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Financial Markets Unit
Corporations and Capital Markets Division
The Treasury
Langston Crescent
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By email: financialmarkets@treasury.gov.au

Proposals Paper: Implementation of Australia's G20 over-the-counter derivatives commitments

The events surrounding the global financial crisis exposed gaps in the regulatory oversight of the financial sector, particularly OTC derivatives, which created significant systemic risks. ASX supports the implementation of the Australian Government's G20 commitments as an important element in reducing the risks of future financial crises by providing regulators with the tools to deliver greater transparency in critical OTC derivatives markets and appropriate risk management controls to govern that activity.

ASX supports mandated trade reporting in the five derivative classes identified. For its part, ASX will establish a local trade reporting service that satisfies the Government data requirements in a manner that minimises the regulatory and operational costs for entities with a reporting obligation. The ASX trade reporting solution will utilise proven technology, be structured to minimise customers' costs of complying with reporting obligations in both Australia and overseas, will meet their needs with regards to the privacy of their data, and will leverage ASX's experience and infrastructure used to provide trade and post-trade services in exchange traded and OTC markets.

The trade repository will be an important part of the market infrastructure that ASX is building in Australia. ASX continues to believe that the creation of locally based infrastructure for trade reporting, exchange traded and OTC derivatives clearing, collateral management services, and securities settlement are critical for the ongoing development and local regulatory oversight of Australia's capital markets.

We recognise that the Government's timetable to have trade repositories in place as soon as possible and by the end of the year at the latest is an ambitious one - particularly with licensing requirements and the details of the reporting obligations still to be determined. We understand that it is important to ensure that these requirements are consistent with international standards.

The Government also sought views on its decision not to, at this stage, mandate centralised clearing of standardised OTC derivative products. ASX continues to work closely with market participants and end users to deliver a local clearing service for OTC derivatives later this year. ASX has received feedback from a number of stakeholders in the course of this project that the uncertainty about when, or if, centralised clearing will be mandated by the Government continues to affect the timing of business decisions. Removing that uncertainty may prompt some firms to accelerate their business readiness to transition to centralised clearing.

If you would like to discuss further detail on our submission please contact: Gary Hobourn, Senior Policy Analyst, Regulatory and Public Policy (tel: 02 9227 0930; email: gary.hobourn@asx.com.au)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Amanda Harkness'.

Amanda J. Harkness
Group General Counsel & Company Secretary