

Changes to Clearing Participant Minimum Core Capital Requirements Approach

CONSULTATION PAPER

JULY 2017



Invitation to comment

ASX is seeking submissions on this paper by 8 September 2017. Submissions should be sent to:

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20 Bridge Street Sydney NSW 2000
Attention: Ms Marisa Khan

ASX prefers to receive submissions in electronic form. Submissions not marked as ‘confidential’ will be made publicly available on ASX’s website

If you would like your submission, or any part of it, to be treated as ‘confidential’, please indicate this clearly in your submission. ASX is available to meet with interested parties for bilateral discussions on the matters under consultation.

Contacts

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Introduction

ASX issued a consultation paper in [June 2016](#) and a response to the consultation in [January 2017](#) in relation to changes proposed to ASX Clear Participant (**Participant**) minimum core capital requirements. ASX is proceeding with the proposed approach as outlined in the January 2017 response to consultation.

The purpose of this paper is for ASX to seek feedback on the proposed rule amendments and other documents which will implement the new minimum core capital requirements (**MCCR**) approach for Participants that are subject to the risk based capital requirements.

Summary of the New MCCR Approach

Under the new MCCR approach, Participants will still be subject to a base core capital requirement of \$5,000,000 (for ASX Clear Direct Participants) or between \$5,000,000 to \$20,000,000 (for ASX Clear General Participants). An additional core capital requirement may be applied on top of the base requirement, depending on whether (and if so, the extent to which) the Participant undertakes any of the following three categories of activity:

- Client written options clearing;
- Own account business;
- Non-ASX client activity.

The total core capital requirement will be the sum of the base core capital requirement together with any additional core capital amounts applicable under each of the above categories.

For each of the above three categories of activity undertaken by a Participant, ASX will determine the extent to which the Participant undertakes that activity. If ASX determines that the extent of that activity undertaken by the Participant is:

- de minimis, it will have no additional core capital requirement;
- neither de minimis or material, it will have an additional core capital requirement of \$2,500,000;
- material, it will have an additional core capital requirement of \$5,000,000.

In the January 2017 response to consultation, Participants were requested to submit a completed Business Activities Return (**BAR**) for the December 2016 quarter. Based on the data provided by Participants, ASX has now formulated thresholds for determining the materiality of a participant's own account business and non-ASX



client activity. Detailed information on this, and the materiality thresholds for client written options clearing, can be found in the draft amendments to the Capital Liquidity Handbook (**CLH**) (refer to the next section of this paper).

In order to provide Participants with an indication of what their core capital requirement under the new MCCR approach will be, ASX will be communicating with Participants individually to notify them of ASX's initial assessment.

Relevant Documents

The following documents will implement the new MCCR approach:

- ASX Clear Operating Rules (**ASXC Rules**) – Schedule 1 imposes the obligation to hold core capital and introduces the three categories of activity used for the purpose of assessing any additional core capital requirement.
- ASX Clear Operating Rules Procedures (**ASXC Procedures**) - describes the types of activities that fall within each of the three categories.
- CLH – provides examples (where appropriate) of the types of activities which will be considered to fall within each category. It also includes details of how ASX Clear will determine within which of the three materiality thresholds a Participant sits.
- BAR – will serve as a basis for ASX Clear to collect the data required to assess the materiality of a Participant's own account business and non-ASX client activity. The BAR has been significantly revised to incorporate Participant suggestions, queries and other feedback received on the initial BAR which was issued with the January 2017 response to consultation.

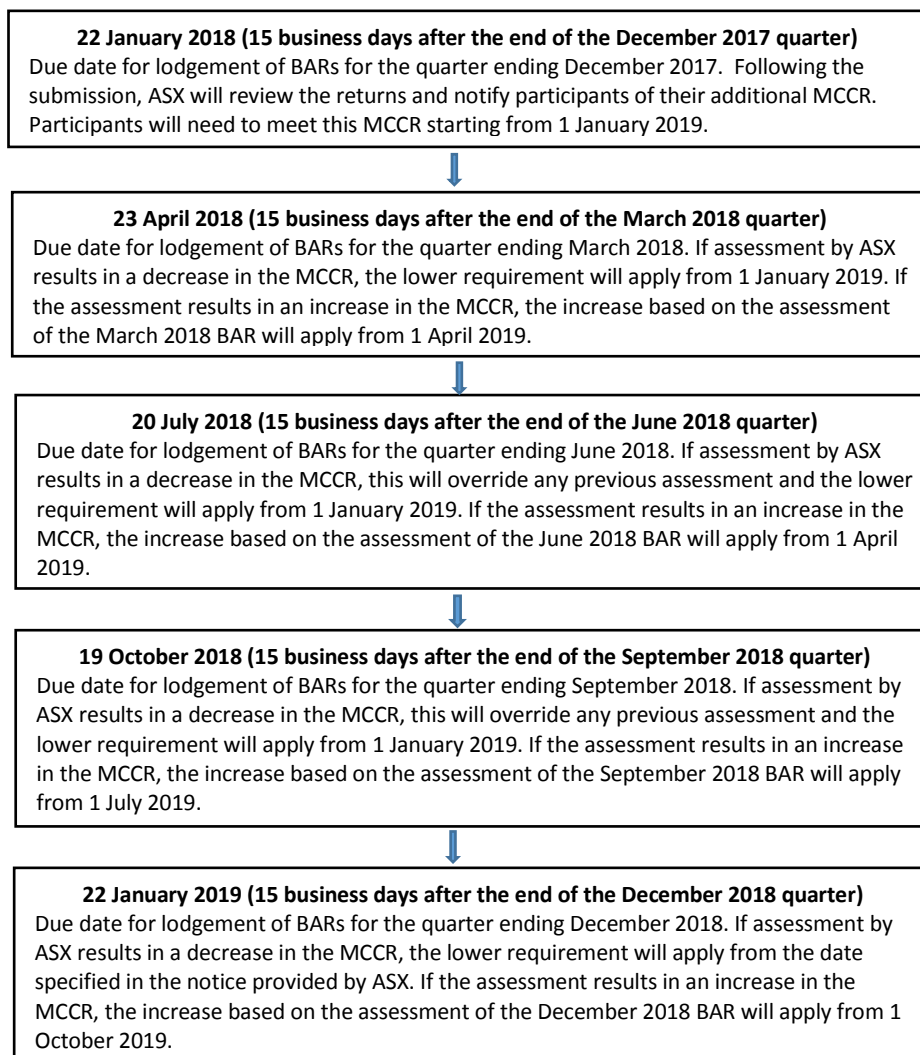
ASX's proposed amendments to the ASXC Rules, ASXC Procedures and CLH and the revised BAR are found below:

- [ASXC Rules](#)
- [ASXC Procedures](#)
- [CLH](#)
- [BAR](#)



Proposed Implementation

Assuming that regulatory clearance for the rule and procedure amendments is received by ASX by December 2017, ASX intends to make the rule amendments effective by 1 January 2018. In that scenario, the following diagram outlines the implementation of the new MCCR approach during the initial 12 months following the rule amendments taking effect.



ASX will provide notification to Participants in the event the above time frame changes.

Next Steps

ASX seeks views on the draft amendments to the ASXC Rules, ASXC Procedures and CLH and on the revised BAR. Submissions should be received by Friday, 8 September 2017.

ASX welcomes the opportunity to discuss the draft amendments with interested parties (refer to the contact details on page 2).