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Clearing and settlement arrangements for potential operators of trade execution platforms for CHES-eligible ASX-quoted securities

In December 2009 the ASX group provided potential operators of trade execution platforms for CHES-eligible ASX-quoted securities (Potential Market Operators) with an update on the development work which has commenced so that the ASX group can provide clearing and settlement arrangements to Potential Market Operators. A copy of that update is published as "Market Operator Letter" on asx.com.au at [Trade Acceptance Service - ASX - Australian Securities Exchange](#).

This is the next update on the ASX group's new service offering to Potential Market Operators, to be known as the Trade Acceptance Service. This letter is being sent to all Potential Market Operators who have been in contact with the ASX group on these matters and will be published on asx.com.au at [Trade Acceptance Service - ASX - Australian Securities Exchange](#).

Trade Acceptance Service: contractual framework

As outlined in the ASX group's December 2009 communication, the ASX Clearing and Settlement Facilities (ACH and ASTC) will make the Trade Acceptance Service available to Approved Market Operators (AMOs) under a published set of contractual terms of service (Legal Terms of Service). An initial application fee of \$10,000 (excl. GST), and an annual fee of up to \$450,000 (excl. GST) per annum per AMO, will apply to the Trade Acceptance Service. The annual fee has been based on the cost of developing the Trade Acceptance Service and the technical and operational support and business services which will be provided to AMOs that acquire the service.

The Legal Terms of Service will contain the general contractual terms of the Trade Acceptance Service and will incorporate:

- a fee schedule for the Trade Acceptance Service; and
- a form of application to be completed by Australian financial market licensees that seek approval as AMOs and to acquire the Trade Acceptance Service.

Australian Securities Exchange

Australian Stock Exchange
Sydney Futures Exchange

Australian Clearing House
SFE Clearing Corporation

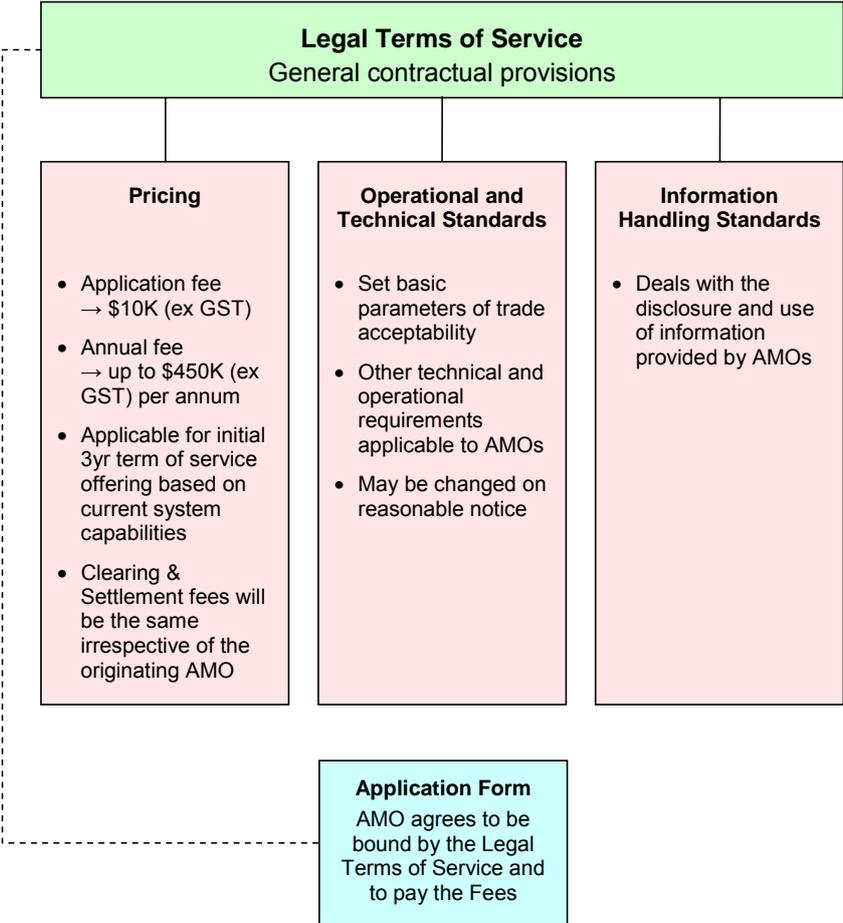
ASX Settlement and Transfer Corporation
Austraclear

Additionally, the ASX Clearing and Settlement Facilities intend to promulgate under the Legal Terms of Service:

- operational and technical standards; and
- an information handling standard,

in connection with the provision of the Trade Acceptance Service.

The legal framework for the provision of the Trade Acceptance Service is illustrated below:



Trade Acceptance Service: additional information

The additional information in relation to the Trade Acceptance Service which the ASX group now makes available to Potential Market Operators, clearing and settlement participants and other stakeholders is:

1. draft Legal Terms of Service – the general contractual terms relating to the Trade Acceptance Service;
2. draft Operational and Technical Standards – standards that set the basic parameters of trade acceptability and specify other technical and operational requirements applicable to AMOs that acquire the Trade Acceptance Service;
3. draft Information Handling Standard – standard that deals with the disclosure and use of information provided by AMOs to the ASX group; and

4. draft Business and Technical Overview – provides a list of message type descriptions and transaction id usage for all new CHESS messages that are to be introduced in connection with the Trade Acceptance Service.

This additional information accompanies this document in the form of four separate attachments.

The draft Legal Terms of Service, Operational and Technical Standards and Information Handling Standard are contained in Attachments 1, 2 and 3 respectively.

The draft Business and Technical Overview is contained in Attachment 4.

The attached documents are provided in draft form for the information of Potential Market Operators and other interested parties. The ASX group reserves the right to make changes to the documents prior to final publication and accepts no liability for any loss or damage incurred by any person who relies on the information presented in these draft documents. Without limiting the ASX group's discretion to make changes to the attached draft documents, Potential Market Operators are advised that the ASX group may need to revise the documents to take account of:

- the details of legislation to be introduced into Parliament (expected in February this year) to give effect to the Australian Government's decision to have the Australian Securities and Investments Commission (ASIC) supervise real-time trading on Australia's domestic licensed markets (Transfer Legislation); and
- the details of rules which ASIC will make (Market Integrity Rules) under amendments to the Corporations Act to be effected by the Transfer Legislation, which are expected to be released in draft after the introduction of the Transfer Legislation into Parliament, including any further or amended Market Integrity Rules released in connection with or subsequent to the Government's consideration of outstanding market licence applications by Potential Market Operators.

Testing

Subject to regulatory clearance and participant readiness, the ASX Clearing and Settlement Facilities are planning to be ready to provide the Trade Acceptance Service in accordance with the Government's announced timetable for its consideration of outstanding market licence applications by Potential Market Operators. To this end the ASX Clearing and Settlement Facilities have planned a programme of user acceptance testing and industry wide testing to commence, indicatively, by 1 July 2010. Further details of the testing programme will be made available in due course.

The ASX group will also be engaging with clearing and settlement participants, ahead of the commencement of industry wide testing, in relation to their readiness to provide clearing and settlement services in respect of multiple trade execution platforms for CHESS-eligible ASX-quoted securities.

Operating rule amendments

The ASX Clearing and Settlement Facilities intend to make complementary amendments to their respective operating rules to support the introduction of the Trade Acceptance Service. Subject to regulatory clearance, the rule amendments will be published in the usual way prior to commencement of the service.

The ASX group will continue to liaise with interested parties in relation to the provision of clearing and settlement arrangements to Potential Market Operators. Any queries in relation to this letter or the attachments should be directed to the undersigned.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rohan Delilkhan', written in a cursive style.

Rohan Delilkhan
General Manager, Clearing and Settlement Services

Encl.