

# AUSTRACLEAR INSIGHT



Quarterly Newsletter, April 2011 – Issue 6

## Austraclear System Enhancement Project Update

### General Update

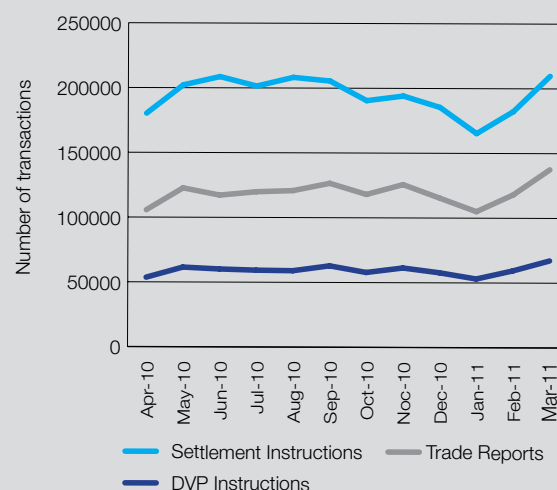
The regression testing phase of Austraclear System Release 3 is on schedule for completion in June 2011.

To date, two interactive technical workshops focusing on the SWIFT and Host-to-Host lite enhancements have been completed. We would like to thank all participants who logged on to the webinars and contributed to their success. If you weren't able to attend, both webinars can be viewed on the following link;

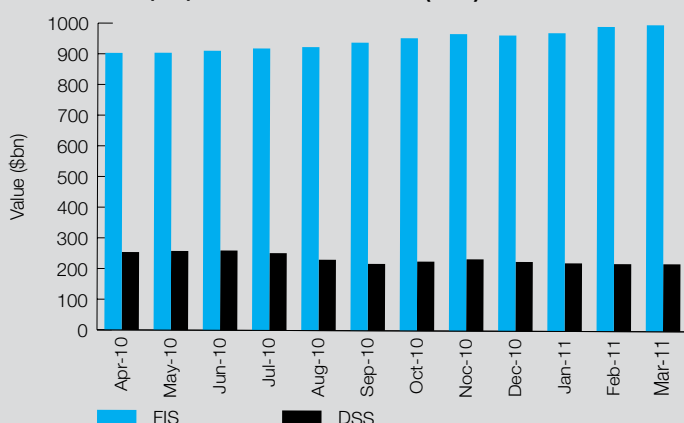
[https://www.asxonline.com/austraclear\\_system\\_release\\_3/index.htm](https://www.asxonline.com/austraclear_system_release_3/index.htm)

Further training webinars, which will focus on other project enhancements, are currently being planned. These webinars are tentatively scheduled for late May/early June. Participants will be notified as soon as actual dates are confirmed.

Total process volumes for Austraclear



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



### Release 3 - Industry Wide Testing (IWT)

Scheduled to commence from 27th June 2011, for a period of five weeks.

#### Week 1 & 2: 27/06/2011 – 08/07/2011 - RBA IWT Testing

The first 2 weeks of IWT will be utilised by the Reserve Bank of Australia (RBA) to complete all testing of functional changes specifically relevant to the RBA as well as other more general enhancements implemented as part of the release. Following week 1, the system will be made available to all participants to test connectivity.

2009

2010

2011

# PROJECT TIMELINE

ASX REGRESSION/USER ACCEPTANCE TESTING JAN 11 – JUNE 11

## **Week 2: 04/07/2011 – 08/07/11 - User Connectivity**

As Release 3 will be implemented on new system infrastructure, it is vital that all participants confirm their ability to connect to the new system environment prior to go-live. This testing will be mandatory for all participants to reduce the risk of connectivity issues after implementation.

## **Week 3: 11/07/11 – 15/07/11 - New functionality / Concurrent usage**

During this period the system will be available for all participants to familiarise themselves with, and test enhancements introduced as part of the project.

Participants should ensure that users participating in the testing process have completed the online training modules (<https://acleareducation.sfe.com.au/aclear>) relevant to their roles to obtain the full benefit of the IWT process for their organisations.

Participants are also encouraged to make arrangements with their usual market counterparties to enter matching trades as part of the testing process.

Note: Training webinars will be held in May/June 2011 to further assist participants in familiarising themselves with the changes, which will also be made available on the project information site [https://www.asxonline.com/austraclear\\_system\\_release\\_3/index.htm](https://www.asxonline.com/austraclear_system_release_3/index.htm). Details of the webinar will be made available under a separate communication.

## **Week 4: 18/07/11 – 22/07/11 - SWIFT and H2H Lite messaging**

Participation during this period is recommended for all current users of SWIFT and H2H Lite to test the complete suite of messages that they currently access in Production. There is also an opportunity for participants to test the new

message types introduced as part of Release 3. Further detail on these messages is located on the project site: [https://www.asxonline.com/austraclear\\_system\\_release\\_3/index.htm](https://www.asxonline.com/austraclear_system_release_3/index.htm).

## **Week 5: 25/07/11 – 29/07/11 - General**

The final week of testing can be utilised by participants wanting to extend their own internal testing.

Briefing packs covering both user and technical information can be found by following this link

[https://www.asxonline.com/austraclear\\_system\\_release\\_3/index.htm](https://www.asxonline.com/austraclear_system_release_3/index.htm)

If you are interested in IWT and/or the Austraclear System Release 3 project, please contact Ash Moosa at [Ash.Moosa@asx.com.au](mailto:Ash.Moosa@asx.com.au) on (02) 9227 0539 or Allan McGregor at [Allan.McGregor@asx.com.au](mailto:Allan.McGregor@asx.com.au) or on (02) 9227 0814.

Further information about the Austraclear System Enhancement project can be found on the following link: [https://www.asxonline.com/austraclear\\_system\\_release\\_3/index.htm](https://www.asxonline.com/austraclear_system_release_3/index.htm)

## **Cross-Border Linkages**

Traditionally, national Central Securities Depositories (CSDs) have focused mainly on meeting the requirements of domestic market participants dealing in domestic securities. However, as cross border investment flows have increased substantially in recent years, there is growing interest amongst market stakeholders, (investors, issuers, intermediaries and CSDs) in increasing the efficiency and reducing the costs of cross border investment services.

CSDs can potentially facilitate more efficient cross border investment in a number of ways – for example through straight through processing functionality based on internationally accepted messaging standards. Austraclear


 INDUSTRY WIDE TESTING JUN 11-JUL 11

GO-LIVE AUG 11

System Release 3 is introducing new SWIFT message types for just such a purpose.

Alternatively, CSD linkage or interoperability structures can create significant efficiencies by allowing domestic investors to settle transactions and hold securities in an offshore market. This is achieved with an Investor CSD (the CSD acting on behalf of domestic investors) creating an operational link with the Issuer CSD (the CSD that holds securities lodged by the original issuing entity). One of the significant benefits of this type of link structure is that it can allow direct holdings of offshore securities in the domestic CSD with the related benefits of direct title to the securities under the domestic legal jurisdiction. The CSD link structure can also benefit from standardised processes, transparent rule frameworks and wholesale market cost structures. However, these structures tend to be more suited to more sophisticated investors (those with a higher degree of operational capability) as CSDs may not always provide a full range of services relating to custody or asset management such as tax management services.

Austraclear has an existing link structure into the International Central Securities Depositories (Euroclear and Clearstream) which allows domestic investors to hold Eurobonds (global securities issued into the ICSDs to support investment by international institutions) denominated in Australian dollars in a domestic Australian CSD account. More detail on this structure is provided below.

The interest in CSD link or interoperability structures is spreading to the Asia Pacific region with a number of regional markets currently considering the feasibility of creating links to facilitate regional cross border investment. These links can take the form of bilateral CSD agreements, multilateral structures using a single technology interface to translate CSD instructions (e.g. the Clearstream Link Up Markets structure) or can be facilitated by a grouping of domestic

CSDs under one single platform (e.g. Euroclear's single unified technology platform in Europe).

Austraclear is currently investigating a number of possible link structures – from bilateral to multilateral– to potentially expand its range of services for its domestic customers and to create more efficient processes for offshore investors.

### **Euroentitlements on Austraclear**

The Euroentitlement service gives ASX Austraclear Participants access to investment grade Australian dollar denominated securities deposited with International Central Securities Depositories (ICSDs, Euroclear & Clearstream). It allows Participants to settle A\$ denominated Eurobonds on the books of ASX Austraclear in the same manner as domestic securities.

### **Euroentitlements Settlement and holding arrangements**

Austraclear holds securities and cash accounts with Clearstream. Eurobonds traded to Austraclear Participants require delivery to Austraclear's account with Clearstream. Austraclear participants are required to submit a deposit report to Austraclear before instructing trade for settlement. When Austraclear confirms receipt of the Eurobond to its account with Clearstream, it credits the Austraclear participant's account with an entitlement, i.e. a Euroentitlement underpinned by the Eurobond.

### **Bridge between Euroclear and Clearstream**

Transactions between a Clearstream customer and counterparties in Euroclear Bank settle across the Bridge. The Bridge is the electronic communications platform that facilitates the efficient settlement of securities transactions between counterparties in Clearstream Banking Luxembourg and Euroclear Bank. Transactions for Bridge settlement can be executed both free of payment (transfer of securities between two counterparties) or against payment (simultaneous exchange of cash versus securities between

two counterparties). Bridge transactions can only be carried out if the security is eligible for admission in both systems.

### **Euroentitlements Income processing and corporate actions**

Austraclear obtains a record date report from Clearstream that confirms the holding amount in the underlying Eurobond with details of coupon amount expected. Austraclear reconciles that against holders of the Euroentitlement in Austraclear and makes available a corresponding record date report to Austraclear Participants holding the Euroentitlement.

On pay date, Clearstream credits Austraclear's account with Eurobond interest from the issuer and Austraclear

in turn instructs Clearstream to transfer these funds into Austraclear's suspense and control account at its nominated Australian domestic bank. Austraclear then makes payment to holders of the Euroentitlement from the suspense account. This all occurs on pay date.

In the event of late changes to coupon amounts or errors in the coupon rate, Austraclear will notify participants and if part funds are to be recalled, Austraclear will provide a notice and lead time that is consistent with Clearstream's requirements for Austraclear.

If you would like more information on Austraclear's Euroentitlement service, please contact Ash Moosa at [Ash.Moosa@asx.com.au](mailto:Ash.Moosa@asx.com.au) on (02) 9227 0539.

## ASX Austraclear Biography Section



Rohan Delilkhan

### General Manager, Clearing and Settlement Services

Rohan has responsibility for the ongoing development of ASX Clearing Corporation and ASX Settlement Corporation services in support of ASX, alternate market operator and OTC market securities and products. The ASX Clearing Corporation and ASX Settlement Corporation currently provide risk management, settlement and safekeeping services (where relevant) for the Australian equity, interest rate, property, energy and commodity markets.

Rohan has over 20 years of experience in the financial services industry & worked in Hong Kong and London before moving to Australia. His financial markets experience covers areas of economic analysis, cash and derivatives market trading and exchange business development. Before joining the ASX, Rohan held positions with Westpac and HSBC.

## Further Information

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

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

Austraclear System General Enquiries: [exigo@asx.com.au](mailto:exigo@asx.com.au) or Austraclear System Help Desk on 1300 362 257

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

Austraclear Admission & Participation: [participants@asx.com.au](mailto:participants@asx.com.au) or contact Gareth Maiden on (02) 9227 0787

Clearing & Settlement Services, Business Development contact Ash Moosa: [ash.moosa@asx.com.au](mailto:ash.moosa@asx.com.au) or (02) 9 227 0539

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