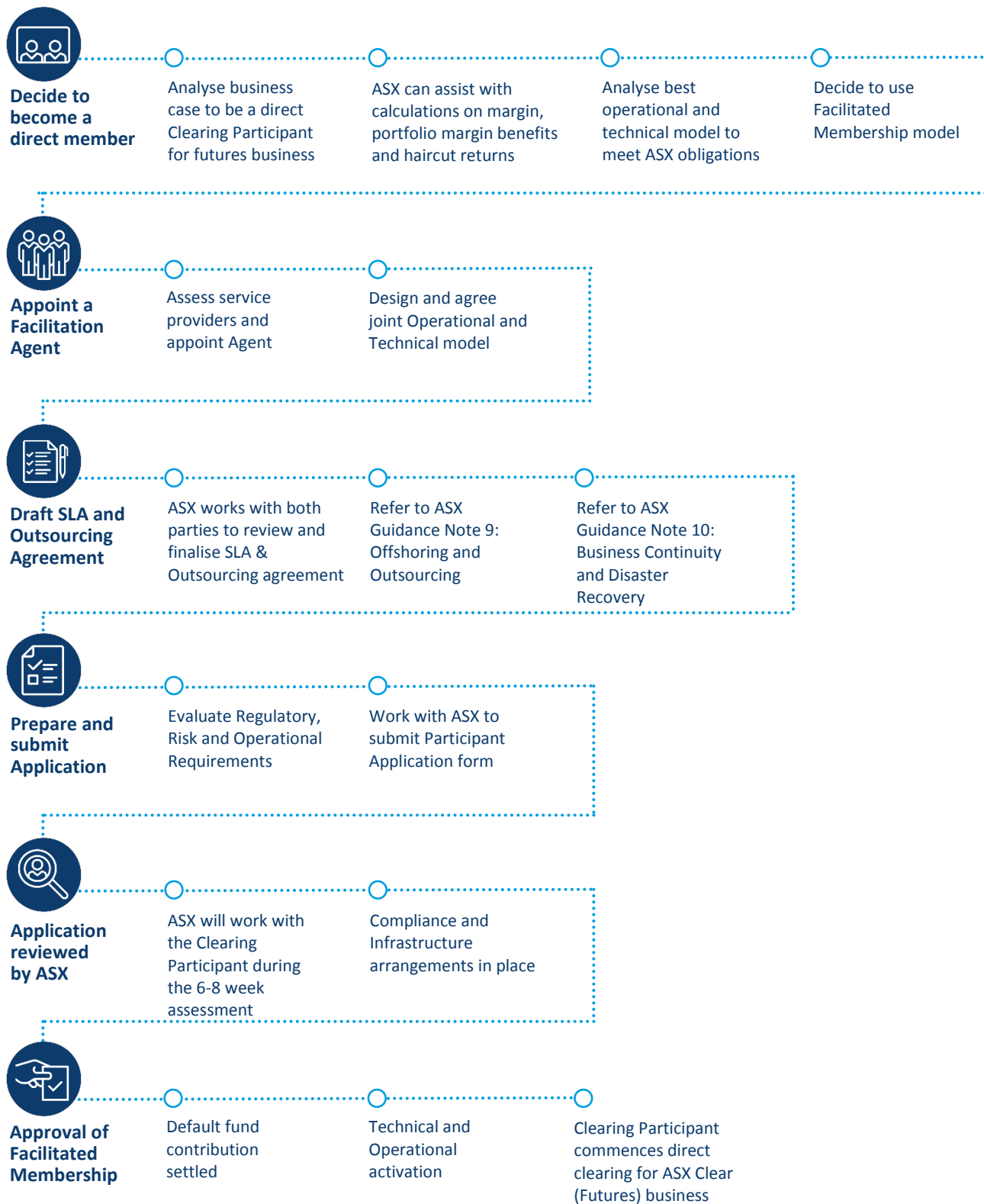
Does ASX have a Service Level Agreement for Facilitated Membership?

The Service Level Agreement (SLA) is an agreement negotiated by the Clearing Participant and Facilitation Agent and may include terms that are not directly related to the direct membership of ASX Clear (Futures). For this reason, ASX has not produced an SLA for Facilitated Membership.

ASX is available to work with the Clearing Participant and Facilitation Agent to ensure their bilateral agreement:

- Comprehensively allocates the duties and functions of the Clearing Participant under ASX's operating rules
- Meets ASX's expectations regarding offshoring and outsourcing ([Guidance Note 9](#)), business continuity and disaster recovery ([Guidance Note 10](#)), and Participant admission ([Guidance Note 1](#)).

Path to Facilitated Membership





Further enquiries:

For more information on Facilitated Membership or on providing Facilitation Agent services to Clearing Participants, please contact:

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