



MEDIA RELEASE

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ASX consultation on T+2 settlement cycle for Australia

ASX is consulting on the introduction of a T+2 settlement cycle for cash market trades in Australia. The proposal would shorten the current settlement period of trade-day-plus-three-days (T+3) by one business day, creating capital and margin savings for industry, and a faster settlement of transactions for investors.

ASX is seeking feedback on the benefits, industry readiness, timetable for implementation and other issues that would need to be addressed to enable the transition to T+2. T+2 already operates in a number of major markets, including Germany and Hong Kong, and will shortly be introduced throughout Europe.

The potential benefits of shortening the settlement cycle by one business day include:

- reduced counterparty risk for individual investors, participants and the central counterparty (clearing house), resulting in lower systemic risk for the market as a whole
- less regulatory capital required to be held by market participants to mitigate risk
- standardised regional and global settlement practices
- improved post-trade operational and process efficiencies, and associated cost savings.

ASX has estimated that had T+2 been in place in Australia from June 2012 to December 2013, daily cash market margins for the total market would generally have been 20-30% lower, producing an estimated reduction of \$30-\$40 million in total margin payments, with consequent savings in funding costs. There is also the potential for a reduction in liquid capital requirements for the industry of \$60-\$120 million.

The reduction in counterparty and systemic risk expected from the introduction of T+2, may also enable ASX to reduce its clearing fee for cash equities. This would be subject to ASX reviewing with ASIC and the RBA a reduction in the paid-in capital that ASX provides for the management of clearing participant default.

ASX's advisory Forum, established under its Code of Practice in 2013, has prioritised the consideration of introducing T+2. Through the Forum, ASX is working with industry to provide the Australian market with global best practice cash market clearing and settlement services.

ASX is seeking feedback on the feasibility of introducing T+2 in the first quarter of the 2016 calendar year, or whether an earlier implementation date is supported.

The consultation paper is available [here](#) and feedback is due by 7 April 2014.

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