ASX Clear Third Party Clearing Capital Requirements and Other Proposed Amendments

Response to Consultation

August 2026

Enquiries

Contact

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1. Introduction

On 16 January 2026, ASX Clear (ASXCL) released a consultation paper seeking feedback on proposed changes resulting from a review of the capital requirements for third party clearers (TPCs).

The most significant change relates to the base requirement component of the core requirement for capital to be held by TPCs. Other aspects of the capital requirements that were part of the review and included in the consultation paper relate to:

- the use of security deposits as a method of reducing counterparty risk amounts, noting that this aspect of the consultation paper is proposed to apply more broadly than to TPCs as it applies to eligible security deposits collected by TPCs from trading participants (TPs) as well as security deposits collected by clearing participants (CPs) from intermediaries; and
- counterparty risk weighting.

Unrelated to the TPC review, the consultation paper also included a proposal to remove the requirement for daily or weekly reporting for a CP with a ratio of liquid capital to liquid capital requirement (LCR) of 1.2 or less where the LCR is the core requirement.

ASXCL received five submissions in response to the consultation paper. ASXCL would like to thank those who provided feedback.

Respondents were largely supportive of the proposals outlined in the consultation paper.

Section 2 of this paper provides an outline of the feedback received, as well as ASXCL's response to the feedback.

Based on the feedback received, ASXCL intends to proceed with the proposals outlined in the consultation paper, with the only modification being in relation to the methodology for reducing counterparty risk amounts, as outlined in section 2.2 of this paper.

Revised draft rule amendments to the ASXCL Operating Rules and Procedures are shown in the appendix, with the further changes made as a result of the consultation shown in yellow highlight for identification or where the form of the existing rule has been reinstated[1] this is shown in grey highlight.

2. Key Themes from Public Consultation and ASXCL's Responses

2.1. Base requirement

2.1.1. Amount

Respondents all agreed that the risks arising from undertaking TPC activity merits a higher base requirement for TPCs than for non-TPCs.

Most respondents agreed with the proposed $10m base requirement amount for TPCs and with the move away from this being linked to the number of TPs cleared for. However, there was also feedback that:

- The base requirement (for both TPCs and non-TPCs) should be periodically adjusted based on market turnover rather than being kept static.
- It would be better to have a scalable requirement reflecting exposure/activity levels, rather than having a fixed dollar amount. This could be achieved, for example, by way of a higher percentage factor than 8% in the operational risk requirement calculation for TPCs to reflect the increased risk arising from this activity or by incorporating margin levels in the determination of the base requirement.
- The base requirement amounts (both $5m for non-TPCs and the proposed $10m amount for non-TPCs) are not particularly high given the role that CPs play.

ASXCL has considered this feedback and intends to proceed with the fixed amounts of $5m for non-TPCs and $10m for TPCs. In response to the above points:

- At this stage, ASXCL does not intend to periodically adjust the base requirement amount but this is something that may be considered in future.
- ASXCL is of the view that having a scalable requirement adds unnecessary complexity to the determination of the base requirement.
- The base requirement is supplemented by the other components of the core requirement (capturing client written options clearing, own account business and non-ASX client activity).

[1] Relevantly, clause 2 of Annexure 1 to Schedule 1 of the ASXCL Operating Rules (dealing with the non-margined financial instruments method for determining counterparty risk amounts) where existing wording proposed to be contained within new sub-clause 2(a)(i) has been reincorporated into clause 2(a).

One respondent sought a better understanding of ASXCL's reasoning behind the selection of the $10m amount. As stated in the consultation paper, ASXCL considered an amount that was double the requirement for a non-TPC to be sufficient to cover the extra risk arising from TPC activities without being overly excessive. Consideration of other jurisdictions shows that there is a lack of consistency in minimum capital requirements across CCPs that may otherwise have provided guidance on appropriate minimum requirements for ASXCL CPs.

As flagged in the consultation paper, the conditional no action position for TPCs (as set out in market notice 0176.25.02 issued on 21 February 2025) currently in place will be withdrawn once the rule amendments arising from this review are implemented.

2.1.2. Standards for TPCs

In relation to the standards that TPCs will be expected to meet, there was support for codifying expectations around trading limits, monitoring and enforceable termination rights.

One respondent suggested that hourly limit monitoring is potentially insufficient. ASXCL notes that it is not prescribing that limit monitoring only be done hourly but rather this is the minimum required frequency. There is nothing to prevent CPs from undertaking more frequent monitoring.

One comment was raised in relation to whether the limits represent an ASXCL-set exposure ceiling or limits prescribed by TPCs for their individual TPs. ASXCL confirms it is the latter and notes that, in setting limits for their individual TPs, TPCs should ensure that the aggregate limit across all TPs is calibrated such that it would not cause the TPC to exceed any limits set by ASXCL.

One respondent sought guidance on how trading limits should be set, the required monitoring approach and reporting or escalation requirements. ASXCL considers these to be a matter for CPs' own risk management and does not intend to set more prescriptive requirements in relation to these beyond the matters already proposed to be prescribed in ASXCL Operating Rule Procedure S1.2.1 for the purpose of Rule S1.2.1(5)(a), including for trading limits to be documented in clearing agreements, using ASXCL notifications and monitoring utilisation of agreed trading limits on at least an hourly basis, and to have and enforce termination rights under its contractual arrangements.

2.1.3. Other components of the core requirement

While not the focus of the consultation paper, feedback was also received seeking changes to other components of the core requirement.

Such feedback primarily related to the non-ASX client activity component of the core requirement. One respondent noted that many such activities generate little credit risk and have low balance sheet utilisation, and opined that the current methodology may overstate the capital required relative to the economic risk exposure generated by these activities. Another respondent suggested that such activities should not be captured where they are performed on a recognised exchange that has regulations of a similar standard to ASXCL. Feedback also suggested that determining the materiality of non-ASX client activity on the basis of its revenue relative to the CP's overall revenue seems disconnected with the rest of the capital requirement framework.

Feedback was also received applicable across all components (client written options clearing, own account business and non-ASX client activity) that:

- having add-ons for these activities is seen as being inconsistent with the simplified base requirement.
- there is a risk of double-counting as activities in the other components may already generate exposures that are captured within the TRR calculations.
- there has been no recalibration of the materiality thresholds for the other components.
- the materiality add-ons fail to reflect the true scale of activity-driven risk which is captured through the TRR.

ASXCL acknowledges this feedback but does not intend to make any changes to components of the core requirement other than the base requirement in conjunction with the matters covered in this consultation. This may be considered as a separate exercise in the future. While some of the activities that are considered in the core requirement components are also captured in the TRR calculation, the general premise remains that the core requirement is intended to capture the potential risks that can arise from a CP's activities whereas the TRR captures actual exposures. CPs are required to comply with the higher of the two requirements, not both, so there is no double counting.

2.1.4. Other feedback

While acknowledging the higher risk arising from TPC activity, one respondent noted the market infrastructure enhancements that could reduce this risk. These include "kill switch" functionality (as seen in US markets and the Australian futures market), pre-trade credit controls or a reduced cash market settlement cycle (from T+2 to T+1 or T+0).

ASXCL notes that such structural changes are beyond the scope of this consultation.

2.2. Use of security deposits

All respondents agreed with the proposal to incorporate the use of eligible security deposits as a method of reducing counterparty risk amounts into the rules. Respondents also agreed with this applying to both security deposits collected by TPCs from TPs as well as security deposits collected by CPs more broadly from intermediaries.

One respondent considered the requirement for the security deposit to be the CP's property and not held in trust to be unnecessary and proposed that having a contractual right to the funds (even if held on trust) should be sufficient. ASXCL remains of the view that in order to be eligible, the security deposit must represent funds of the TP or intermediary (as applicable) and not funds of a client or other party with beneficial rights in such monies (whether under the Corporations Act or otherwise), and clearly be identified to be the CP's property. If the security deposit was held on trust for the TP or intermediary, this could create uncertainty as to the CP's ability to use the funds to meet exposures to an underlying client, including its continuing ability to do so if the TP or intermediary were to go into administration. ASXCL's observation during its review of TPCs was that, where security deposits are collected by TPCs, these were documented as being the CP's property.

One respondent raised that, as worded, the security deposit appears to be of little benefit and proposed that the security deposit be able to be used to reduce the counterparty risk amount itself and not the client balance, contract value or excess (as applicable). ASXCL recognises that this is the more appropriate treatment of the security deposit. The draft rule amendments have been updated to reflect this (shown in yellow highlight in the appendix) while also retaining the current approach. As a result, CPs will have the choice of using security deposits (and collateral more generally) to reduce either the counterparty risk amount or the client balance, contract value or excess (as applicable). This is so that CPs that do not want to modify their existing Rule S1 calculation systems do not have to make any changes, noting however the different outcomes that arise under each of these approaches.

2.3. Counterparty risk weighting (CRW)

Respondents agreed with the appropriateness of the 20% CRW for exposures to TPs (other than principal traders) and the concessionary 20% CRW treatment for eligible exposures that a TPC has to clients of a TP.

We note that there were no rule amendments being proposed in relation to CRWs.

2.4. Daily/weekly reporting requirements

One respondent, providing feedback that was specifically in relation to TPCs, disagreed with the proposal in the consultation paper relating to daily/weekly reporting requirements. However, it should be noted that this proposal was not specific to TPCs and was unrelated to the outcome of the review of TPC capital requirements.

This proposal would apply to all CPs other than those approved as dual capital participants. As stated in the consultation paper, under the proposal a CP will continue to be required to notify ASXCL when its ratio of liquid capital (LC) to liquid capital requirement (LCR) falls to 1.2 or less. After that, then daily or weekly returns (dependent on the level of the ratio) will be required if the LCR is the TRR (which fluctuates daily) but will not be required if the LCR is the core requirement (which rarely changes). Where the LCR is the core requirement, while the initial notification will alert ASXCL to a low ratio, daily/weekly returns will be of little value given the generally static nature of the core requirement. The CP will, however, be required to notify if the ratio subsequently falls to 1.0 or less (ie breach level).

ASXCL intends to proceed with this proposal as it was outlined in the consultation paper.

3. Next Steps

ASXCL will now proceed to informally lodge the revised draft amendments to the ASXCL Operating Rules and Procedures with ASIC.

The implementation of the rule amendments is subject to regulatory clearance from ASIC and is also dependent on internal system changes. The implementation timing is therefore uncertain at this stage. ASXCL will publish a market notice to confirm the effective date once this is known.

The conditional no action position for TPCs (as set out in market notice 0176.25.02 issued on 21 February 2025) currently in place will be withdrawn once the rule amendments come into effect.

As noted in the consultation paper, no changes will be required to the Financial Returns Application or the content of any returns.

Appendix – Draft Amendments to the ASX Clear Operating Rules and Procedures

ASX CLEAR OPERATING RULES

SCHEDULE 1 RISK BASED CAPITAL REQUIREMENTS

S1.1 DEFINITIONS AND INTERPRETATION

S1.1.1 Definitions

In Rule S1, unless the context otherwise requires:

…

“Intermediary” means a financial services licensee who places with, or communicates to, the Participant orders to buy or sell financial products as agent for a client of the licensee.

…

“Tier 2 General Participant” means a General Participant that is classified as Tier 2 in Table B in Rule S1.2.1(2)(a).

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S1.2 OBLIGATIONS OF PARTICIPANTS

S1.2.1 Core Capital, Liquid Capital, Total Risk Requirement and Liquid Capital Requirement

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(2) For the purpose of determining a Participant’s Core Requirement:

(a)

Table A – Direct Participants – Base Requirement
$5,000,000

Table B – General Participants – Base Requirement		
Tier 1	$5,000,000	Clearing for itself only ~~or up to one~~ (ie. it is not clearing for Externals).
Tier 2	$10,000,000	Clearing for~~:~~ ~~itself and~~ one or more Externals~~, or~~ ~~two Externals~~ (regardless of whether it is also clearing for itself).
~~Tier 3~~	~~$15,000,000~~	~~Clearing for:~~ ~~• itself and two Externals, or~~ ~~• three Externals.~~
~~Tier 4~~	~~$20,000,000~~	~~Clearing for:~~ ~~• itself and three or more Externals, or~~ ~~• four or more Externals.~~

In Table B above, "External" means another Participant or a Market Participant.

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(5) A Tier 2 General Participant:

(a) is expected to meet the standards set out in the Procedures;

(b) must notify ASX Clear as soon as practicable if there are any material changes in its risk management as it relates to third party clearing activities; and

(c) must provide an annual response and certification in the form prescribed by ASX Clear and by the time set out in the Procedures.

(6) In the event that a Tier 2 General Participant fails to comply with Rule S1.2.1(5) or any of the material changes notified or responses provided by the Participant under Rule S1.2.1(5)(b) or (c) are not considered by ASX Clear to be appropriate or in accordance with the standards under Rule S1.2.1(5)(a), action that ASX Clear may take includes:

(a) imposing a Secondary Requirement on the Participant; or

(b) imposing conditions on the Participant under Rule 3.1.4, including:

(i) a requirement that the Participant maintain Liquid Capital that is additional to the amount that it is required to maintain under Rule S1.2.1(1); or

(ii) restrictions on its third party clearing activities.

S1.2.2 Notifying ASX Clear

(1) Unless the Participant is a Dual Capital Participant, it must notify ASX Clear immediately if its Liquid Capital divided by its Liquid Capital Requirement is equal to or falls below 1.2.

(1A) A Participant that is a Dual Capital Participant must notify ASX Clear immediately if its:

(a) Core Capital is at any time less than its Core Requirement; or

(b) Liquid Capital divided by its Total Risk Requirement is equal to or falls below 1.2.

(2) A Participant must provide ASX Clear with a return in the form prescribed by ASX Clear disclosing the amount of its Liquid Margin:

(a) no later than one Business Day after notifying ASX Clear under Rule S1.2.2(1) or Rule S1.2.2(1A) (as applicable); and

(b) from then on, for a Participant that is not a Dual Capital Participant where its Liquid Capital Requirement is the Total Risk Requirement, or for a Participant that is a Dual Capital Participant, either:

(i) weekly, for so long as the amount referred to in Rule S1.2.2(1) or Rule S1.2.2(1A)(b) (as applicable) is equal to or less than 1.2 but greater than 1.1; and

(ii) daily, for so long as the amount referred to in Rule S1.2.2(1) or Rule S1.2.2(1A)(b) (as applicable) is 1.1 or less.

(3) A Participant that is not a Dual Capital Participant and is not required to provide weekly or daily returns under Rule S1.2.2(2)(b) because its Liquid Capital Requirement is the Core Requirement must notify ASX Clear immediately if its Liquid Capital divided by its Liquid Capital Requirement is equal to or falls below 1.0.

Introduced 11/03/04 Amended 01/01/10, 21/02/25

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ANNEXURE 1 COUNTERPARTY RISK REQUIREMENT

1 COUNTERPARTY RISK REQUIREMENT

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2 NON-MARGINED FINANCIAL INSTRUMENTS METHOD

(a) For unsettled trades in Financial Instruments which are not margined and not covered by one of the other methods in this Annexure, and for unsettled trades in margined Equities, Debt Instruments and warrants, the counterparty risk amount is 3% of the Client Balance, where this balance does not include trades which remain unsettled with the Counterparty for greater than 10 Business Days following the transaction date.

A Participant may reduce the Client Balance by the amount of Financial Instruments held by the Participant on behalf of the Counterparty if they specifically relate to the sale trades pending settlement with the market. ~~or by~~

A Participant may reduce either the Client Balance or the counterparty risk amount by:

(i) the amount of collateral held by the Participant on behalf of the specific Counterparty if the collateral is Liquid, valued at the mark to market value or another value approved by ASX Clear and the collateral arrangement is evidenced in writing between the Participant and the Counterparty~~.~~; and

(ii) a portion of the amount of security deposit collected from a Market Participant or Intermediary for which the Participant clears Market Transactions if:

A. the Client Balance or the counterparty risk amount is for a Counterparty that is a client of that Market Participant or Intermediary;

B. the security deposit is in the form of cash;

C. it is evidenced in writing between the Participant and the Market Participant or Intermediary that the security deposit is the Participant's property;

D. the security deposit can be retained by the Participant to offset its exposure on unsettled trades with the Counterparty referred to in clause 2(a)(ii)(A); and

E. the security deposit is not held on trust for any party.

The portion of the security deposit used to reduce the Client Balance or the counterparty risk amount under clause 2(a) for a particular Counterparty is at the discretion of the Participant, provided that the aggregate amount used under clauses 2(a), 2(b) and 5(e) for clients of a Market Participant or Intermediary is not greater than the amount of security deposit collected from that Market Participant or Intermediary.

(b) For unsettled trades in Financial Instruments which are not margined and not covered by one of the other methods in this Annexure, and for unsettled trades in margined Equities, Debt Instruments and warrants, the counterparty risk amount for trades remaining unsettled for greater than 10 Business Days following the transaction date is at the choice of the Participant:

(i) either:

A. 3% of the contract value; or

B. the excess of:

I. the contract value over the market value of each Financial Instrument in the case of a client purchase; and

II. the market value of each Financial Instrument over the contract value in the case of a client sale,

whichever is the greater; or

(ii) 100% of the contract value for a client purchase or 100% of the market value for a client sale.

A Participant may reduce either the contract values and the excesses or the counterparty risk amount by:

(iii) the amount of collateral held by the Participant on behalf of the Counterparty if the collateral is Liquid, valued at the mark to market value or another value approved by ASX Clear and the collateral arrangement is evidenced in writing between the Participant and Counterparty; and~~.~~

(iv) a portion of the amount of security deposit collected from a Market Participant or Intermediary for which the Participant clears Market Transactions if:

A. the trades are for a Counterparty that is a client of that Market Participant or Intermediary;

B. the security deposit is in the form of cash;

C. it is evidenced in writing between the Participant and the Market Participant or Intermediary that the security deposit is the Participant's property;

D. the security deposit can be retained by the Participant to offset its exposure on unsettled trades with the Counterparty referred to in clause 2(b)(iv)(A); and

E. the security deposit is not held on trust for any party.

The portion of the security deposit used to reduce the contract values and excesses or the counterparty risk amount under clause 2(b) for a particular Counterparty is at the discretion of the Participant, provided that the aggregate amount used under clauses 2(a), 2(b) and 5(e) for clients of a Market Participant or Intermediary is not greater than the amount of security deposit collected from that Market Participant or Intermediary.

(c) A Participant need not include credit amounts included in a Client Balance where such amounts represent an amount of cash held in the Participant's trust and/or segregated account.

(d) This method does not apply to OTC Derivatives but does apply to warrants which also may be covered by the method in clause 6.

Introduced 11/03/04, 07/06/13

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5 MARGINED FINANCIAL INSTRUMENTS METHOD

For trades in Financial Instruments which are margined, other than unsettled trades in margined Equities, Debt Instruments and warrants, the counterparty risk amount for a Counterparty:

(a) is the full value of the outstanding settlement amount, premium, deposit or margin call that the Counterparty is required to pay to the Participant, regardless of whether or not the Participant is required to pay that amount to an exchange, clearing house or other entity;

(b) is the full value of the outstanding settlement amount, premium, deposit or margin call that is due from an entity with respect to client or house trades cleared by that entity;

(c) commences at the time that amounts are normally scheduled for payment to the relevant exchange or clearing house.

A Participant may reduce the unpaid settlement amount, premium, deposit or margin call by:

(d) the amount of cash paid by the Counterparty or collateral held by the Participant on behalf of the Counterparty if the collateral is Liquid, valued at the mark to market value or another value approved by ASX Clear and the collateral arrangement is evidenced in writing between the Participant and Counterparty; and

(e) a portion of the amount of security deposit collected from a Market Participant or Intermediary for which the Participant clears Market Transactions if:

  (i) the unpaid settlement amount, premium, deposit or margin call is due from a Counterparty that is a client of that Market Participant or Intermediary;

  (ii) the security deposit is in the form of cash;

  (iii) it is evidenced in writing between the Participant and the Market Participant or Intermediary that the security deposit is the Participant's property;

  (iv) the security deposit can be retained by the Participant to offset its exposure on unpaid settlement amount, premium, deposit or margin call due from the Counterparty referred to in clause 5(e)(i); and

  (v) the security deposit is not held on trust for any party.

The portion of the security deposit used to reduce the counterparty risk amount under clause 5(e) for a particular Counterparty is at the discretion of the Participant, provided that the aggregate amount used under clauses 2(a), 2(b) and 5(e) for clients of a Market Participant or Intermediary is not greater than the amount of security deposit collected from that Market Participant or Intermediary.

Introduced 11/03/04, 07/06/13

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ANNEXURE 3 POSITION RISK REQUIREMENT

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PART 4 – THE INTERNAL MODELS APPROACH

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32 FRAMEWORK FOR THE USE OF BACK TESTING

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(g) Using the most recent 12 months of data yields approximately 250 daily observations. ASX Clear will use the number of exceptions (out of 250) generated by the Participant's model as the basis for determining the plus factor to be applied. The supervisory response is based on a three-zone approach described below and the applicable plus factors are set out in Table 1.8 of ~~Schedule~~ Annexure 5.

(i) The green zone is where there are 4 or fewer exceptions in a sample of 250 outcomes.

(ii) The yellow zone is where there are 5 to 9 exceptions in a sample of 250 outcomes. Where a Participant's back testing results are in the yellow zone, ASX Clear may request additional information (eg disaggregated back testing results, explanations for the exceptions) to assist in determining the supervisory response. The plus factors for the yellow zone as set out in Table 1.8 of ~~Schedule~~ Annexure 5 are not meant to be purely automatic. However, to keep the incentives aligned properly, back testing results in the yellow zone should generally be presumed to imply an increase in the scaling factor unless the Participant can demonstrate that such an increase is not warranted. ASX Clear will decide whether or not to apply increases in the Participant's capital requirement by imposing the plus factor, or possibly to disallow the use of an internal model.

(iii) The red zone is where there are 10 or more exceptions in a sample of 250 outcomes. Where a Participant's back testing results are in the red zone, the plus factor of one will automatically apply. ASX Clear will also investigate the reasons why the Participant's model produced such a large number of exceptions, and will require the Participant to begin work on improving its model immediately. Finally, in the case of severe problems with the basic integrity of the model, ASX Clear may disallow the use of the model for capital purposes altogether.

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ASX CLEAR OPERATING RULES PROCEDURES

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SCHEDULES TO ASX CLEAR OPERATING RULES

PROCEDURE S1.2.1 CORE CAPITAL, LIQUID CAPITAL, TOTAL RISK REQUIREMENT AND LIQUID CAPITAL REQUIREMENT

1. For the purposes of Rule S1.2.1(2)(b):

   (a) client written options clearing is activity undertaken by a Participant which involves clearing of a written Options Market Contract registered in a Client Account of the Participant;

   (b) specific Cover is lodged for a written Call Option if, in accordance with paragraph 2.2.1(iii) of Annexure 1 to the Procedures, the outcome of such lodgement is that ASX Clear does not call margins in respect of such Call Option.

2. For the purposes of Rule S1.2.1(2)(c), own account business is activity undertaken by a Participant which involves:

   (a) dealing in, or Underwriting, a financial product on its own behalf; or

   (b) dealing in a financial product on behalf of a Related Body Corporate where the Participant has funded such dealing.

3. For the purposes of Rule S1.2.1(2)(d), non-ASX client activity is activity undertaken by a Participant which involves:

   (a) dealing in a financial product on behalf of a client, where the transaction or contract under such dealing is not cleared by ASX Clear or ASX Clear (Futures) Pty Limited;

   (b) issuing a financial product to a client;

   (c) providing a credit facility to a client; or

   (d) disposing of a financial product to a client as part of a securities lending service.

4. ASX Clear may, at its discretion, exclude activities which fall within the descriptions of own account business or non-ASX client activity in paragraphs (2) or (3) above, from its assessment of own account business or non-ASX client activity undertaken by a Participant for the purposes of Rules S1.2.1(2)(c) or S1.2.1(2)(d).

5. Where activity undertaken by a Participant falls within both the descriptions of own account business and non-ASX client activity in paragraphs (2) and (3) above, ASX Clear will choose, at its discretion, whether such activity should be included in its assessment of:

   (a) own account business undertaken by the Participant for the purposes of Rule S1.2.1(2)(c); or

   (b) non-ASX client activity undertaken by the Participant for the purposes of Rule S1.2.1(2)(d),

   so that the same activity is not assessed under both of those Rules.

6. For the purposes of Rule S1.2.1(5)(a), a Tier 2 General Participant is expected to meet the following standards:

(a) the Participant must have agreed appropriate trading limits set against each Market Participant for which it is clearing Market Transactions and these must be documented in its Clearing Agreement with each Market Participant;

(b) the Participant must be receiving and using, for the purposes of paragraph 6(c), ASX Clear's notifications of cleared transactions on an ongoing basis;

(c) the Participant must monitor utilisation of the agreed trading limits at least every hour, on an ongoing basis, for each Market Participant for which it is clearing Market Transactions;

(d) the Clearing Agreement with each Market Participant for which the Participant is clearing Market Transactions must contain legally enforceable rights for the Participant to terminate the Clearing Agreement, including in the scenario where the Market Participant exceeds the agreed trading limits. Such termination is subject to ASX Clear's acceptance under Rule 9.1.11; and

(e) the Participant enforces the termination rights referred to in paragraph 6(d) where appropriate.

7. For the purposes of Rule S1.2.1(5)(c), the form of annual response and certification is set out in Annexure 14. The time by which a Tier 2 General Participant must provide the annual certification to ASX Clear is 31 July each year.

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ANNEXURE 14 TIER 2 GENERAL PARTICIPANT – RESPONSE AND CERTIFICATION

This response and certification is for [insert name of participant] ("the Participant") and covers the period while the Participant was a Tier 2 General Participant during the year ended 30 June [insert year]* ("the Certification Period").

Response

Question	Response
1. Were there instances during the Certification Period where the agreed trading limits were exceeded by any Market Participant for which the Participant clears Market Transactions? (Yes/No)	
2. If the response to Q1 is yes, then for each Market Participant that exceeded trading limits, provide:	
(a) the number of limit breaches	
(b) the duration of each breach	
(c) the size of each breach	

Question	Response
(d) the action taken in response to each breach and the rationale for that action, including if a decision was made not to terminate the Clearing Agreement with that Market Participant why this was determined to be appropriate	

Certification

We certify that the Participant met the standards it is expected to meet under ASX Clear Operating Rule S1.2.1(5)(a) (as set out in the ASX Clear Operating Rules Procedures) at all times during the Certification Period.

Name of director:	Name of director:
Signature:	Signature:
Date:	Date:
Date of board resolution (if applicable):	

* For the first certification required, the wording “during the year ended 30 June [year]” should be changed to “during the period from [xxxxx] to 30 June [year]”, where [xxxxx] reflects when the standards under ASX Clear Operating Rule S1.2.1(5)(a) came into effect.

Certification is to be signed by two directors or by one director in accordance with a resolution of the board of directors (in which case the date of the resolution must be specified).