



MEDIA RELEASE

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ASX Clear receives 'AA-' long-term credit rating from Standard & Poor's Commits to higher regulatory standards

ASX today announced that its clearing house for Australia's equity market, ASX Clear, has received a 'AA-' long-term and 'A1+' short-term credit rating from Standard & Poor's (S&P). These ratings are consistent with the ratings for ASX Limited and ASX's derivatives clearing house, ASX Clear (Futures), received in February 2014. The three ratings confirm ASX's position as one of the highest quality exchange groups in the world.

ASX also announced that ASX Clear will be held to a higher regulatory standard for its financial resources. This reflects its application for regulatory recognition in the European Union (EU), which requires that ASX Clear holds a larger default fund. ASX Clear's default fund is already sufficient to meet the higher standards.

The commitment by ASX Clear to meet the standards will particularly benefit European-headquartered banks, which will be able to operate in Australia and serve their customers in an efficient way. This helps maintain the global relevance and competitiveness of Australia's financial markets.

Elmer Funke Kupper, ASX Managing Director and CEO, said: "Our commitment to meet the highest standards in both clearing houses is important for end-investors and for domestic and international investment banks that operate in Australia. It provides them with the confidence that they are operating within a world-class and well-capitalised infrastructure, which is based in Australia and governed under Australian law. The 'AA-' credit rating that S&P assigned to ASX Limited and both our clearing houses, confirms the strength of ASX's balance sheet and risk management practices.

"Over the last two years, ASX has made significant investments in Australia's clearing and post-trade infrastructure. ASX's business model, size and profitability allow it to meet the highest regulatory standards, efficiently service its domestic and international clients, and make the investments needed to ensure that Australia's financial markets remain globally competitive."

Background

ASX Clear is the central counterparty (CCP) for Australia's equity market, including cash equities and equity options. ASX Clear (Futures) is the CCP for Australia's futures and over-the-counter derivatives market.

ASX's clearing houses play a critical role in financial markets by becoming the central counterparty to all transactions – the buyer to every seller and the seller to every buyer. This reduces the risk that investors may be impacted by a default of a bank or broker.

ASX Clear and ASX Clear (Futures) have applied to the European regulator for recognition under the European Market Infrastructure Regulation (EMIR). Recognition under EMIR will enable ASX Clear and ASX Clear (Futures) to provide clearing services to clearing participants established in the EU and to be regarded as a 'qualifying central counterparty' (or QCCP) under EU bank capital regulations.

On 30 October 2014, the European Commission determined that Australia's CCP regime is equivalent to the European regime in EMIR. This satisfies an important precondition for recognition of both CCPs under EMIR, and follows the Reserve Bank of Australia (RBA) updating the interpretation of its Australian Financial Stability Standards to clarify that they are equivalent to the European standards.

The RBA's interpretation of its standards clarifies that ASX Clear will be held to higher standards for its financial resources and liquidity – known as 'Cover 2'. Cover 2 requires CCPs to maintain pre-funded financial resources and liquidity arrangements sufficient to cover obligations arising in the event of the default of the two largest participants and their affiliates in extreme market conditions. ASX Clear (Futures) already operates to a Cover 2 standard.

No additional capital is required to meet the new standard. ASX raised \$553 million of capital in June-July 2013, most of which was used to support ASX's two clearing houses. ASX Clear has paid-in capital of \$250 million, sufficient to meet the higher standard. The increased liquidity requirement for ASX Clear is not expected to have a material impact on the financial performance of the ASX Group.

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