

**Australian Clearing House Pty Limited
ASX Settlement and Transfer Corporation Pty Limited**

**Provision of a trade acceptance service to Australian financial market
licensees in respect of CHESS-eligible ASX-quoted securities**

**Overview of proposed changes to the
ACH Clearing Rules and ASTC Settlement Rules**

The proposed rule changes referred to in this document remain subject to regulatory approval and are not yet operative.

ACH CLEARING RULES AND ASTC SETTLEMENT RULES – TRADE ACCEPTANCE SERVICE

ASX has committed to offering a Trade Acceptance Service to any approved Australian market licensee (“Approved Market Operator” or “AMO”) trading CHESS-eligible ASX-quoted securities. The Trade Acceptance Service will enable transactions in CHESS-eligible ASX-quoted securities effected through multiple AMOs to be accepted by ACH and ASTC for clearing and settlement. Further information on the Trade Acceptance Service can be found on ASX’s Trade Acceptance Service website:

http://www.asx.com.au/professionals/trade_acceptance_service/index.htm

An overview of the proposed rule amendments that are intended to support the introduction of the Trade Acceptance Service to be provided by ACH and ASTC to AMOs is set out below. The draft rule amendments can be found on the above website.

1. **New definitions**

It is proposed that a new definition of “Approved Listing Market Operator” be introduced to distinguish between Approved Market Operators which are listing venues and those which are not. The distinction is primarily relevant to the ACH Clearing Rules which relate to derivatives contract terms and risk management and the ASTC Settlement Rules which relate to the approval of Financial Products, Issuers and corporate actions. For the avoidance of doubt, the Trade Acceptance Service is limited to CHESS-eligible ASX-quoted securities and does not currently extend to Derivatives Market products.

2. **Participation in the Clearing Facility**

Amendments are proposed to the ACH Clearing Rules to:

- enable Clearing Participants to specify the Approved Market Operator(s) in relation to which they intend to clear Market Transactions; and
- specify additional requirements (to be set out in the Procedures) for those Clearing Participants wishing to clear Market Transactions effected through multiple Approved Market Operators. The additional requirements will take the form of a self-certification which is primarily directed at addressing any increase in operational risk of Clearing Participants as a result of clearing trades executed on multiple platforms.

3. **Reliance on particulars of Market Transactions**

ACH will not bear the risk of misdescription of parties in the particulars of transactions submitted by an Approved Market Operator. Where an Approved Market Operator submits a Market Transaction to ACH for registration in the name of a Clearing Participant and that participant is authorised under the ACH Rules to clear one or more categories of Market Transactions effected through the Approved Market Operator, the Clearing Participant will be taken for all purposes under the ACH Clearing Rules to have agreed to clear the Market Transaction, notwithstanding any actual or alleged error concerning the identification of the participant as a clearing counterparty to the transaction. Clearing Participants will therefore need to put in place systems and processes (including, where applicable, contractual arrangements with Market Participants) to ensure such misdescriptions are promptly identified and rectified in accordance with the cancellation rules of the Approved Market Operator.

4. **Novation**

The ACH Clearing Rules will be amended to clarify that only those Cash Market Transactions which are reported to ACH for registration in the names of different delivering and receiving Clearing Participants will be novated. A Cash Market Transaction which is reported to ACH for registration in the name of one Clearing Participant only (as both delivering and receiving counterparty) will not be novated. The specified timing of novation of Cash Market Transactions is unchanged and is the same irrespective of the AMO on which the transaction was effected.

5. **Management Requirements (ASTC Settlement Rules)**

Account and General Settlement Participants will be required to have appropriate management structures in place and have appropriate supervisory policies and procedures. These new requirements mirror the equivalent requirements imposed on Clearing Participants under ACH Clearing Rules 3.5.1 and 4.8.1. It is proposed that this amendment will not take effect until approximately 3 months following the ministerial disallowance period (or

earlier clearance) after formal lodgement. This will allow Participants time to implement any required changes before the amendments become effective.

6. **Settlement**

The amendments to the ACH Clearing Rules also specify that Clearing Participants must ensure that Cash Market Transactions are settled on the third business day after execution (T+3). By stipulating the settlement period in its own operating rules, ACH avoids reliance on the corresponding operating rules of AMOs. The specification of the settlement period is an important element of ACH's counterparty credit risk mitigation.