

Where can I view the details of a Market REPO that has been unwound today?

The View REPO RENEGS/Unwinds screen will display details of all renegotiation and unwind transactions performed on any given day. To view an unwind that was performed today, enter today's date in the 'From Effective Date' and 'To Effective Date' fields and select Unwind in the 'Operation' field.

What AUSTRACLEAR provides to Participants for Market REPOS via SWIFT.

This service provides the capability to Participants to enter Market REPOS via the MT541 & MT543 Swift Messages

This service provides the capability for Participants to Unwind and renegotiate @ Call REPO's via the MT541 & MT543 Swift Messages

Information Message Response Codes for the successful entry of a Market REPO (MT198 messages)

This service provides the capability to Participants to cancel Market REPO's only via the MT541, MT543 Swift Messages. They must adhere to those business rules existing in the EXIGO system

This service provides the capability to Participants to unwind and renegotiate @ Call REPO via the MT541 & MT543 Swift Messages if this has been already initiated by the counterparty in the system

This service provides the capability to Participants to unwind and renegotiate Fixed REPOS via the MT541 & MT543 Swift Messages

This service provides the capability to Participants to cancel Unwinds and renegotiate via the MT54X's Swift Messages

What are some of the enhancements or changes that will be applied under Release 3?

View Reported Trades – Market REPOS

Currently, if a 2nd leg is cancelled, the system updates the 1st leg from a state of "matched" to "cancelled".

Under release 3, if a 2nd leg is cancelled, the system will update the 1st leg with a sub-state of "second leg cancelled" leaving state of the 1st leg as "matched". If the 1st leg is cancelled then the state of 1st leg will show as "cancelled"

2nd leg Report Automatic cancellation

Currently, the 2nd leg REPO remains open if the 1st leg fails and the 2nd leg continues to appear as an open trade in View Reported Trade Open.

Under Release 3, if the 1st leg fails the 2nd leg will be automatically cancelled. The entire REPO is considered cancelled.

SWIFT Messaging – REPO Facility Zero Yield

Currently, users experience problems with renegotiations and unwind of REPOs with zero yield. The system does not display correct consideration before committing the renegotiation if a zero yield is present.

Under Release 3, correct consideration will be displayed in the View Reneg / Unwind screen

For more information on ASX Austraclear Systems Market REPO functionality please contact the ASX Austraclear Service Desk on 1300 362 257 or via email at Exigo@asx.com.au.

AUSTRACLEAR



Quarterly Newsletter, January 2011 – Issue 5

The Austraclear System Enhancement Project Update

Austraclear Settlement Statistics 12 months to December 2010

Total number of Transactions Processed	1.2 million
Total Value Processed (A\$)	20 trillion
Average Transactions Daily	4,594
Average Daily Value (A\$)	80 billion

Welcome to Issue 5, the first for 2011.

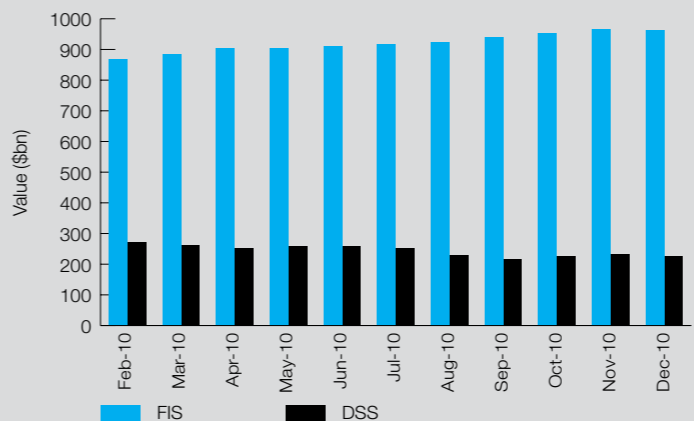
We extend our best wishes to all our Participants and stakeholders for 2011.

This issue provides a further update on the Austraclear System Enhancement Project. It also covers Market REPO functionality and the changes expected under Release 3.

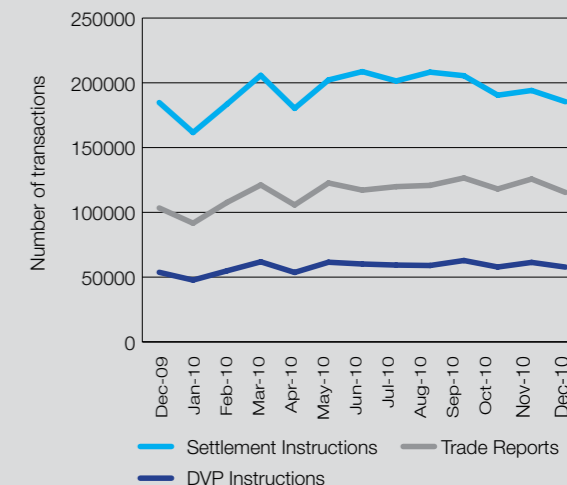
Austraclear System Enhancement Project

The development of Release 3 is now complete, and the regression testing phase is underway. The first technical workshop was held on 25 November 2010 in an interactive webinar format where the focus was on the SWIFT and Host to Host Lite enhancements. Thank you to all Participants who logged on to the webinar and who contributed to its success. If you weren't able to attend the webinar it can be viewed on the following link; www.asx.com.au/professionals/austraclear/technical_documents.htm

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



Total process volumes for Austraclear



The next technical workshop webinar is scheduled for late Feb 2011 and will cover MT564 – Corporate Action Notification message types; ASX will provide all interested participants with details closer to the event.

A training webinar will be held in May 2011 to walk-through the changes from a user perspective.

Industry Wide Testing (IWT) is scheduled to commence from 27th June 2011, for a period of five weeks, to provide participants with a further opportunity to become familiar with the changes. Full details, including technical requirements and scope of testing required will be sent to all Participants in February 2011.

If you, or an interested colleague would like to attend the second of a series of workshop webinars or if you are interested in IWT please contact Alan Rafter at Alan.Rafter@asx.com.au or on **03 9617-8745**

Further information about the Austraclear System Enhancement project can be found on the following link; www.asxonline.com/exigo_release_3/index.htm

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 Gareth Maiden on **(02) 9227 0787**
- Austraclear Business Development: Alan.Rafter@asx.com.au or **(03) 9 617 8745**

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2009

2010

2011

2012

PROJECT TIMELINE

ASX REGRESSION/USER ACCEPTANCE TESTING JAN 11 – MAY 11

INDUSTRY WIDE TESTING JUN 11-JUL 11

GO-LIVE AUG 11

Market REPO Functionality in Austraclear

A Repurchase Agreement (REPO) is a contract involving the sale of a security and the simultaneous agreement to buy it back at an agreed price at a future date.

REPO Transactions are also undertaken by the Reserve Bank of Australia (RBA) as part of its daily open market operations.

Why is REPO functionality in Austraclear important to the Wholesale Debt market?

- The AUSTRACLEAR Market Repurchase module provides a facility to record and settle both the first and second transaction legs of the REPO.
- The AUSTRACLEAR system also allows participants to renegotiate the second leg of the REPO.
- Market Repurchase agreements can be entered using both Fixed Income and Discount Securities.

TRADE ENTRY & MATCHING

When entering the Market REPO into the system all fields in the REPO entry screen require matching against the counterparty trade information with the exception of the following fields;

TRADE DATE, SUB PARTICIPANT, INFORMATION and PARTICIPANT REFERENCE

KEY TRADE INFORMATION

The Trade entry screen for a Market REPO differs from an outright with the following additional fields.

First Trans Date: The first transaction date / settlement date for the first leg. The date must be a valid settlement date and must be before the maturity books close date of the traded instrument series.

Second Trans Date: The second transaction date / settlement set for the second leg. The date must be a valid settlement and the date must be before the maturity books close date of the traded instrument series.

Cash Rate: Enter a cash rate for the Market REPO trade within 0 to 100. The entered number of decimals must be the same as in the default value (0.00) displayed in the field.

Margin Ratio: Enter a three digit integer for margin ratio/ haircut. The value is only used as information not used for the calculations.

Consideration: Consideration/Settlement amount is calculated from the yield entered into the system when Calculate both Considerations is selected. However the consideration can be overwritten by the user.

Unwind Consideration: the consideration settlement amount for the second leg is calculated by the system when 'Calculate both Considerations' is selected according to the following REPO type calculation options;

Fixed term value is calculated based on the number of days between the first and second leg transaction dates.

Intraday value must be entered by the Participant.

At Call value is calculated assuming that the REPO will unwind the next business date.

If a Participant enters a consideration value manually and they want to calculate a new unwind consideration value based on the entered consideration value, they must use the 'Calculate Unwind Consideration' field.

How do I renegotiate or unwind a Market REPO Trade?

All outstanding Market REPO trades will be displayed in the View Reported Trades screen and can be renegotiated and/or unwound from within this screen. In order to ensure all 'open' Market REPO trades are displayed for selection, select 'Discount Securities REPO' or 'Fixed Income REPO' in the 'Type' field and click on the double arrow to display extended search criteria. The system will display an 'Open Contracts' field with a wildcard (*) selection. It is possible to select to view 'All', 'At Call' or 'Fixed' Market REPOS in this field. Select 'All' and click 'Search' to view all 'Open' Market REPOS.

Highlight the Market REPO trade and from the right click

menu, select 'Renegotiate Trade Report' or 'Unwind Trade Report' to renegotiate the terms of the REPO or unwind the REPO either partially or fully. Renegotiation and Unwind transactions can then be viewed and monitored via the View REPO Renegs/Unwinds screen.

REPO FAQ's

Does the first leg of the REPO need to be settled in order to create the second leg?

No, if the first leg of the market REPO is matched, you may enter the second leg.

In Release 3, this will change. If the 1st leg fails then the 2nd leg will be automatically cancelled overnight.

Can Austraclear net Market REPO trades?

No, Austraclear does not net settle Market REPOS in line with Real Time Gross Settlement requirements for the Australian wholesale debt market.

If a REPO is renegotiated are you required to physically settle the unwind (second leg) and then create a new REPO?

No, if you renegotiate the 2nd leg by changing the Cash Rate, the system will automatically recalculate the unwind consideration. Or, if you renegotiate by extending the 2nd transaction date the system will automatically calculate the unwind consideration. You do not have to enter a new REPO.

How do I view complete details of both the 1st leg and 2nd leg of my Market REPO trades?

In order to perform a detailed search of Market REPO trades, it is recommended that participants select to view all of the following columns in the View Reported Trades window:

- Init Face Val (Initial Face Value)
- Init Consid (Initial Consideration)
- 1st Trans Date (1st Transaction Date)
- Effective Date (Effective Date)
- 2nd Trans Date (2nd Transaction Date)

To change column settings, right click in the View Reported Trades screen and select Column Settings. Select the columns to be displayed by placing a tick in the relevant check box, then click Apply and OK.

This information will assist in producing an audit trail for market REPO trades involving renegotiations and partial unwinds. For example:

A partially unwound REPO will show the outstanding balance of the REPO in the Face Value column.

The original value of the REPO can be viewed in the Initial Face Value column

Once a REPO is unwound, the Face Value and Consideration column show a zero value for the first leg of the REPO. The details for the first leg as it settled are displayed in the Initial Face Value and Initial Consideration columns

Right click on the trade report to view trade history. This will show all versions of the trade report to enable an audit trail. Users can also right click from the trade report to view DvP information that includes the settlement status of the REPO legs.

What is the best way to view the details of a cancelled 2nd leg Market REPO?

2nd leg Market REPOS that are cancelled will not be recorded under the date of the cancellation however can be viewed by searching on the date of the 1st leg of the Market REPO. Participants can still search for any cancelled legs using the 'Created' column as their guide. This column displays the date and time the Market REPO was cancelled in the system. To initiate a search on the 1st leg transaction date, select a 'From Settlement Date' range to a 'To Settlement Date' then select the State of 'Cancelled'. Users can then double click on the 'Created' column to sort this column in date order with the most recent date on top. This will allow participants to identify any 2nd leg market REPOS that have been cancelled today. Using the scroll bar you can also view the 1st leg date of the Market REPO.