Register of ASX Clear Operating Rule Waivers

16 to 28 February 2023

The purpose of this register is to record when ASX has exercised its discretion and granted a waiver from the ASX Clear Operating rules. Waivers are published bi-monthly and include information such as :

- **Organisation**
- **Rule Number**
- **Decision Details**
- **Basis for Decision**

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Rule Number	5.1.1
Date	16/02/2023
Participant	Barrenjoey Markets Pty Limited
Waiver Number	WPA230001-001
Decision	ASX Clear Pty Limited ("ASXCL") grants Barrenjoey Markets Pty Limited ("Barrenjoey") a waiver of ASX Clear Rule 5.1.1 to the extent that, for the purpose of the Risk Based Capital Requirements and the calculation of debt position risk amounts under the building block method, the wording in Schedule 1, Annexure 3, Part 2, Clause 12.3 (b) is replaced with the following: "The overall general risk amount under the maturity method is then the absolute sum of the individual steps as follows: (i) the net position amount (NPA); (ii) the time band amount (TBA); (iii) the zone amount (ZA); (iv) the adjacent zone amount (AZA); and (v) the non-adjacent zone amount (NAZA); less: (vi) the TBA component calculated on cleared interest rate Swap positions in isolation; plus: (vii) the initial margin requirements for cleared interest rate Swap transactions as calculated by an agreed clearing house." The waiver is subject to the following conditions: (a) The clearing house(s) must be agreed in writing by ASXCL; (b) Where the clearing house initial margin is not calculated separately by currency, Barrenjoey must attribute the margin to the currencies in which it holds cleared interest rate Swaps in order to be able to calculate debt position risk amounts for each currency as per Schedule 1, Annexure 3, Part 2, Clause 10.1; (c) On a monthly basis, Barrenjoey must provide ASXCL with data of the replaced TBA amounts and the clearing house initial margin amounts for each business day of the calendar month. This is to be provided via email to CRAteam@asx.com.au and is due at the same time as the monthly capital liquidity returns; and (d) For the purposes of completing the capital liquidity returns, the clearing house initial margin amount that has replaced the TBA component must be included in the TBA field.
Basis For Decision	Underlying Policy Participants are required to calculate a position risk amount in accordance with Part 2 of Annexure 3 of Schedule 1 of the ASXCL Operating Rules for all Debt Instrument and Debt Derivative positions they hold. This represents a capital charge for the interest rate risk that the participant is exposed to from holding such positions.

	The building block method set out in Schedule 1, Annexure 3, Part 2, Clause 12 is one of the available methods for calculating debt position risk amounts. The debt position risk amount is calculated as the sum of a specific risk amount (measures the market risk associated with factors that are issuer-specific and that are unlikely to impact the general market) and general risk amount (measures the market risk associated with the general volatility in interest rates). The general risk amount is calculated as the sum of five components that measure price risk, basis risk and gap risk on the positions by offsetting between time bands. Present Application The debt building block method calculation in ASXCL Rule S1 is identical to the standardised measurement method for interest rate risk set out in the Basel Committee on Banking Supervision's "Amendment to the Capital Accord to Incorporate Market Risks" (January 1996). However, ASXCL Rule S1 does not include provisions for pre-processing techniques which are in the Basel framework in recognition that the standardised method was not designed for large interest rate swap books. APRA's prudential standard APS 116 "Capital Adequacy: Market Risk" also allows for pre-processing techniques. Absent a pre-processing approach, the application of the debt building block method can result in a disproportionately large capital requirement for large swaps books because of the simplicity of the calculation. This applies in particular to the TBA component of the debt building block method which is intended to capture the basis and gap risk within each time band and under which netting is only allowed between offsetting positions within the same time band where the maturity dates of the offsetting positons are almost identical. Therefore, it is not inappropriate to allow for an alternative approach for the TBA for Rule S1 purposes. The clearing house initial margin amount is an acceptable alternative on the basis that: * The initial margin captures the outright, curve and basis risk on all swap trades. It therefore is a conservative replacement given these risks are greater than the gap risk covered by the TBA. It is also conservative given that those risks are already in the position risk calculation and so the inclusion of the clearing house initial margin amount double counts all of the risk components except TBA. * It is calculated independently by a regulated clearing house under an appropriate methodology.