

OTC Clearing

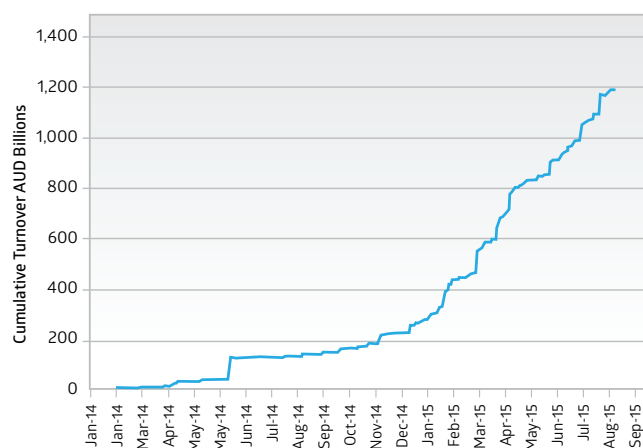
ASX's OTC Clearing service is the natural home of A\$ OTC liquidity. Delivered as a key part of ASX's Interest Rate franchise, alongside ASX's existing Futures offering, the service is tailor made to meet the risk management needs of the Australian market, whilst adhering to the highest global regulatory standards.

Australian focus

The Australian market will always be most important to ASX. We have over 140 staff based in Sydney dedicated to business, technology, operations and risk management. This local focus means ASX naturally has the deepest understanding of Australian regulation, onshore default management, collateral custody and bankruptcy treatment, as well as the deepest connections into the local market to take effective and efficient action.

The natural home of A\$ OTC liquidity

To date, ASX's OTC Clearing service has cleared over \$1 trillion in notional value, averaged A\$120-140bn per month in new turnover, and holds over A\$450bn in OTC open interest¹.



Platform efficiency

ASX OTC Clearing is focussed on delivering market-aligned best practice, including:

1. Industry approved margining model based on a historical Value at Risk (VaR) methodology
2. Cross-product margin offsets between interest rate futures and OTC derivatives (initial margin reductions of up to 50% have been achieved)
3. Market standard connectivity via the MarkitSERV OTC Trade Affirmation platform
4. Distribution via OTC trading platforms
5. Austraclear connectivity
6. Large range of acceptable collateral with access to centralised Collateral Management through ASX Collateral²
7. Operating cycle from 6:00am to 9:00pm (AEST)
8. Real time clearing in the Australian time zone

Skin in the game

ASX contributes A\$450m (70% of the total fixed capital contributions) to ASX (Clear) Futures' integrated default fund providing protection to users of ASX's OTC and Futures products. This significant contribution illustrates ASX's commitment to providing improved capital, collateral and operational efficiencies and reduced systemic risk to its customers. Furthermore, the integrated default fund enables cross-product margin offsets to be provided to users of ASX's Futures and OTC products.

1. Source: ASX, September 2015

2. For more information on ASX Collateral, go to asx.com.au/asx-collateral



Enhanced customer protection

ASX worked with Australian regulators and local Clearing Participants to develop the ASX Client Protection Model³ to support the Client Clearing Service and create a higher level of customer protection in two key areas:

- 1. Account Segregation** – The Model introduces the Individual Client Account (ICA) alongside the Client Omnibus (or traditional 'pooled') account, offering customers a choice of clearing accounts. The ICA's structure segregates an individual customer's gross positions and associated collateral value from those of the Client Omnibus account. The ICA structure can also identify and protect customers' excess collateral.
- 2. Account Portability** – The Model affords further protection to those customers who opt for an ICA account, by giving them the right to transfer ('port') their positions to a named alternate clearer, if their current clearer defaults, where the customer has satisfied certain porting conditions within the applicable porting window. If porting cannot occur, ASX will terminate the contracts in the ICA and return any remaining collateral value to the customer.

Further Information

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Broad AUD product offering

ASX's domestic focus means our OTC Clearing service can support a broad suite of A\$ products including:

- **AUD Interest Rate Swaps**
 - BBSW 1m, 3m vs. Fixed (10yrs)
 - BBSW 6m vs. Fixed (30yrs)
- **AUD Overnight Index Swaps (3yrs)**
- **AUD Single Currency Basis Swaps**
 - BBSW 1m vs. BBSW 3m (10yrs)
 - BBSW 3m vs. BBSW 6m (10yrs)

ASX is also working towards introducing additional A\$ products and NZ\$ Interest Rate Swaps in 2016.

- 3.** For more information on ASX's Client Protection Model, go to asx.com.au/client-protection-model

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