

## Response Summary:

# Cash Equities Clearing and Settlement Services Pricing Policy Consultation Paper

ASX invites responses to its Cash Equities Clearing and Settlement Services Pricing Policy Consultation Paper by 25 October 2024.

This response form is split into multiple pages. To the extent possible, please answer all the questions presented to you in the form.

If you would like to work on your response over multiple sittings, please ensure you access this link from the same device.

You will have an option to download a PDF copy of your responses **after** you have clicked 'Submit' on the last page.

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ASX is available to meet with interested parties for bilateral discussions.

For general enquiries, please contact [EquityPostTrade@asx.com.au](mailto:EquityPostTrade@asx.com.au).

## About you

### Q2. Would you like your response to be confidential?

- No

### Q3. Please provide the information below:

<b>Name</b>	Natphanie Lau
<b>Email</b>	[REDACTED]
<b>Organisation</b>	Morgan Stanley

### Q4. Please select your organisation type (select all that apply)

- Clearing and Settlement participant

## Materiality threshold

### Q109. Q1. Do you agree with the proposal to implement a materiality threshold(s)?

- Agree

### Q110. Please provide context for your response.

We don't prefer frequent revision of fee schedule, also want to minimize admin effort to coordinate the cost recovery annually. We recommend ASX to apply the materiality threshold for over/(under) recovery on balance at period end rather than on annual revenue target.

**Q111. Q2. Should the materiality threshold below the revenue requirement (for an under-recovery process), and the materiality threshold above the revenue requirement (for an over-recovery process) be the same, or should there be a different threshold for each, i.e. two thresholds?**

- The same materiality threshold for under- and over-recovery

**Q112. Please provide context for your response.**

We wish the over/(under) recovery balance will offset over multiple years to minimize actual cash movement with market participants.

**Q113. Q3. Do you agree with the proposal to implement a materiality threshold dollar value amount of \$1 million for both under- and over-recoveries relative to the revenue requirement?**

- Not applicable

## Treatment Options for Under- and Over-Recoveries

**Q21. Q4. Which of the two options for an under- or over-recovery beyond the proposed materiality threshold are you most in favour of?**

- Not applicable

**Q22. Please provide context for your response.**

We suggest applying the materiality threshold on net balance at end of each annual review to consider over/(under) recovery.

**Q23. Q5. Are there any other aims, objectives or considerations which we should take into account in determining which under- or over-recovery treatment option to proceed with?**

We suggest applying the materiality threshold on net cumulative balance at the end of each annual review to consider over/(under) recovery. We think this will minimize admin effort to manage the cash payments. In addition, each over/(under) recovery may trigger brokers to review client brokerage initiated by either side.

## Proposed Fees Review Triggers

**Q87. Q6. Do you agree with the proposal to implement the first 'fees review trigger' as described?**

- Agree

**Q88. Please provide context for your response.**

We recommend ASX also taking account of forward projection of market volume, e.g. 3 years cycle before deciding to change the fee rates. We need the revised rate to be applicable over a period of time.

**Q89. Q7. Do you agree with the proposal to implement the second 'fees review trigger' as described?**

- Disagree

**Q90. Please provide context for your response.**

We recommend to use the 5% benchmark relative to revenue requirement and observe the variance over multi-years cycle, e.g. 3 years. Fee revision may consider when the variance consistently move towards one side during the observed period. The cumulative total amount of over/(under) recovery has little correlation to the annual revenue requirement.

**Q91. Q8. If implemented as proposed, do you consider that the fees review triggers will strike the optimal balance between ensuring that the CS services fee schedules consistently align with annual revenue requirements, and minimising the frequency of adjustments to those fee schedules?**

- Not sure

**Q92. Please provide context for your response.**

We recommend to use the 5% benchmark relative to revenue requirement and observe the variance over multi-years cycle, e.g. 3 years. Fee revision may consider when the variance consistently move towards one side over the observed period. The cumulative total amount of over/(under) recovery has little correlation to the annual revenue requirement.

**Q93. Q9. How will your organisation be impacted by the potential frequency of adjustments to the CS services fee schedules based on the operation of the two proposed fees review triggers? Please justify your response, including whether the impacts would be the same for a downward vs an upward adjustment to the CS services fee schedules.**

The change in fee schedules will trigger review of client brokerage which can be initiated by either side. So, we prefer the revised fee rate to realistically represent the fair market rate that can be applicable for a period of time.

**Q94. Q10. Should ASX consider implementing any other fees review triggers?**

- Yes

**Q95. Please describe the trigger(s) in detail.**

- a) when the ASX fee schedule is showing material gap to clearing venues of comparable service in other markets, in particular when the ASX fee schedule is much higher than peers.
- b) When there is fundamental change in market structure that may requires revision of the fee schedule to make it practical to the business models.

**Intended Commencement Date and Transitional Measures**

**Q35. Q11. Do you support a commencement date of the new Policy of 1 January 2025?**

- Conditionally supportive

**Q36. Please provide an explanation for your support or alternative suggestion(s).**

We are neutral about the proposed commencement date of 1 Jan 2025 on the basis that the first annual review will be Jan 2026 and same fee schedule as now will continue before the fee review triggers.  
We don't anticipate significant administrative work for brokers in the next 12 months.

**Q117. Would you like to share any final thoughts?**

In conclusion, our expectation on the new Policy is

- (1) it will keep the annual administration work of over/(under) recovery to minimum and infrequent, which implies the revenue target must be realistic and decision to require payment from either ASX and participants should be based on multi-years observable period to take into account fluctuation in market volumes.
- (2) the new policy will not increase the frequency of fee schedule change. Fee schedule revision should be decided based on variance over multi-years period.

Each fee schedule revision and over/(under) cost recovery will trigger client brokerage review. It will take efforts for our execution team and operation to implement any change to the billing item.

**You've reached the end of the questionnaire. Please review your responses by clicking the "Back" button below, and click "Submit" when finalised.**

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