



2.28	2.27	8T	ALCYONE	0.04		
0.35	0.16	0.155	15T	ALE GROUP	2.02	2.0
1.03	1.055	1.055	22T	ALEATOR	2.43	2.44
-	-	-	0	ALEXIUM	0.15	0.165
0.08	0.065	0	0	ALINTA ENE	0.086	0.087
-	-	1.79	0	ALKANE	0.72	0.725
0.38	0.43	0.37	2HT	ALL BRANDS	-	-
0.28	0.285	0.28	2M	ALLIANCE	0.446	0.45
0.135	0.14	0.135	7HT	ALLIEDGOLD	0.486	0

Customers Risk Clearing Services Settlement Code

Consultation on the Code of Practice for Clearing and Settlement of Cash Equities in Australia

Agenda

- ❑ Government decision on market structure
- ❑ Scope of the Code
- ❑ ASX commitments under the draft Code
- ❑ New ASX website for clearing and settlement
- ❑ Consultation and process for finalising the Code
- ❑ Discussion

Government decision

- ❑ Decision on CCP licence application deferred for 2 years
- ❑ Accepted recommendations from the Council of Financial Regulators (CFR)
- ❑ CFR recommended ASX works with the industry to develop Code:
 1. User input into governance
 2. Transparent and non-discriminatory pricing
 3. Transparent and non-discriminatory access
- ❑ CFR review in 2015

Agenda

- Government decision on market structure
- Scope of the Code
- ASX commitments under the draft Code
- New ASX website for clearing and settlement
- Consultation and process for finalising the Code
- Discussion

Scope of the Code

Covered by the Code

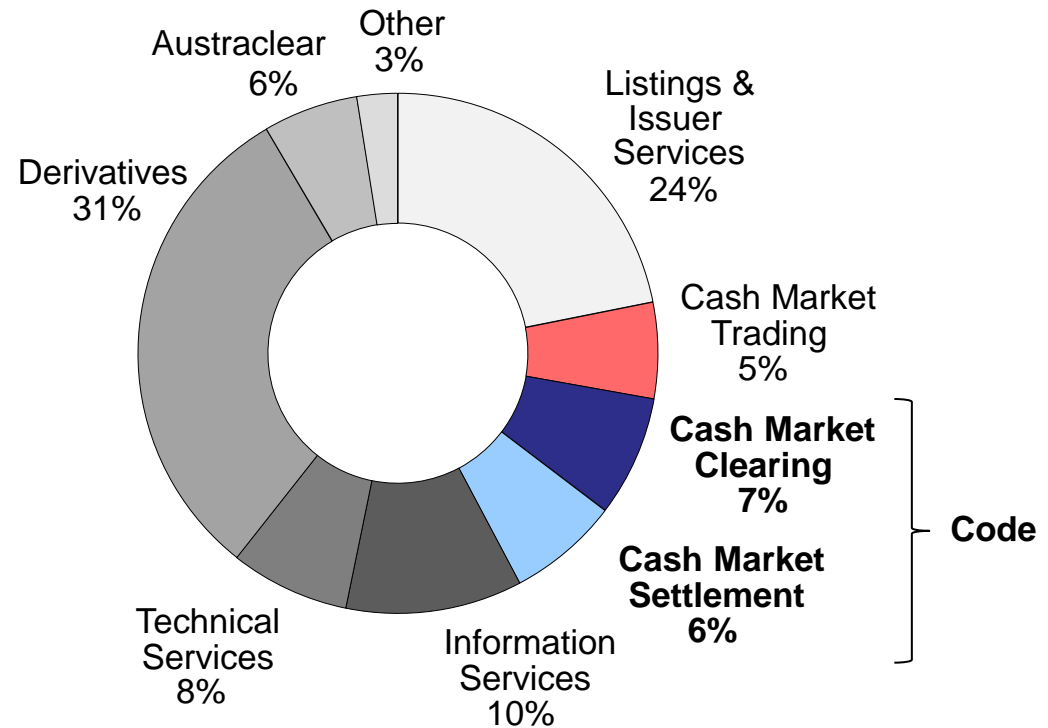
Clearing and settlement of:

- ✓ Cash equities
- ✓ Warrants
- ✓ Exchange-traded funds (EFTs)

Not covered by the Code

- ✗ Exchange-traded derivatives (ETOs)
- ✗ OTC derivatives and debt products
- ✗ Non-settlement registry services to listed companies

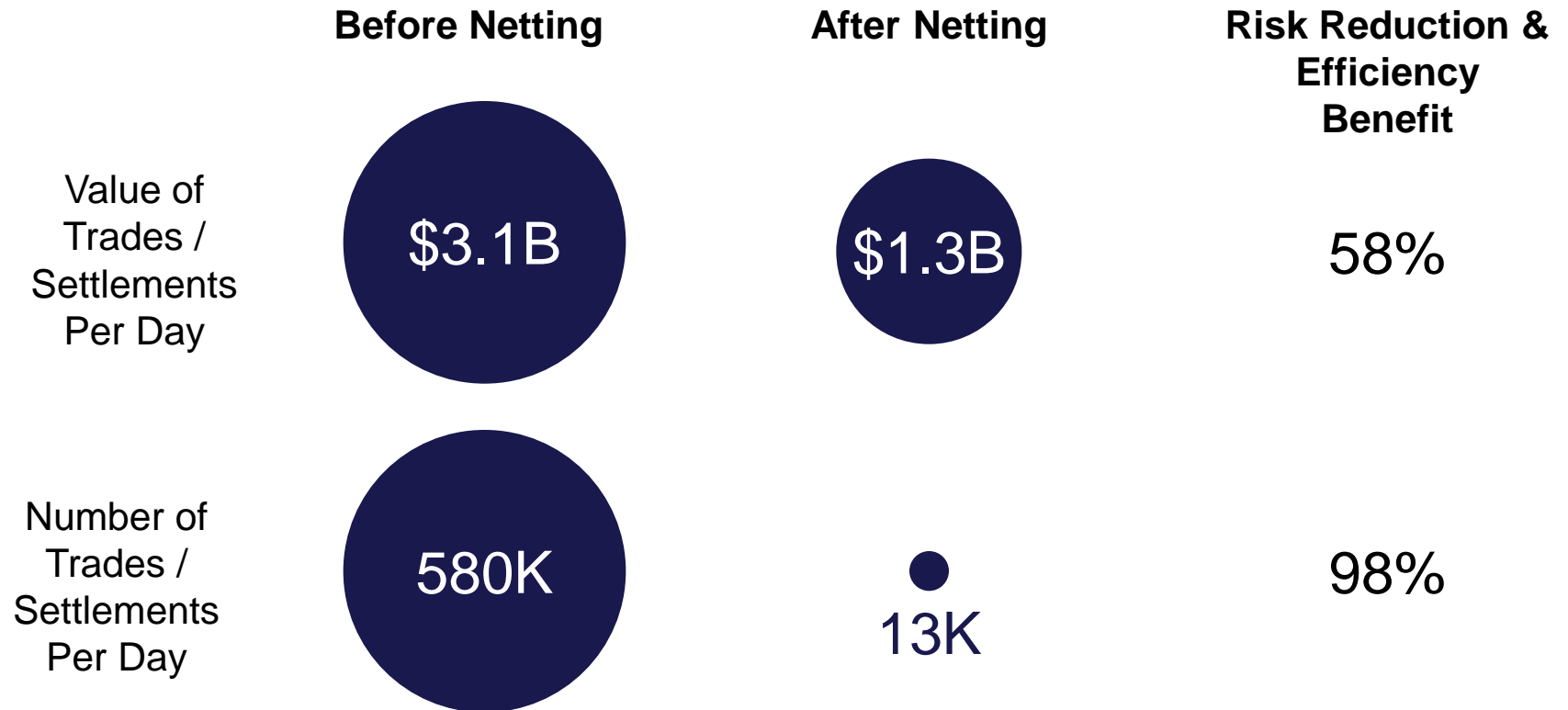
ASX Revenue Mix



Clearing and settlement services

- ❑ Reduces counterparty and systemic risk
- ❑ Provides transaction efficiency and certainty

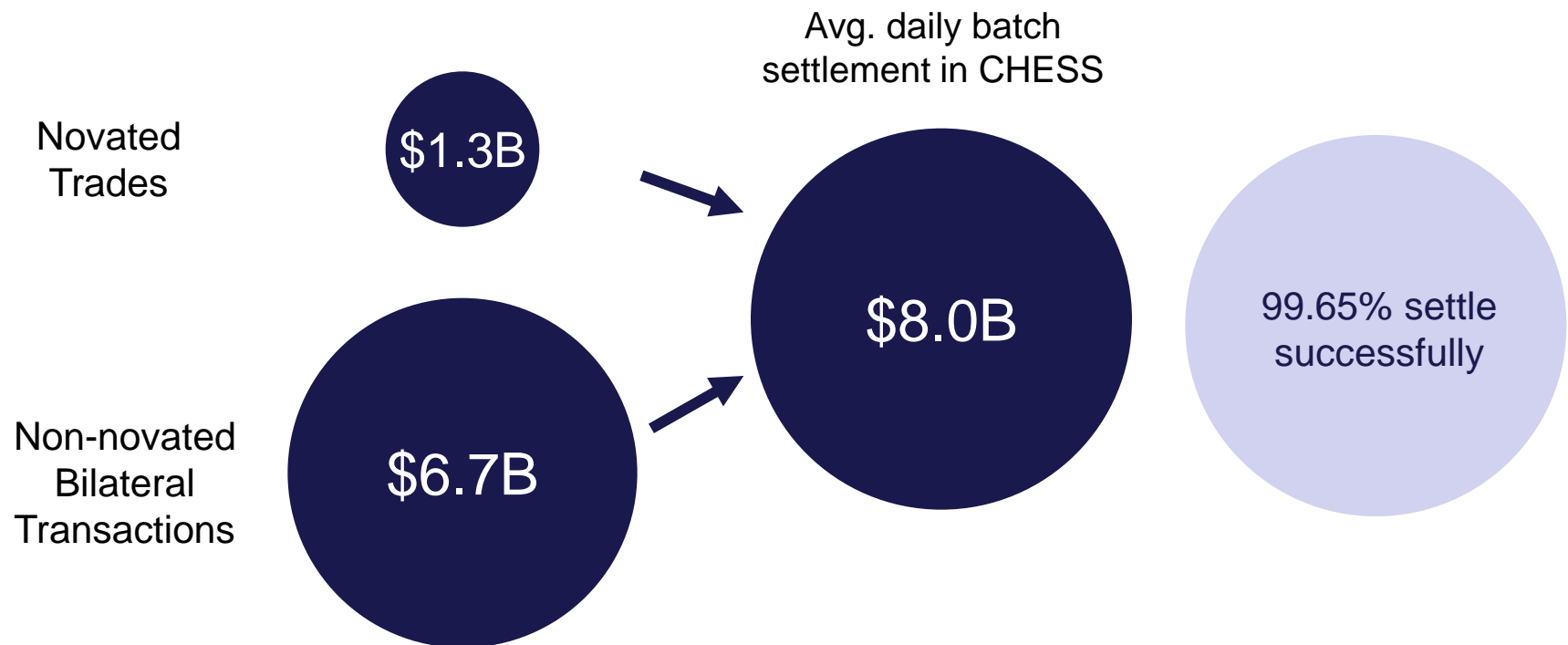
Clearing services – benefits of netting



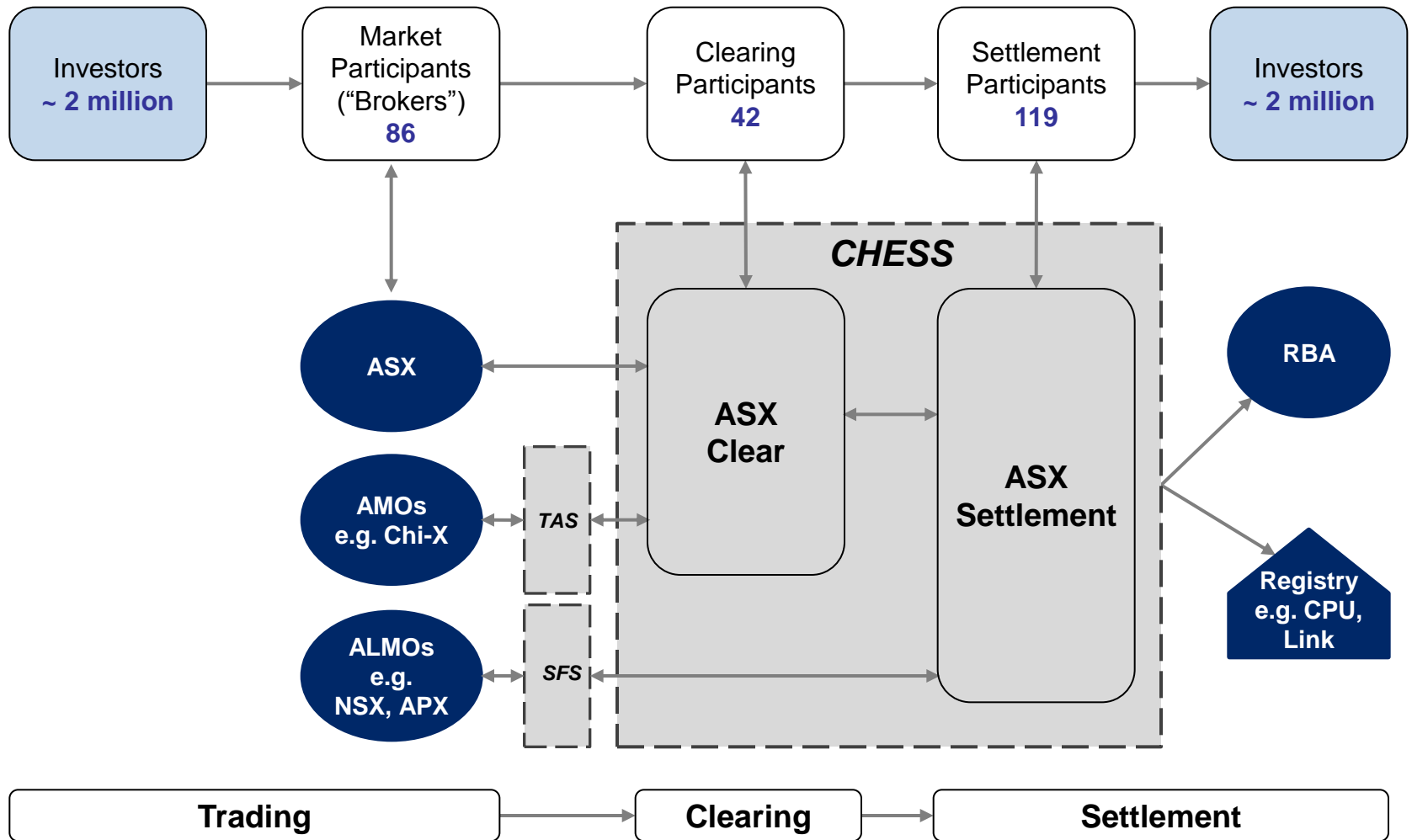
Clearing and settlement services

- ❑ Reduces counterparty and systemic risk, and provides transaction efficiency and certainty
- ❑ CHES registers title (ownership) of shares on sub-register

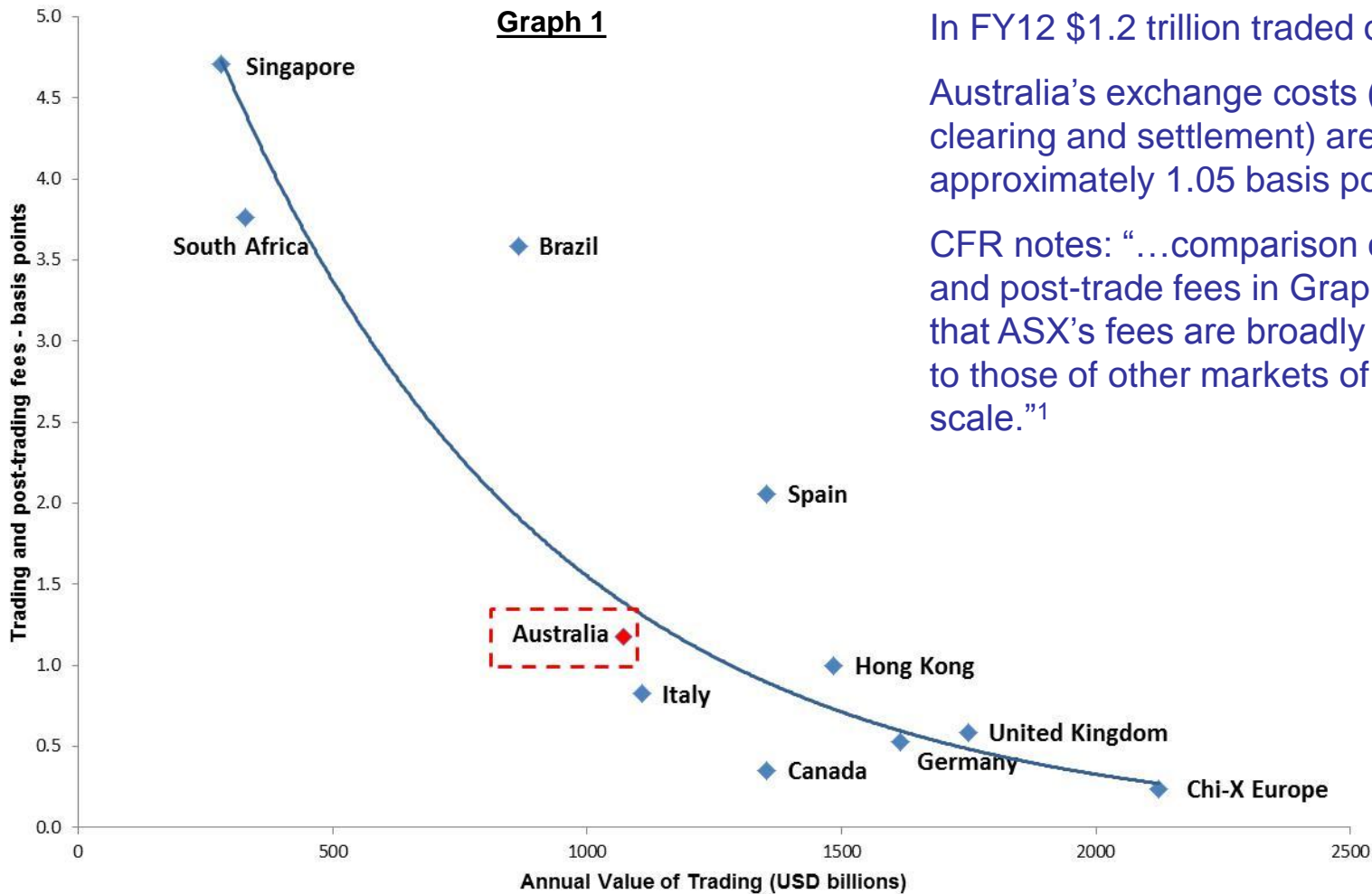
Settlement services



Market structure overview



Economies of scale drive costs



In FY12 \$1.2 trillion traded on ASX.

Australia's exchange costs (incl. trading, clearing and settlement) are approximately 1.05 basis points.

CFR notes: "...comparison of trading and post-trade fees in Graph 1 suggests that ASX's fees are broadly comparable to those of other markets of a similar scale."¹

Source: Based on Oxera Consulting (2012), log curve added by ASX

¹ Council of Financial Regulators (December 2012): *Competition in Clearing Australian Cash Equities: Conclusion*, page 14

Agenda

- Government decision on market structure
- Scope of the Code
- ASX commitments under the draft Code
- New ASX website for clearing and settlement
- Consultation and process for finalising the Code
- Discussion

ASX commitments under the draft Code

- ❑ Code reinforces ASX's commitment to ensuring Australia's clearing and settlement infrastructure is efficient, well-capitalised and well-regulated, and continues to meet users' needs

- ❑ ASX commitments in three key areas:
 - The establishment of an ongoing advisory forum (the Forum)

 - Transparent and non-discriminatory pricing of clearing and settlement services

 - Transparent and non-discriminatory terms for access to clearing and settlement services

1. Access

- ❑ Standard access to clearing and settlement services on a non-discriminatory basis for Alternative Market Operators (AMOs)
- ❑ Terms and conditions for participants and AMOs seeking access to clearing and settlement services available on the ASX website
- ❑ Protocols for responding to access requests
 - Access requests considered in a timely manner
 - Protocols and timeframes for responding to requests
- ❑ Dispute resolution processes

2. Pricing

- Pricing transparency
 - Clear and accessible fee schedules with service descriptions
 - Transparency of terms, conditions and eligibility criteria applicable to rebates, revenue-sharing arrangements and discounts
 - Worked examples and other tools to assist users
- Non-discriminatory pricing
- Publish management accounts
 - First set will be published on 22 August 2013 (full year results)
- International benchmarking
- Revenue sharing arrangements in place since 1 Jan 2013

3. The Forum

- ❑ Advisory Forum
 - Senior representation from customers and industry stakeholders
 - Provides input to Boards of ASX Clear and ASX Settlement on ongoing development of clearing and settlement infrastructure, including CHESSE
 - Boards of ASX Clear and ASX Settlement report back to the Forum
- ❑ Meets 3 times a year. First meeting is on 2 October 2013
 - Chaired by non-executive director of ASX Clear and ASX Settlement
 - Business committee meetings proceed Forum by 4-6 weeks
 - Technical committees appointed as needed
- ❑ Agendas and minutes available on the ASX website

Proposed membership of the Forum

Users CEO, Managing Director, Country Head from:	Industry stakeholders Senior representation from:
Chi-X Australia	Australian Financial Markets Association
Citi Australia	Stockbrokers Association of Australia
CommSec representing CBA	FSC representing the funds management industry
Deutsche Bank AG	Link Market Services representing share registries
HSBC Bank Australia	GBST representing system vendors
J.P. Morgan	Custodial services providers
Macquarie Securities Group	Payment system service providers
Morgan Stanley Australia	A member representing listed companies
Patersons Securities	ASX
UBS Australasia	ASX Limited director
	ASX Clear and ASX Settlement director (Forum Chair)

Agenda

- Government decision on market structure
- Scope of the Code
- ASX commitments under the draft Code
- New ASX website for clearing and settlement
- Consultation and process for finalising the Code
- Discussion

ASX website

- ❑ Delivers on commitments under the Code. Outstanding content will be provided by August 2013

Clearing & Settlement Services	Financial Statements	Code of Practice
Service descriptions	Management accounts	✓ Draft Code
✓ Operational performance		✓ Consultation paper
✓ Pricing	The Forum	✓ How to participate in consultation
✓ International cost comparison	✓ Membership	
✓ Access arrangements	✓ Meeting dates	
Access request protocol	Agendas, minutes, reports	

- Home
- Clearing
- Settlement
- Financial Statements
- International Cost Comparisons
- Access
- Code of Practice
- The Forum
- Media Centre
- Contact Us



Welcome to information about the clearing and settlement services ASX provides for cash equities in Australia.

Although largely invisible to market users, clearing and settlement services are critical to the operation of Australia's financial markets. They help reduce counterparty and systemic risk, and provide transaction efficiency and certainty for end investors.

Backed by significant capital and collateral, and overseen by Australian regulators, ASX's clearing and settlement infrastructure supports the world-class reputation of Australia's financial markets.

ASX recognises the importance of working with its customers and other industry stakeholders to ensure that the clearing and settlement services it provides continue to perform well and meet the needs of users.

We have committed to develop a Code of Practice for the clearing and settlement of cash equities in Australia by 9 August 2013. This follows the announcement by the Deputy Prime Minister and Treasurer in February 2013, to defer a decision on any licence application from a central counterparty seeking to compete in the Australian cash equity market, thereby retaining the current market structure for equities clearing and settlement for the next two years.

In developing the Code, ASX is working closely with its customers, industry stakeholders and Australian regulators.

A draft Code has been released for public consultation. Submissions are welcomed until 8 May 2013.

[View the draft Code of Practice.](#)

Participate

Media

Contact us



Clearing and Settlement of Cash Equities in Australia

Home

Clearing

Clearing Services

Clearing Customers

Clearing Performance

Clearing Pricing

Settlement

Financial Statements

International Cost Comparisons

Access

Code of Practice

The Forum

Media Centre

Contact Us

Clearing Services

The clearing of executed trades performs a critical role in the operation of Australia's financial markets. ASX's clearing services help reduce counterparty and systemic risk, and provide transaction efficiency and certainty for end investors.

The clearing process is largely invisible, but the benefits are shared by all financial market users.

Backed by significant capital and collateral, and overseen by Australian regulators, ASX's clearing infrastructure supports the world-class reputation of Australia's financial markets.

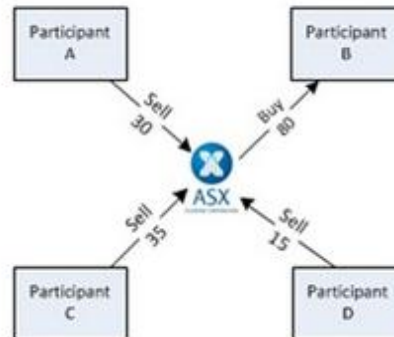
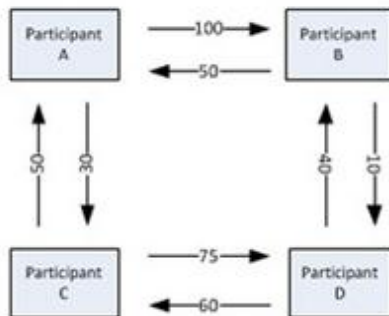
Customer benefits

ASX Clear services are provided to clearing participants, who are typically brokers or clearing and custody service providers. The two key benefits to clearing participants are netting efficiencies and counterparty credit protection.

Netting efficiencies

ASX Clear is approved as a 'netting market' for the purposes of the Payment Systems and Netting Act. This enables the netting of settlement obligations in each individual equity, providing greater market efficiency at the time of settlement and reducing participant transaction and funding costs.

The left-hand diagram below depicts participant A's trading activity in a single stock. At a gross level, participant A has sold \$100 of shares to, and bought \$50 of shares from, participant B. Participant A has also sold \$30 of shares to, and bought \$50 of shares from, participant C. Post novation, participant A's trades with participants B and C are replaced with trades between participant A and ASX Clear. Post netting, this becomes a net sale of shares for \$30 from participant A to ASX Clear (right-hand diagram).





Clearing and Settlement of Cash Equities in Australia

Home

Clearing

Clearing Services

Clearing Customers

Clearing Performance

Clearing Pricing

Settlement

Financial Statements

International Cost Comparisons

Access

Code of Practice

The Forum

Media Centre

Contact Us

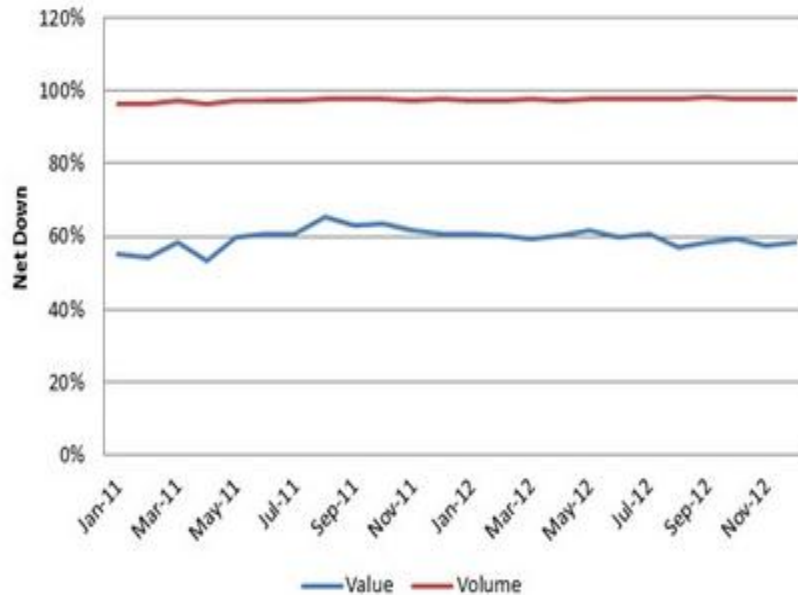
Clearing Performance

Cleared gross equity settlement volume averaged 579,840 trades per day over the December 2012 quarter with an average daily value of \$3.1 billion. These netted down by 98% in number and 58% in value to an average of 13,131 settlements for \$1.3 billion.

These reductions highlight the efficiency and performance of the net batch process, saving participants transaction fees and liquidity funding costs.

Figure 1 provides further settlement data over the past two years.

Figure 1: Batch Efficiency - Novated net down

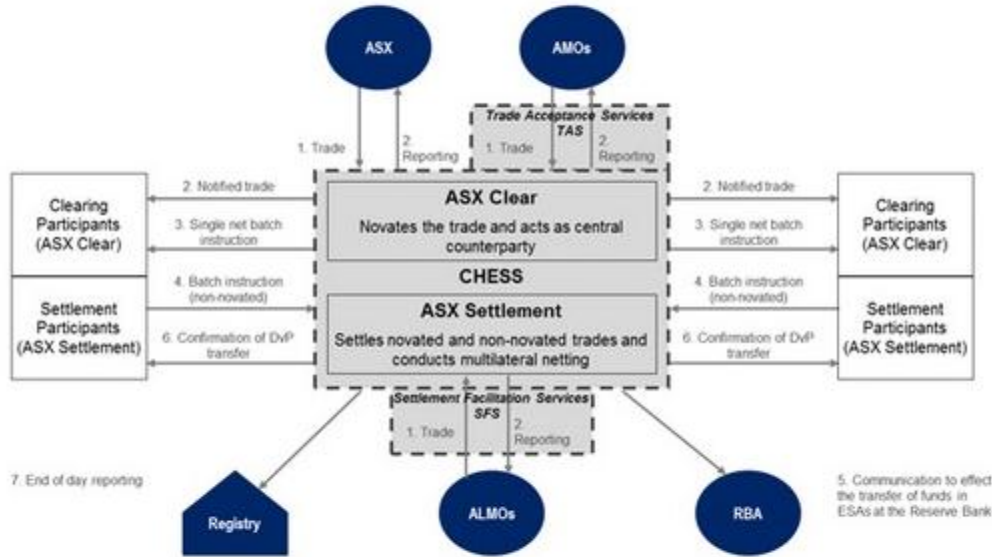


- Home
- Clearing
- Settlement**
- Settlement Services
- Settlement Customers
- Settlement Performance
- Settlement Pricing
- Financial Statements
- International Cost Comparisons
- Access
- Code of Practice
- The Forum
- Media Centre
- Contact Us

Settlement Services

Settlement and the role of CHES

When equities are bought or sold in Australia, title or legal ownership of those equities is exchanged for money. This exchange is called settlement. The diagram below shows the relationship between Australia's trading, clearing and settlement services:



Settlement is effected by a world-class computer system called CHES, which stands for the Clearing House Electronic Sub-register System. Usually, three business days after a buyer and seller agree to a trade, CHES effects the settlement of that trade. It does this by transferring the title or legal ownership of the shares while simultaneously facilitating the transfer of money for those shares between participants via their respective banks. This type of settlement is called Delivery versus Payment (DvP). It is irrevocable.

CHES achieves DvP settlement through a Model 3 multilateral net batch settlement mechanism (for an explanation of Model 3 settlement and how it differs from other models please see [Section 5.1 of the RBA's 'Review of Settlement Practices for Australian Equities'](#)).

This batch settlement completes at around 11:30am each day and involves the determination of each participant's net funds and security delivery obligations and the net funds obligations of all participants' payment providers. This maximises the efficiency of settlement by:



Clearing and Settlement of Cash Equities in Australia

Home

Clearing

Settlement

Settlement Services

Settlement Customers

Settlement Performance

Settlement Pricing

Financial Statements

International Cost Comparisons

Access

Code of Practice

The Forum

Media Centre

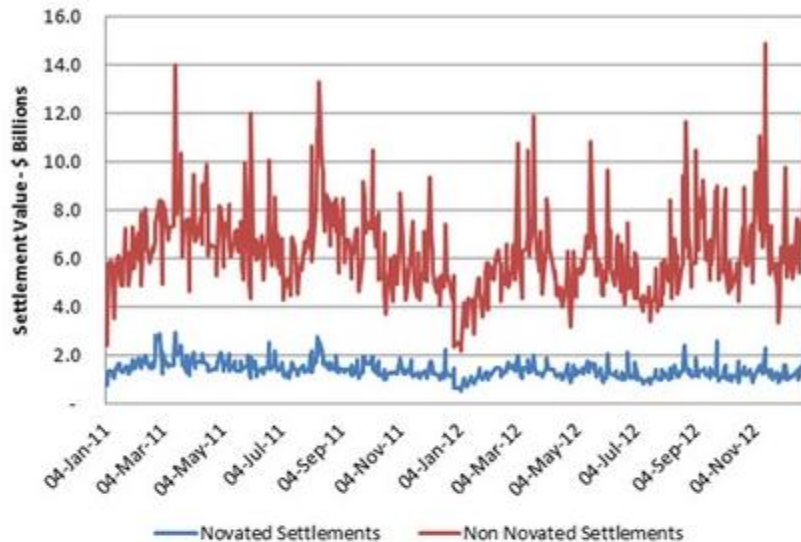
Contact Us

Settlement Performance

During the December 2012 quarter, an average of \$8.0 billion settled through the settlement batch each day, split between net novated obligations of \$1.3 billion (16% of the batch) and non-novated bilateral transactions of \$6.7 billion (84% of the batch).

Figure 1 provides further data on batch constitution over the past two years.

Figure 1: Batch Constitution: Novated and Non-Novated Settlement



Daily cash equity market settlement volume through CHES averaged 48,079 settlements over the December 2012 quarter, with a daily delivery fail rate averaging just 0.35% over the same period. Refer to Figure 2.

Figure 2: Cash Equity Market Settlement Performance



- Home
- Clearing
- Settlement**
 - Settlement Services
 - Settlement Customers
 - Settlement Performance
 - Settlement Pricing**
- Financial Statements
- International Cost Comparisons
- Access
- Code of Practice
- The Forum
- Media Centre
- Contact Us

Settlement Pricing

ASX Settlement operates a settlement system and a fully electronic securities depository for products traded on ASX, other Approved Market Operators and Approved Listing Market Operators.

ASX Settlement charges participants for holdings transfers and DvP settlement to meet novated obligations between the participant and ASX Clear and non-novated obligations directly between participants.

Example - cash market settlement headline fee:

Service	Explanation	Charge
Batch Settlement DvP	Market settlement of Delivery versus Payment obligations per line of stock	\$0.30
DvP Settlement	Delivery versus Payment between two participants	\$1.30

[View the detailed fee schedule for ASX Settlement \(PDF 73KB\)](#)

For a full description of the settlement service offering for cash equities, please refer to [ASX Settlement](#).

Transparency on fee changes

Participants are notified by way of market circular of any fee changes.

In addition to market notices, participants are provided with information that helps them analyse the impact of clearing and settlement price changes on their total service costs. Participants are notified individually.

A history of market circulars is maintained in the [Participant Library of ASX Online](#). To arrange access to the Participant Library, please contact the ASX Online Help Desk on 1800 682 484 or at participants.online@asx.com.au.

Non-discrimination - fee waivers and discounts

ASX Clear and ASX Settlement do not discriminate on fees and charges to different participant types. As such, no waivers or discounts are provided for clearing and settlement services.

Under new Financial Stability Standard guidelines, ASX is required to publish any fee waivers and discounts that it may provide.

Assistance in fee enquiries

[Home](#)[Clearing](#)[Settlement](#)[Financial Statements](#)[International Cost Comparisons](#)[Access](#)[Code of Practice](#)[Consultation](#)[Council of Financial Regulators' Review](#)[The Forum](#)[Media Centre](#)[Contact Us](#)

Consultation on the Draft Code of Practice

On 10 April 2013, ASX released a draft Code of Practice for Clearing and Settlement of Cash Equities in Australia (draft Code) for public consultation. The closing date for written submissions is 8 May 2013.

ASX is working with customers, other industry stakeholders and Australian regulators on the development of the Code. Bilateral meetings, stakeholder roundtables and industry briefings are being held with interested parties in Melbourne and Sydney throughout April and May.

If you are interested in arranging a bilateral meeting to discuss the draft Code or in participating in a stakeholder roundtable, please contact Ms Diane Lewis (diane.lewis@asx.com.au or +61 2 9227 0154).

Industry briefings are scheduled for 17 April 2013 in Sydney and 22 April 2013 in Melbourne. If you are interested in attending one of these briefings, please register your interest [here](#).

Downloads

- [ASX Consultation Paper 'Draft Code of Practice for Clearing and Settlement of Cash Equities in Australia'](#)
- [ASX Draft Code of Practice for Clearing and Settlement of Cash Equities in Australia](#)

Making a Submission

ASX is seeking feedback and comments on the draft Code included in this consultation paper.

While submissions may be lodged electronically or by post, electronic lodgement is preferred.

All information (including name and address details) contained in submissions will be made available to the public on this website unless you indicate clearly in your submission that you would like all or part of it to remain 'confidential'.

Closing date for submissions: Wednesday, 8 May 2013

Submissions should be sent to:

regulatorypolicy@asx.com.au

or

ASX Limited
20 Bridge Street

Agenda

- Government decision on market structure
- Scope of the Code
- ASX commitments under the draft Code
- New ASX website for clearing and settlement
- Consultation and process for finalising the Code
- Discussion

Finalising the Code

Consultation

- Submissions due by 8 May 2013
- Consultation meetings during April and first half of May
- Consultation paper and draft Code available at: www.asx.com.au/cs

Submissions should be sent to:

regulatorypolicy@asx.com.au or

ASX Limited, 20 Bridge Street, Sydney, NSW, 2000

Attention: Diane Lewis, Senior Policy Analyst

Process for finalising the Code by ASX

- Submit the final Code to CFR for review in late June 2013
- Publish the Code ahead of it becoming operational on 9 August 2013

Timetable

CONSULT ON DRAFT CODE

- **APR:** Broad public consultation
- **MAY:** Targeted consultation on revisions to Code

DEVELOP CODE

- **APR:** Release draft Code for and launch ASX website
- **MAY:** Revise Code
- **JUN:** Obtain ASX Board approval, submit to CFR
- **JUL:** External audit of accounts
- **JUL:** Publish Code

IMPLEMENT CODE

- **9 Aug:** Code commences
- **22 Aug:** Publish accounts
- **2 Oct:** First Forum meeting

Agenda

- Government decision on market structure
- Scope of the Code
- ASX commitments under the draft Code
- New ASX website for clearing and settlement
- Consultation and process for finalising the Code
- Discussion



2.28	2.27	8T	ALCYONE	0.04		
0.35	0.16	0.155	15T	ALE GROUP	2.02	2.0
1.03	1.055	1.055	22T	ALEATOR	2.43	2.44
-	-	-	0	ALEXIUM	0.15	0.165
0.08	0.065	0.065	0	ALINTA ENE	0.086	0.087
-	-	1.79	0	ALKANE	0.72	0.725
0.38	0.43	0.37	2HT	ALL BRANDS	-	-
0.28	0.285	0.28	2M	ALLIANCE	0.446	0.45
0.135	0.14	0.135	7HT	ALLIEDGOLD	0.486	0

Customers Risk Clearing Services Settlement Code

Consultation on the Code of Practice for Clearing and Settlement of Cash Equities in Australia