

AUSTRACLEAR INSIGHT



Quarterly Newsletter, August 2011 – Issue 7

Austraclear System Enhancement (Release 3) Project Update

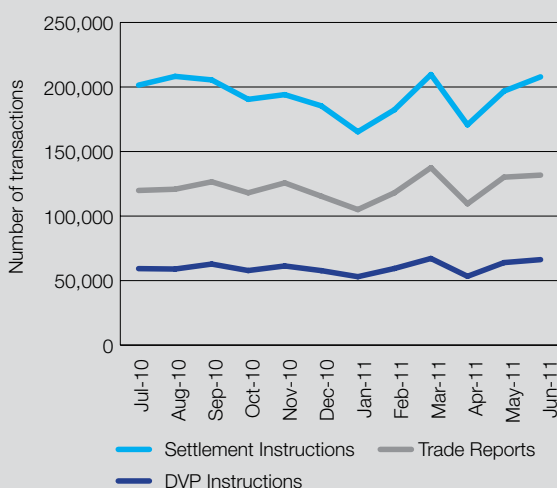
Release 3 - General Update

The regression testing and technical testing phases of Austraclear System Release 3 are on track to complete in early August. These project phases are to ensure that the platform is ready for the commencement of Industry Wide Testing at this time.

Release 3 - Industry Wide Testing (IWT)

Further to the dates communicated in the last issue of Austraclear Insight (April 2011, Issue 6) it was decided to move out the commencement of IWT phase by six weeks to allow for additional testing to be performed.

Total process volumes for Austraclear

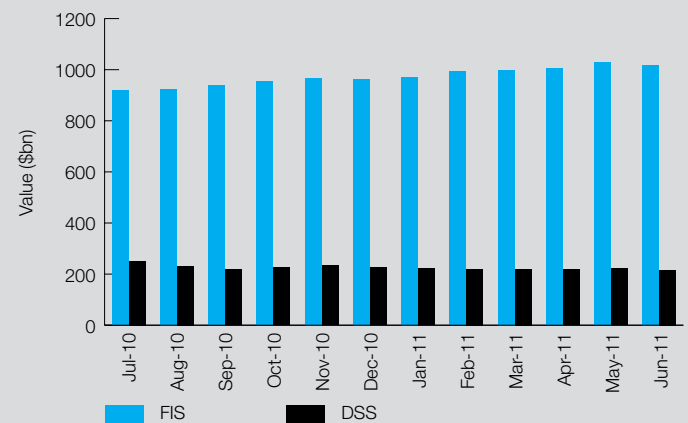


IWT is now scheduled to commence from 8 August 2011, for a period of five weeks. The format will remain the same as previously communicated, with amended dates, that is:

Week 1 & 2: 08/08/2011 to 19/08/2011 - RBA IWT Testing

Week 2: 15/08/2011 to 19/08/11 - User Connectivity (note: this testing is Mandatory for all Austraclear Participants (Participants)).

Value of total amount lodged – Fixed Income (FIS) & Discount Securities (DSS)



Week 3: 22/08/11 to 26/08/11 - New functionality / Concurrent usage

Week 4: 29/08/11 to 02/09/11 - SWIFT and H2H Lite messaging

Week 5: 05/09/11 to 09/09/11 - General

Briefing packs covering both user and technical information, including attestation responsibilities, can be found by following this link:

www.asxonline.com/austraclear_system_release_3/index.htm

Please ensure that you have provided the necessary business and technical contact details to ASX prior to commencement of IWT.

Note: all Participants are required to attest by no later than 14 September 2011.

If you have any questions or are interested in IWT and/or the Austraclear System Release 3 project please contact Ash Moosa at **Ash.Moosa@asx.com.au** or on (02) 9227 0539 or Allan McGregor at **Allan.McGregor@asx.com.au** or on (02) 9227 0814.

2009

2010

2011

PROJECT TIMELINE

ASX REGRESSION/USER ACCEPTANCE TESTING JAN 11 – JULY 11

Release 3 – Participant Training

ASX provided general training on the Release 3 enhancements via an online Webinar on 26 July.

A recording of the webinar is available by following this link: www.asxonline.com/austraclear_system_release_3/index.htm

Release 3 – System Go-live

The Austraclear System Release 3 project continues to track to current milestone dates, targeting a go-live of Monday 26 September, 2011. Participants will be required to finalise access to the live environment on Sunday 25 September, 2011. Further details regarding the implementation weekend schedule will be communicated shortly.

Further information about the Austraclear System Enhancement project can be found on the following link: www.asxonline.com/austraclear_system_release_3/index.htm

The ASX Austraclear System and Pledging Collateral

The ASX Austraclear System can facilitate the management of exposures or collateralised loan arrangements between bilateral counterparties through its pledge functionality. This article provides an overview of this functionality.

There are two general methods used in financial markets to provide collateral:

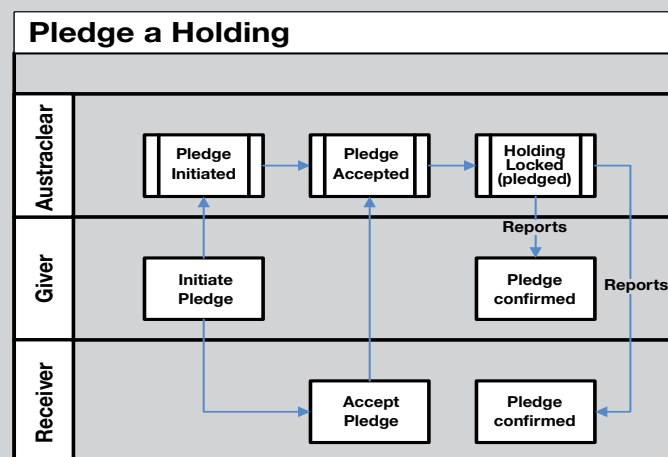
1. Pledge
2. Title transfer (Lodge)

A pledge is generally defined as the provision of collateral by an interest over a security, where the collateral giver remains owner of the asset, subject to a right in favour of the collateral receiver.

Title transfer, or lodged collateral, is the provision of collateral by transfer of the security to the collateral receiver. Ownership of the asset transfers on title from giver to the receiver. The receiver must return equivalent assets to the collateral giver once the terms of the exposure or loan are satisfied.

Austraclear Pledge

The ASX Austraclear System's "Create Pledge" screen enables Participants to use securities from their Fixed Interest Securities (FIS)/ Discount Securities (DSS) holdings as security for a secured loan or other collateral demand.



Pledge transactions must be initiated by the collateral giver (pledgor), this entity must hold the securities in its Austraclear account. The Receiver (pledgee) accepts holdings pledged in the system for it to be effective.

Austraclear reports confirm holdings pledged and are available to both the Pledgor and Pledgee.

Securities held in any sub account may be used for a Pledge.

Pledges may be entered against receipt of payment or as free of payment.

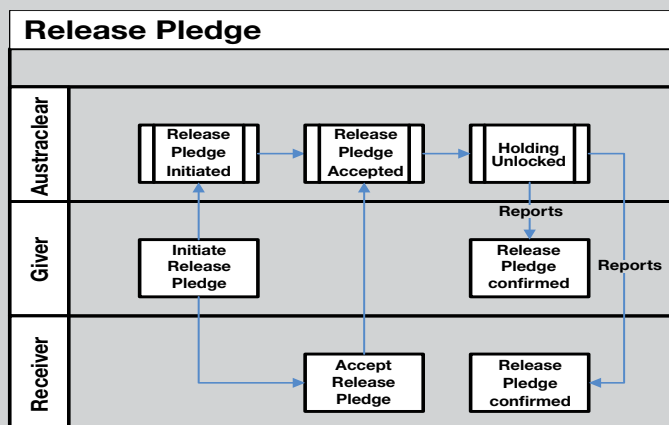
Austraclear Regulation 9.1 prescribes the information to be entered when pledging a holding.

Austraclear Release Pledge

The release pledge functionality in Austraclear enables Participants to release securities previously used for a secured loan or other collateral demand.

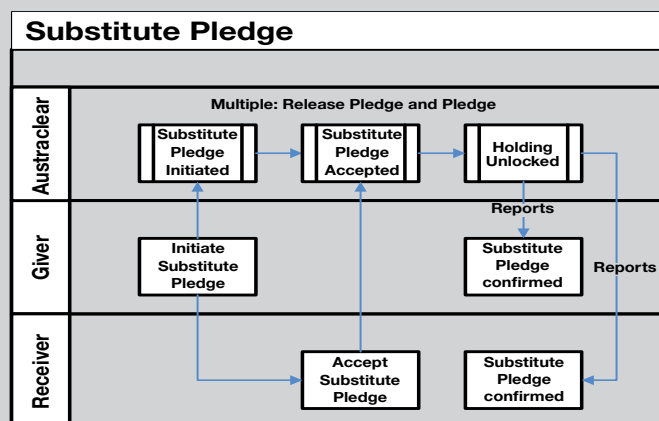
INDUSTRY WIDE TESTING AUG 11 – SEPT 11

GO-LIVE SEPT 11



Austraclear Substitute Pledge

The substitute pledge functionality enables Participants to substitute securities used for a secured loan or other collateral demand for alternate securities where the secured loan or other exposure is still current.



Under the Austraclear Enhancements Release 3 Project, the following substitute pledge enhancements will be delivered:

- Substitute pledge settlement instructions will include the pledge that is to be substituted as a credit security instruction (seen from the Pledgor’s perspective). This will mean that all substitute pledge settlement instructions will be regarded as “Multiple” as they will at least have two related security instructions.
- The settlement instruction PDF report will be extended with a list of all security and payment instruction for settlement instructions that have multiple security instructions.

- The settlement instruction CSV report will be extended with one row per security instruction for settlement instructions that have multiple security instructions.

These enhancements should resolve the traceability issue when retrieving the settlement instructions from the system, as current reports do not contain information on the original details of the pledge before the substitution.

If you would like more information on Austraclear’s Pledging capabilities, please contact Ash Moosa at Ash.Moosa@asx.com.au or on (02) 9227 0539 or Allan McGregor at Allan.McGregor@asx.com.au or on (02) 9227 0814.

Core Austraclear reporting capabilities

The Austraclear System provides a large range of reporting capabilities to meet the needs of a diverse Participant base that have differing information requirements based on a range of business models.

The section below highlights some of the key reports provided by the Austraclear System and the purpose/utility of the report.

Cash Report

This report lists the cash position of each active Participant to whom the Cash Provider (bank) provides cash clearing services. For each cash record (Account) the report will detail the balance (net debit or net credit) at the point in time the report was run. The balance (net debit or net credit) will be a result of all the transactions that have been processed through that cash record up until the point in time the report is run.

Settlement Instruction Report

The Settlement Instruction Report displays all settlement instructions that were scheduled to complete during the day and also includes all states of the settlement instruction. This report captures information at the sub-participant branch level. This is an important report which enables participant-side reconciliation of settlements that have occurred throughout the business day.

Holding Report

The Holding Report displays all securities in the Participant's portfolio at the current date. The report will display sub-totals by account, and grand totals by sub Participant. This report is critical in enabling system Participants to reconcile their A\$ physical debt holdings across both DSS and FIS instruments.

Pledged Securities Report

The Pledged Securities Report will display all Pledge positions that a Participant has open at that time.

The report is broken into two sections:

1. Where the Participant is the Pledgor, i.e. they are lending the stock; and
2. Where the Participant is the Pledgee. i.e. they are borrowing the stock.

This report provides Participants with reconciliation capabilities for any securities lending activity they enter into. This report supports the Austraclear pledging functionality.

Security Details Report

This report shows the details of all securities lodged in the Austraclear System.

The Austraclear System Release 3 project is introducing some enhancements to the CSV version of this report by including additional fields such as: Interest Period, Registrar, Minimum Settlement Volume, Multiple Volume and Total Volume on Issue.

It is suggested that any participants currently automatically processing the CSV version of this report ensure that they perform testing on the new fields/layout of the report during IWT for Austraclear System Release 3.

ASX Austraclear Biography Section



Allan McGregor Manager, Clearing & Settlement Services (Business Development)

Allan has specific responsibility for the ongoing development of ASX's Clearing & Settlement Services for the Australian OTC Debt Market including both Austraclear Limited and Austraclear Services Limited as subsidiaries of ASX Settlement Corporation Limited.

Allan has eight years of experience in the Australian financial services industry with six years of direct exposure to the financial markets. His qualifications and experience cover Australian over the counter (OTC) & exchange traded cash and derivatives market products. He has developed a strong understanding of the processes, systems and regulations which support the trading, clearing and settlement of these products.

Before joining the ASX in 2008 Allan held positions within St. George Bank's Institutional and Business Banking division with a specific focus on the processes and systems supporting Treasury and Foreign Exchange focussed product delivery.

Further Information

Austraclear Coupon payments, series setup & registry information: cad@asx.com.au or (02) 8298 8476

Austraclear Issuing Payment Agent (i.e.; Issuer Representative ACSL21 or ACLR22) information: ipa@asx.com.au or (02) 8298 8479

Austraclear System General Enquiries: exigo@asx.com.au or Austraclear System Help Desk on 1300 362 257

Austraclear Commercial Paper, connection and participant information: exigo@asx.com.au or Austraclear System Help Desk on 1300 362 257 or (02) 8278 8474

Austraclear Admission & Participation: participants@asx.com.au or contact Clearing & Settlement Services, Business Development:

Ash Moosa ash.moosa@asx.com.au or (02) 9 227 0539 or Allan McGregor allan.mcgregor@asx.com.au or (02) 9227 0814

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