SECURITEASE

FINANCIAL STABILITY STANDARDS IMPLEMENTATION

3 September 2013

Securitease_Response

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Cash Equity Market Account Segregation and Portability, and Rescheduled Settlements

Response by SecuritEase International Australia Pty. Ltd on behalf of Scientific Software and Systems Limited (owner of the SecuritEase System intellectual property)

As a back office system vendor, we commit to our licensees to understand new requirements. In some cases advise them on those new requirements, but in all cases to implement operational changes as they occur.

We have our preferences regarding the FSS implementation, but will ultimately implement a set of rules decided on by the ASX and our licensees.

The implementation of the requirements for client and broker trade segregation will require back office system software changes, and changes to the processes used by the Clearing Participant.

SecuritEase is responsible for implementing the software changes, conducting testing and training, and in the rolling out the new version to licensees. We prefer to keep these types of changes to a minimum. Our licensees are responsible for adjusting their internal processes in order to align with new regulations and the enhanced software that we deliver to them.

Generally, and depending on the nature and size of regulatory changes, we do bill licensees for enhancements due to regulatory changes. In this case, if the required changes can be kept to a minimum, as outlined below, we will not be seeking a one-off or ongoing payment from our licensees for implementing these changes.

Important dates

4 September 2013	Responses to ASX by interested parties
End October 2013	ASX to provide decision
31 March 2014	RBA has provided transitional relief until this date

Single house account (maintain the status quo)

The status quo with some additional processes and guarantees by the Clearing Participants is the preferred option because it eliminates the need for system change.

Client Omnibus

However, given that the above may not be an acceptable model; our second choice is the client omnibus using multiple PIDs proposal (solution 2c). We expect this option would take up to four man months in order to package the changes.

The proposed solutions 2a & 2b where a broker is required to indicate client versus principle trade at order time, would necessitate changes to the signal trade data feed and - to keep CHESS in-line - would also require changes to the CHESS 164 message. This in turn would require changes to a significant number of systems (IRESS, Chi-X, ASX, CHESS, and back office system products) and would therefore necessitate re-accreditation.

We expect any of these options would take up to six man months in order to package the changes.

Individually Segregated Client Account

We discarded this option after discussions with our licensees. There is no appetite for the additional effort, volumes, cost and the increased CMM obligations on the Clearing Participant.

We expect this option would take up to nine man months in order to package the changes.

Portability

As mentioned by the ASX, portability is not a requirement anymore due to the short settlement cycle.

Rescheduled Settlements

This rule-book change will have no system impact.

Implementation impact

All SecuritEase Licensees will require a SecuritEase system software upgrade in order to implement the new functionality determined by ASX. This process will vary in cost and complexity for each license, but will generally involve:

- Upgrade of test system(s)
- Training
- User acceptance & regression testing
- Production & DR system implementation

These steps will have different cost profiles for each licensee.

Whilst we will make every effort to ensure that the software changes required are as transparent and automated as possible, we expect that the staff at each licensee site will have additional daily settlement tasks.