



Securities lending reporting for Participants

March 2021

Securities lending reporting - overview

This module has been designed to provide a reminder of the key participants securities lending reporting obligations across the ASX Settlement Operating Rules (ASXSR) and related procedures, as well as the method of submitting borrowed, loaned and committed securities information via ASX Online.

This module will cover the key obligations of:

- **ASXSR 6.8A – Identification and Reporting of Securities Lending Activity**

As well as the broader requirements relating to:

- ASXSR 4.18 – Organisational Requirements
- ASXSR 6.2.2 – Information given by Participant

References

- [ASX Settlement Operating Rulebook](#)
- [Section 4 – Participation in the Settlement Facility](#)
- [Section 6 – Rights and Obligations of Participants](#)

All securities lending data collected by ASX is published [here](#).



What is a securities lending arrangement?

ASXSR 2.13 defines a securities lending arrangement as an arrangement under which an entity (as the Lender) agrees that it will:

- a) deliver Financial Products to another entity (the Borrower) or to an entity nominated by the Borrower; and
- b) vest title in those Financial Products in the entity to which they are delivered; and

The Borrower agrees that it will, after the Lender does the things mentioned above:

- a) deliver the Financial Products (or equivalent Financial Products) to the lender or to an entity nominated by the Lender; and
- b) vest title in those Financial Products (or equivalent Financial Products) in the entity to which they are delivered.

Lending arrangements are typically executed under standardised agreements giving the Borrower full title for the term of the loan.

The Lender typically charges a fee for the loan and requires that the Borrower post collateral.

The Lender also typically reserves the right to recall the securities with a specified period of notice prior to the end of the loan period (typically based on the standard settlement period in the market - two days in Australia).

History of securities lending and the role of ASX

The Reserve Bank of Australia (RBA) has responsibility for the oversight of financial stability and risk issues arising from clearing and settlement arrangements in the Australian equities market.

Pursuant to Section 827D of the Corporations Act 2001, the RBA determined the Financial Stability Standards (FSS) in 2003 for central counterparties and securities settlement facilities. These standards apply to the facilities operated by ASX and require amongst other things, that ASX have in place arrangements to ensure that settlement is timely, irrevocable and on an appropriate delivery-versus-payment basis.

Following an industry consultation by the RBA in December 2009, the FSS for licensed settlement facilities were varied and the securities lending disclosure regime was introduced into the ASXSR. This was done in part to capture greater transparency around securities lending transactions.

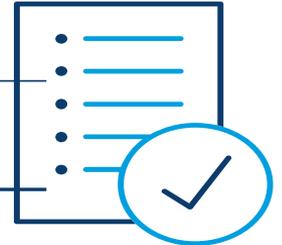
ASX provides the platform used to facilitate the reporting of securities lending by Participants to the market via the ASX Online portal. Additionally ASX publishes the [securities lending data](#) on its website* to ensure that all Participants in the market have access to the data on volumes and values of securities lending, rather than just those directly involved in such transactions.

All securities lending data published represents data from the close of business three (3) Business Days prior.

Why is accurate securities lending reporting data important?

The securities lending data published on ASX's website may be utilised for a variety of reasons, some examples include:

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| On-lending | To determine whether a higher probability exists that the recall of a single loan may trigger one or many additional recalls of securities loans. |
| Utilisation | To determine whether higher utilisation of securities committed to lending may mean it is more difficult to borrow the security to deliver a recalled loan. |
| Securities loaned as a proportion of turnover and market capitalisation | The larger the value of securities loaned as a proportion of turnover or market capitalisation, the more difficult it may be to access market liquidity to purchase securities to complete the delivery of a recalled loan. |
| Analysis of post market events | The analysis of market events after they have occurred to help understand the functioning of markets. |



ASX Settlement Participants obligations

- ASX Settlement Participants who engage in, or have Non-Participant Related Body Corporates that engages in, securities lending activity are required to register as a Securities Lending Participant (ASXSR 6.8A.4).
- Participants must ensure that every Message to Transfer Financial Products Transmitted which give rise to a securities lending transaction is tagged with an “L” in the Dual Entry message (ASXSR 6.8A.1).



The table below outlines Participants daily and quarterly reporting obligations:

Daily Reporting

By 9.00am on each Business Day, securities lending Participants must advise for each class of approved financial product as at close of business 2 Business Days prior:

- a) its securities on loan position
- b) its securities borrowed position



(ASXSR 6.8A.5).

Quarterly Reporting

by 9.00am on the third Business Day of each Quarter, securities lending Participants must advise its Securities Committed Position for each class of Approved Financial Products, as at close of business on the last Business Day of the previous Quarter, unless its Securities On Loan Position, Securities Borrowed Position or Securities Committed Position (as applicable) is equal to zero. (ASXSR 6.8A.5).

ASX Settlement Participants obligations - Continued

- If requested Participants are required to disclose to ASX Settlement within the Scheduled Time and in the manner specified in the Procedures, the name and contact details of the entity or entities on whose behalf or on whose instructions the Participant effected a Transfer (ASXSR 6.8A.2) that is a Securities Lending Transfer.
- Participants must ensure all information is complete, accurate and not misleading. If a Participant becomes aware that information which it has given previously to ASX Settlement, was or has become incomplete, inaccurate or misleading, then ASX Settlement must be promptly notified in writing (ASXSR 6.2.2).
- Finally, Securities Lending Participants must ensure the resources and processes that it has in place are sufficient relating to its activities, to ensure compliance with its obligations under these Rules. For these purposes, “resources” may include financial, technological and human resources and “processes” may include management supervision, training, compliance, risk management, business continuity and disaster recovery processes (ASXSR 4.18.1)



ASX Settlement Participants obligations – key definitions

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| Business Day | means a day other than: (a) a Saturday, Sunday, New Year’s Day, Good Friday, Easter Monday, Christmas Day, Boxing Day; and (b) any other day which ASX Settlement notifies Facility Users is not a Business Day. Settlement in securities does not take place on Non-Business Days, nor is a Non-Business Day counted when calculating the relevant settlement day for securities transactions effected on prior days |
| Non-Participant Related Body Corporate | means, in respect of an entity, a Related Body Corporate of the entity which is not a Participant. |
| Related Body Corporate | has the meaning set out in Section 50 of the Corporations Act. |
| Securities Borrowed Position | means, at any time in respect of a Securities Lending Participant and a class of Approved Financial Products, the aggregate number of Financial Products of the class that the Participant or any of its Non Participant Related Bodies Corporate has borrowed from one or more Lenders under Securities Lending Arrangements to which the Participant or any of its Non Participant Related Bodies Corporate is a party and that the Participant or Non Participant Related Body Corporate has not returned to the Lender or Lenders, or entities nominated by them, at that time. Financial Products which are: (a) borrowed by an entity from a Related Body Corporate; or (b) included in the Securities Borrowed Position of another Securities Lending Participant in respect of that class of Financial Products at that time, are to be disregarded. |

ASX Settlement Participants obligations – key definitions (continued)

Securities Committed Position

means, at any time in respect of a Securities Lending Participant and a class of Approved Financial Products, the aggregate of:

- (a) the Participant's Securities On Loan Position in respect of the class of Financial Products at that time; and
 - (b) the aggregate number of Financial Products of the class held by the Participant or any of its Non Participant Related Bodies Corporate which are available at that time for loan to other parties, whether or not subject to any conditions, under Securities Lending Arrangements to which the Participant or any of its Non Participant Related Bodies Corporate is or may become a party as Lender. Financial products which are:
 - (i) included in the Participant's Securities Borrowed Position in respect of that class of Financial Products at that time;
 - (ii) included in the Securities Committed Position of another Securities Lending Participant in respect of that class of Financial Products at that time; or
 - (iii) held by the Participant or any of its Non Participant Related Bodies Corporate as a result of or for the purpose of trading by the entity on its own behalf, are to be disregarded.
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Securities Lending Participant

means a Participant that engages in or intends in the future to engage in, or has a Non Participant Related Body Corporate that engages in or intends in the future to engage in, one or more Securities Lending Transactions, irrespective of the value or frequency of the transactions.

Securities On Loan Position

means, at any time in respect of a Securities Lending Participant and a class of Approved Financial Products, the aggregate number of Financial Products of the class that the Participant or any of its Non Participant Related Bodies Corporate has lent to one or more Borrowers under Securities Lending Arrangements to which the Participant or any of its Non Participant Related Bodies Corporate is a party, and that have not been returned to the Participant, or Non Participant Related Body Corporate, or entities nominated by them, at that time. Financial Products which are:

- (a) lent by an entity to a Related Body Corporate; or
 - (b) included in the Securities On Loan Position of another Securities Lending Participant in respect of that class of Financial Products at that time, are to be disregarded.
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Common issues

Whilst Participants business model differ, below are examples of issues commonly seen. If you are unsure as to what should or should not be included in your Participants securities lending reports, ASX recommends you seek independent legal advice.

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| Late Reporting | <p>Participants might be unable to lodge their reports by 9.00am on each Business Day due to technical difficulties.</p> <p>In some instances ASX may be able to assist in the lodgement of a Participants report up until 11am (please contact your ASX Compliance Adviser for assistance) noting that a late submission is considered an event of non-compliance.</p> |
| Failure to report | <p>Participants sometimes fail to submit a daily report or quarterly report when required to do so.</p> |
| Failure to register as a securities lending Participant | <p>Where a Participant has a Non-Participant Related Body Corporate who engages in securities lending activity, that Participant must register with ASX.</p> |
| Inaccurate reporting (over or under) | <p>Commonly the result of:</p> <ol style="list-style-type: none">Participants not including data relating to the lending of ASX securities through Non Participant Related Bodies Corporates to offshore clientsDouble counting of ASX securities loaned to Related Bodies CorporatesFailure to include where Related Bodies Corporates lend ASX securities to another ASX Participant or to their Related Bodies CorporatesInaccuracies in reporting logic due to poor change management – i.e. system changes, or the migration of new clients not being captured in system logic. |

Securities Lending Reporting within ASX Online – How to ?

- The **Securities Lending Reporting [User Guide](#)** is available to help Participants use ASX Online for the registering as a securities lending Participant, the submission of daily borrowed and loaned positions, as well as quarterly committed securities data.
- The user guide also contains a troubleshooting guide for Participants.

Step 1: To access ASX Online, check that:

- your entity is set up as a Participant with ASX;
- you have set up your username and password; and
- your Enterprise Administrator has provided you with permission to edit, submit or view 'Securities Lending Reports'.

i If you do not have an ASX Online username, password or appropriate permissions applied, please contact your Enterprise Administrator or Compliance Manager.

If you do not know who your Enterprise Administrator is, please contact us on 131 ASX (131 279) or via email at: ASX.Online@asx.com.au.

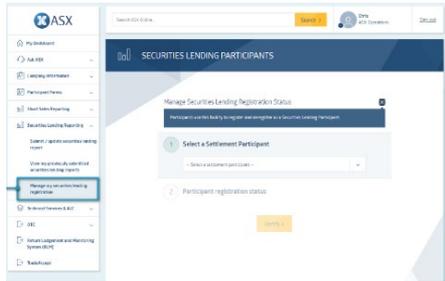
Step 2: Go to <https://www.asxonline.com/> and click the "Sign In" button

Step 3: Enter your username and password

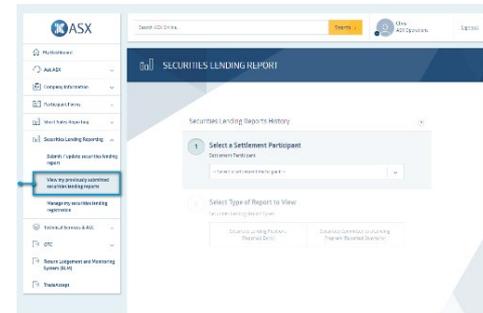
Step 4: Access your Participants securities lending reports using the link down on the left hand side.

Securities Lending Reporting within ASX Online – How to ?

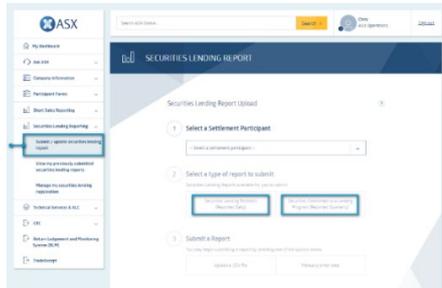
Step 5a: Users have the ability to register or unregister as a securities lending Participant using the link down on the left hand side.



Step 5c: Previously submitted securities lending reports can also be viewed from the this screen using the link down on the left hand side.



Step 5b: Users have the ability to either submit or update a securities lending reports (until 9am) - both daily and quarterly reports are accessed from this screen.



Securities Lending Reporting within ASX Online – How to ?

ASX Online registered users are able to within the “My Notification Preferences” screen, subscribe to receive copies of the securities lending data collected and reported by ASX directly to their email daily.

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Alternatively users and non-users can always access the securities lending data collected by ASX on www.asx.com.au via the link [here](#)

Reviewing your arrangements

ASX expectations

Do you have appropriate arrangements in place to ensure you can comply with your Participant obligations?

ASX expects Participants to:

- ✓ **Monitor ASX Online Enterprise Administrator and User access to ensure all relevant staff are able to submit and amend securities lending submissions**
- ✓ **Deliver training to relevant internal stakeholders on ASX securities lending obligations**
- ✓ **Review procedures and processes to ensure Participant securities lending reporting obligations are included**
- ✓ **Assess Related Body Corporates / Non Participant Related Body Corporates and ensure their data is being correctly captured and positions are not being under or over reported**
- ✓ **Perform periodic reviews of compliance with reporting obligations (This is a minimum expectation of ASX with respect to any 'key processes' specified by ASXSR in Guidance Note 1)**
- ✓ **Set reminders for time-based obligations**
- ✓ **Maintain appropriate change management processes ensuring:**
 - ✓ **Implementation of new System, updates/patches, or changes made to existing data flows do not impact reporting obligations**
 - ✓ **New clients trades are being correctly captured**



Summary

Meeting securities lending report obligations is a key requirement for Participants under the ASX Settlement Operating Rules and Procedures.

To better understand these requirements, please refer to ASXSR section 6 – Rights and Obligations of Participants.

If you have any questions in relation to your Participant obligations please contact your ASX Participant Compliance Adviser or alternatively email: participants.compliance@asx.com.au.



Disclaimer

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