

# ASX Clear (Futures) Dynamic Default Fund Framework Response to Consultation

31 March 2026



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## Enquiries

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

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# 1. Introduction

On 21 July 2025, ASX released a [Consultation Paper](#) seeking feedback on the proposed ASX Clear Futures Pty Ltd (ASXCLF) “Dynamic Default Fund Framework” to replace the current fixed default fund arrangement. The Consultation included the draft amendments to the ASXCLF Operating Rules and Procedures and the ASX Recovery Rules intended to support the framework.

ASX received written feedback at the close of the consultation period (1 September 2025) from two industry associations (ISDA and FIA) and one clearing participant. The public feedback provided by the industry associations is available at:

- [ISDA’s formal feedback](#)
- [FIA’s formal feedback](#)

Following the conclusion of the formal public consultation period, ASX undertook a number of follow-up engagements with clearing participants (CPs), including:

- A joint meeting with industry associations (ISDA and FIA and their members that are ASXCLF’s CPs; and
- Bilateral meetings with seven CPs.

ASX would like to thank the industry associations and CPs for their time and effort in engaging and providing feedback during the consultation process.

The feedback received indicates the industry associations’ and CPs’ support for the proposed framework. A dynamic default fund framework is viewed as a positive development that allows ASX to respond to changing market conditions and strengthens the integrity of the clearing ecosystem. While the overall response was supportive, some CPs offered constructive suggestions on specific aspects of the proposal for ASX’s further consideration.

Section 2 of this paper discusses the three substantive themes raised through the Consultation and follow up engagement. Schedule 1 to this paper contains a table summarising the comprehensive submissions received and ASX’s responses.

In this paper, the term “original proposed dynamic default fund framework” refers to the proposed dynamic default fund framework outlined in the public consultation issued on 21 July 2025. The term “revised proposed dynamic default fund framework” refers to the amended framework based on the feedback received.

The draft ASX rules and procedures accompanying the revised proposed dynamic default fund framework are as follows:

- [ASX Clear \(Futures\) Operating Rules and Procedures](#)
- [ASX Recovery Rules](#)

A summary of the key items discussed in Section 2 of this paper are set out below:

Area	Summary
<b>Default fund sizing method</b>	<b>Retained the average CST pre-AIMs Cover-2 methodology, based on the highest of two 3-month averages across the specified look-back windows</b>
<b>Recovery assessments</b>	<b>Revised to:</b> <ul style="list-style-type: none"> <li>• <b>2× CP default fund contribution</b> for a single CP default</li> <li>• <b>3× CP contribution</b> for two or more CP defaults</li> </ul>
<b>ASX tranches in default waterfall</b>	<b>Three ASX tranches retained with minimum combined protection preserved:</b> <ul style="list-style-type: none"> <li>• ASX first tranche remains <b>20% of total default fund</b> (subject to a maximum of \$450M)</li> <li>• <b>ASX first + second tranches = \$270m</b></li> <li>• ASX second tranche adjusts as <b>max (0, \$270m – first tranche)</b></li> <li>• ASX third tranche is the remainder of ASX’s \$450m SITG</li> </ul>

## 2. Key Themes from Public Consultation and ASX's Responses

### 2.1. Default Fund Sizing Method (Average vs Maximum CST Pre-AIMs Cover-2 Exposures)

The Consultation Paper noted that the two most common methods for calculating the total default fund size are the average method and the maximum method, based on the historical average and maximum Credit Stress Test (or CST) pre-AIMs<sup>1</sup> Cover-2 exposures respectively.

ASXCLF selected the average methodology as the basis for the original proposed dynamic default fund framework's default fund sizing methodology after weighing the impact on different CP cohorts of default fund contribution increases, AIMs decreases, and resulting costs of capital and funding. The average methodology results in a more optimal 'user pays' approach, without compromising adequate coverage, when combined with AIMs.

The feedback from both industry associations reflects a preference for using the maximum method on the basis that:

- The default fund is intended to cover extreme but plausible scenarios; and
- There is concern that the average methodology could be insufficient during periods of stress.

During the follow-up engagements, CPs were provided with a summary of the anonymised data used for the analysis. The data included the back-tested default fund sizes, the resulting increase in CPs' default fund contributions, and the corresponding decrease of AIMs using the two methods. This data showed that:

- On a post-AIMs basis, both methods yield Cover-2 coverage higher than 99%;
- All CPs would experience an increase in their default fund contributions; the average method results in more modest increases proportionate to the risk that those CPs bring to ASXCLF, whereas the maximum method results in significant increases for some CPs that is not proportionate to the risk they bring to ASXCLF; and
- An AIMs reduction only benefits a minority of CPs; such benefits would not apply to other CPs.

From the follow-up engagements, ASX received bilateral feedback from six CPs. One expressed a strong preference for the maximum method, one had no strong views on using either maximum or average, and four expressed support for the average method.

Feedback from the two industry associations, ISDA and FIA, as well as the bilateral feedback from CPs showed a diverse range of opinions regarding the optimal sizing methodology. As such, the revised proposed dynamic default fund framework retains the average method as the default fund sizing method, that will result in a more optimal "user pays" approach.

There are two other considerations ASXCLF will take into account based on CPs' feedback. These are:

- Cover-2 Coverage Risk Appetite: CPs recommended that, if the average method is selected to size the default fund, ASX should set an appropriately high confidence risk appetite for Cover-2 coverage (both pre-AIMs and post-AIMs) which ASX intends to do.
- AIMs enhancements: CPs requested that ASX introduce a mechanism to allow CPs to allocate AIMs, where appropriate, to their clearing clients. A proposed mechanism was discussed with the ASXCLF Risk Consultative Committee ("RCC") in July 2024. This mechanism will be introduced, and the implementation date will be communicated to members at the RCC. This mechanism will help alleviate the costs of funding of any additional AIMs by the CPs as a result of using the average rather than the maximum approach to size the default fund.

### 2.2. Recovery Assessments

ASXCLF's current recovery assessments are sized at 1 and 3 times the non-defaulting CPs' default fund contributions under the scenarios of 1 CP defaults and multiple CPs default respectively. This approach is aligned with the practices adopted by some peer CCPs.

However, ASXCLF's high contribution or "Skin-In-The-Game" ("SITG") results in a relatively small amount of recovery assessments both in absolute terms and relative to the total default fund size, when compared against peer CCPs. Having robustly sized recovery assessments would reduce the likelihood of ASX using other recovery tools, such as VM Gain Haircutting ("VMGH"), which is less predictable and which potentially adds further stress to the market.

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<sup>1</sup> AIMs ("Additional Initial Margins") are called when the stress exposure to a CP exceeds its STEL ("Stress Test Exposure Limited"). A CP's STEL reflects its credit quality and historical volatility of stress exposure and is capped at 50% of the default fund (reflecting the Cover-2 regulatory capital requirement).

The original proposed dynamic default fund framework amended the current total recovery assessments to 1 and 3 times the total default fund size (which includes ASX's \$450M) for 1 CP default and multiple CPs default respectively. The recovery assessments are then allocated to surviving CPs pro-rata according to each CP's default fund contribution.

Feedback on the Consultation Paper indicated CPs' strong objection to the recovery assessments in the original proposed dynamic default fund framework. Key drivers for the objections were as follows:

- This approach diverges from standard practices of peer CCPs (where recovery assessments are sized as a multiple of CPs' default fund contributions), which CPs prefer;
- The approach effectively increases the recovery assessment "multiple" to each CP's contribution up to 3.25 / 9.75 times in the scenario where the dynamic default fund is at \$650M, and 9.75 is considered too high as it would impose a liquidity strain on surviving members; and
- A non-fixed recovery assessments multiple (the multiple to be applied to the default fund to calculate the recovery assessments) is complex to administer and monitor operationally

ISDA's feedback suggested a compromise of using higher "multiples" on CPs' default fund contribution of 2 and 3 times for the scenarios of 1 and multiple defaults scenario respectively.

To mitigate the risk of insufficient recovery assessments under the current arrangement, while recognising the CPs' concerns and views, the revised proposed dynamic default fund framework adopts ISDA's recommendation on recovery assessments:

- 2 times CP's default fund contribution for 1 CP default (increase from 1 time currently); and
- 3 times CP's default fund contribution for 2 or more CP defaults (unchanged).

### 2.3. Second ASX Tranche Default Fund Contribution

In the current default waterfall, the first, second, and third ASX tranches of default fund contributions are \$120M, \$150M, and \$180M. The contributions of the Futures Clearing CPs and the OTC Clearing CPs are between the three ASX tranches.

In the default waterfall of the original proposed dynamic default fund framework, the default waterfall consists of two tranches of ASX default fund contributions. The first tranche, ahead of all CPs' default fund contributions, is sized at 20% of the total default fund. The last tranche lies after all CPs' default fund contribution, and consists of the remaining of ASX's SITG (i.e., \$450M – ASX first tranche). This removes the second ASX tranche default fund contribution in the current default waterfall which separates the Futures CPs' and OTC CPs' default fund contributions.

The industry association feedback from ISDA and FIA indicates CPs' strong preference for retaining the second ASX tranche. CPs view the removal of this ASX tranche as a reduction of ASX protection in certain circumstances. For example, if the total default fund is \$650M, the protection by ASX to OTC CPs in the event of a Futures Clearing CP default would decrease from the current \$270M to \$130M (or 20% of \$650M).

ASX acknowledges CPs' concerns that the original proposed dynamic default fund framework's default waterfall would result in a reduction of ASX protection by removing the second tranche in some scenarios (when the default fund size is close to the \$650M current size).

The revised proposed dynamic default fund framework's default waterfall will retain the minimum size of the sum of ASX's first tranche and ASX's second tranche at the current \$270M. Also, as the total default fund size grows, the increase in ASX's first tranche (which is 20% of the total default fund) would be sourced in the first instance by a reduction in ASX's second tranche. As a result, the aggregate of the two tranches would not fall below the current level of \$270m.

In addition to the ASX first tranche of 20% of default fund, ISDA suggested that the second tranche be sized at 20% of the total default fund. This feedback has not been incorporated in the revised proposed dynamic default fund framework, as this would result in ASX's risks increasing substantially when the total default fund increases. For example, if the total default fund is \$1B, the sum of ASX's first and second tranches will be \$400M (40%), significantly larger than the current \$270M. Furthermore, ASX's commitment to 20% of the total default fund as the first ASX tranche is the highest amongst peer CCPs.

From the follow-up engagements, one CP recommended that ASX review its \$450M default fund contribution, especially when the cap of \$1.3B is to increase. This would help better align ASX's interest with those of its CPs in managing the risks at the clearing facility. In response to this recommendation, provisions to review ASX's default fund contribution when increasing the default fund cap will be included in the relevant ASX rules / procedures.

See Schedule 2 for the diagrammatic representation of the default waterfalls under the fixed default fund setup and the revised proposed dynamic default fund framework.

## 3. Next Steps

The implementation timelines are set out below:

- Informal lodgement of draft rule amendments intended to give effect to the new framework will be made with Australian regulators, with indicative timing in Q4 FY 2026<sup>2</sup>;
- Subject to regulatory clearance, ASX intends to transition to the new dynamic default fund framework in FY 2027<sup>3</sup>. The exact timing will depend on detailed planning and prioritisation of required systems and process changes; and
- Prior to the transition to the new dynamic default fund framework, ASX plans to conduct one dress rehearsal, whereby CPs will receive a practice default fund notice based on the new dynamic default fund framework.

In addition, members of the RCC will be updated on the status of the regulatory lodgement and the timing of the implementation of the new dynamic default fund.

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<sup>2</sup> FY 2026 refers to the financial year 2026 for ASX Limited, which starts in June 2025 and ends in June 2026

<sup>3</sup> FY 2027 refers to the financial year 2027 for ASX Limited, which starts in June 2026 and ends in June 2027

## Schedule 1: Consultation Submissions and ASX Response

Index <sup>4</sup>	Key Issue	Feedback from Public Consultation	ASX Response
4.1.1	General comment on Dynamic Default Fund Framework	<p>Feedback indicates general support for the dynamic default fund framework. CPs believe that this is a positive step forward from the current fixed default fund framework, as it offers ASX greater flexibility to respond to changing market conditions and strengthens the integrity of the clearing ecosystem.</p> <p>CPs supported ASX's commitment of \$450M to the default fund, which is unchanged from current commitment. There is also acknowledgement that ASX's SITG is one of the highest compared with other CCPs.</p>	ASX acknowledges the general support from CPs.
4.2.1	Default fund sizing – general comments	<p>For more details, see rows 4.2.2-4.2.4) below. Key issues raised are:</p> <ul style="list-style-type: none"> <li>- Strong preference for using maximum (instead of average) historical CST Cover-2 exposure over the look-back period to size the total default fund.</li> <li>- Recommendation of 6-12 month look-back period.</li> </ul> <p>Suggest reviewing ASX's \$450M SITG when reviewing and lifting default fund cap of \$1.3B</p>	See comments below in index 4.2.3 and index 4.2.2
4.2.2	Default fund sizing – look-back period	<p>The original proposed dynamic default fund framework includes the look-back period (for sizing default fund) as the most recent 3 calendar months and the 3-month period which ended 9 months ago. The 3-month period which ended 9 months ago was included to capture any potential seasonality.</p> <p>In the feedback, CPs suggested using a 6 to 12-month look-back period if the maximum CST Cover-2 exposure methodology is used. CPs also questioned the necessity of the second look-back period.</p>	<p>ASX will retain the proposed look-back period (most recent 3-calendar months, and the 3-month period which ended 9 months ago). Although the back-tested CST Cover-2 does not exhibit any seasonality, this proposed look-back period is intended to capture any seasonality that may manifest in the future in ASXCLF's clearing ecosystem.</p> <p>Also, see below index 4.2.3, on how the total default fund is calculated using the proposed look-back period.</p> <p>During the consultation, there was some confusion amongst CPs as to how the second look-back period is identified. It was referenced in the industry feedback that the second look-back period is the 3-month period that occurred exactly 12 months ago from the first 3-month period and hence doubled the impact of seasonality. This misunderstanding was corrected during follow-up bilateral meetings.</p>

<sup>4</sup> The index number refers to the question number in the Consultation Paper.

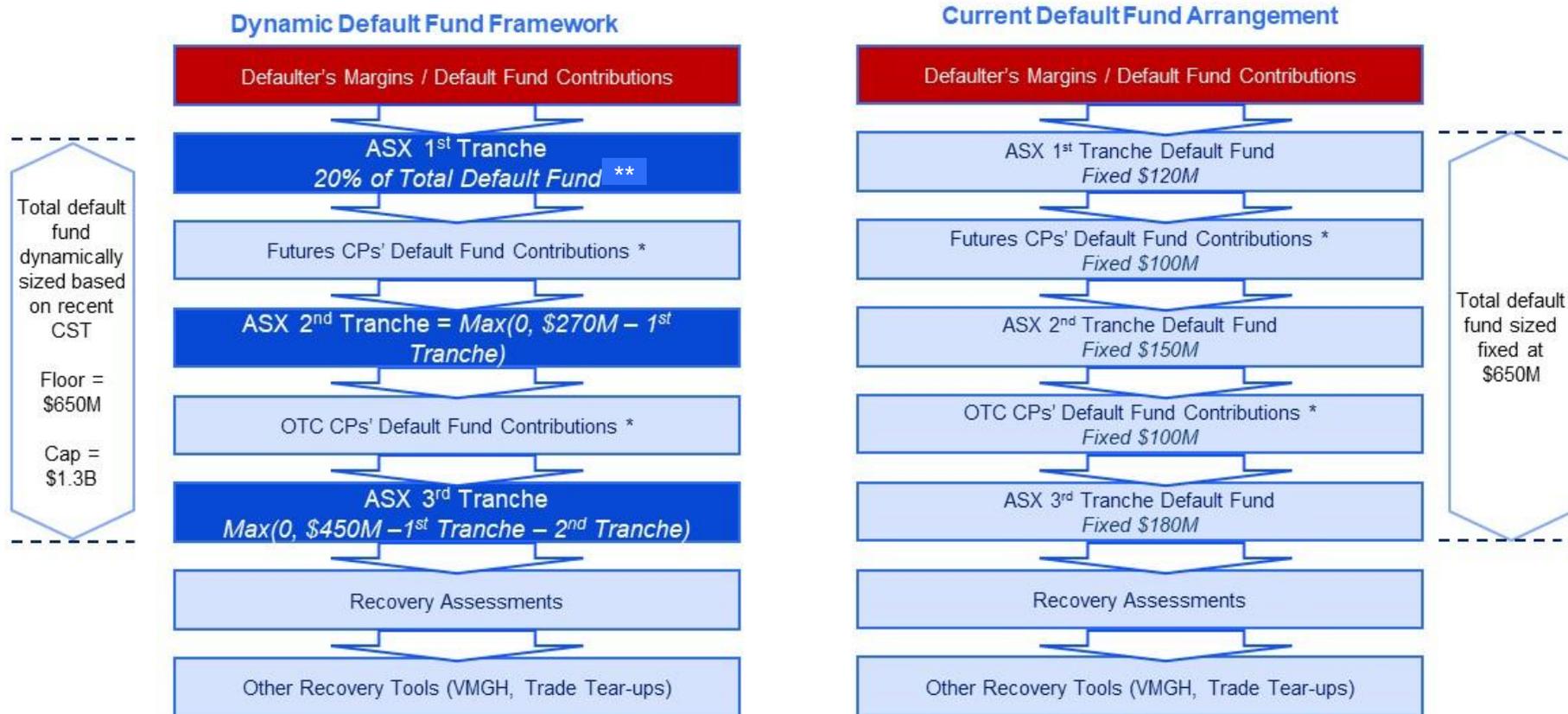
Index <sup>4</sup>	Key Issue	Feedback from Public Consultation	ASX Response
4.2.3	<p>Default fund sizing – using average historical Credit Stress Test (CST) Cover-2 exposure (proposed) instead of maximum historical Credit Stress Test Cover-2 exposure</p>	<p>The proposed framework uses average historical CST Cover-2 exposure over the look-back period to size the total default fund.</p> <p>Initial feedback shows industry’s concern that the methodology using average historical Credit Stress Test (CST) Cover-2 exposure is insufficient during periods of stress. CPs expressed the view that the default fund is intended to cover extreme but plausible scenarios, and maximum historical Credit Stress Test Cover-2 exposure is more appropriate.</p> <p>The initial feedback also reflects CPs request that, should ASX prefer to use historical average CST exposure, ASX should articulate the underlying risk appetite, and provide back testing results to demonstrate that the methodology performs adequately under a range of adverse scenarios.</p> <p>After the follow-up of engagement and based on further written feedback from 6 CPs, there was a diverse range of opinions regarding which method is the optimal one.</p> <p>Additional initial margin (AIMs) calls to CPs are paid by the CPs and not their clearing clients, and CPs expressed their desire for ASX to introduce a mechanism to allow participants to allocate AIMs to their clearing clients.</p> <p>(see section 2.1 of the main document for details)</p>	<p>The two industry associations’ submissions and the written feedback from bilateral meetings with CPs shows a diverse range of opinions regarding which method, the average method or the maximum method, is the optimal one. As such, the revised proposed dynamic default fund framework keeps the use of the average CST pre-AIMs Cover-2 method as the default fund sizing method. Note that the total default fund is calculated, using the look-back period (see index 4.2.2) as follows:</p> <ul style="list-style-type: none"> <li>- Calculate the average CST Pre-AIMs Cover-2 exposure of the first period and the second period separately; and</li> <li>- The total default fund is based on the highest of the two averages.</li> </ul> <p>ASX acknowledges CPs’ suggestion on setting risk appetite of the total default fund cover-2 coverage, which ASX intends to do.</p> <p>With regards to CPs’ desire for ASX to introduce a mechanism to allow participants to allocate AIMs to their clearing clients. a proposed mechanism was discussed with the ASXCLF Risk Consultative Committee (“RCC”) in July 2024. The proposed mechanism received support from the RCC. A firmed-up implementation date will be communicated to the RCC.</p>
4.2.4	<p>Default fund sizing – setting an explicit total default fund cap of \$1.3B</p>	<p>Feedback shows that CPs have no objection to the proposed cap.</p> <p>CPs recommended that ASX develop internal policies and consult the RCC when raising the cap.</p> <p>CPs suggested that the cap be subject to periodic review.</p> <p>One CP recommended including the review of ASX’s \$450M default fund contribution when reviewing the cap if the cap is to be lifted so as to align ASX’s interest with those of its CPs in managing the risks of the clearing platform.</p>	<p>ASX acknowledges the positive feedback.</p> <p>The draft rules (accompanying the consultation) state that RCC will be consulted when raising the default fund cap. The consultation paper also states that the default fund cap will form part of the annual default fund review cycle.</p> <p>The revised proposed dynamic default fund framework will include the review of ASX’s \$450M default fund contribution if the default fund cap is lifted.</p>
4.3.1	<p>Monthly resize of total default fund</p>	<p>Responses indicate support for monthly resizing of the total default fund as it aligns to industry standards.</p>	<p>ASX acknowledges the positive feedback.</p> <p>The monthly resize of the total default fund aligns to industry standards.</p>

Index <sup>4</sup>	Key Issue	Feedback from Public Consultation	ASX Response
4.4.1	Default fund allocation – using CP’s CST pre-AIMs cover-1 exposure to allocate default fund	Feedback indicates support for using CPs’ CST pre-AIMs Cover-1 exposure total default fund, as it aligns to industry standards.	ASX acknowledges the positive feedback.  Using CP’s CST pre-AIMs Cover-1 exposure to allocate the default fund aligns to industry standards.
4.4.2	Default fund allocation – using average CP’s CST pre-AIMs cover-1 exposure over lookback period of the most recent 3-calendar month period	Feedback indicates support for using the average CP’s CST pre-AIMs cover-1 exposure to allocate the default fund amongst CPs.  CPs recommended aligning the lookback period for allocation and the lookback period for sizing the default fund.	ASX does not intend to align the two look-back periods. The look-back period for default fund sizing is intended to capture the potential seasonality where that may exist in the clearing ecosystem.
4.4.3	Default fund allocation – timelines of notification (notify CPs 5 business days after month-end, CPs have another 2 business days to pay any increase of default fund allocation)	Feedback shows the preference from CPs for a shorter notification and payment period. The suggested timeline is to notify CPs 3 business days after month-end, CPs have another 2 business days to pay any increase of default fund. CPs indicated that this is more aligned to industry practices, and helps the reduction of reliance on AIMs and enhance liquidity planning for CPs.	ASX notes the feedback and acknowledges CPs’ concerns.  Under the revised proposed dynamic default fund framework, the notification timelines and payment timelines will be shortened to 3 business days after month-end to notify CPs and 2 additional business days for CPs to pay any increase.
4.5.1	Default waterfall – reduction from a 3 ASX default fund tranche structure to a 2 ASX default fund tranches	The original proposed dynamic default fund framework contains a default waterfall with 2 ASX tranches, 20% of total default fund as ASX’s first tranche located above the CPs’ contribution, and the remaining \$450M located below the CPs’ contribution. Effectively, the ASX tranche separating Futures Clearing CPs’ and OTC Clearing CPs’ default fund contribution in the current default waterfall is removed.  Feedback shows opposition to the removal of this “middle ASX tranche”, and expresses strong support for retaining an ASX tranche between Futures Clearing CPs’ and OTC Clearing CPs’ default fund contributions.  A revised waterfall with retention of the “middle ASX tranche” was proposed in the follow-up bi-lateral engagements – see ASX proposed response. No substantive objections were made on the revised waterfall.  (see section 2.3 of the main document for details)	ASX acknowledges the feedback from CPs, especially on the reduction of protection from ASX in the original proposed dynamic default fund framework.  To address CPs’ concerns, ASX will retain the “middle ASX tranche” so that ASX has three default fund tranches in the default waterfall. However, a second ASX tranche sized at 20% of total default fund would increase ASX’s risk exposures and ASX’s risk profile will increase significantly as total default fund size grows.  The default waterfall (if a Futures Clearing CP defaults) in the revised proposed dynamic default fund framework is:  <ul style="list-style-type: none"> <li>- Defaulter’s financial resource;</li> <li>- ASX first tranche = 20% x total default fund (subject to a maximum of \$450M);</li> <li>- Futures Clearing CPs’ default fund contribution;</li> <li>- ASX second tranche = Higher of 0 and (\$270M – ASX first tranche);</li> <li>- OTC Clearing CPs’ default fund contribution;</li> <li>- ASX third tranche = Higher of 0 and (\$450M – ASX first tranche – ASX second tranche); and</li> </ul>

Index <sup>4</sup>	Key Issue	Feedback from Public Consultation	ASX Response
			<p>- Recovery assessments and other recovery tools.</p> <p>If an OTC Clearing CP defaults, the order of the Futures Clearing CPs' and OTC Clearing CPs' contributions reverses.</p>
4.6.1	Stress Test Exposure Limits (STEL) and Additional Initial Margin (AIMs)	<p>The proposed framework retains the use of STEL and AIMs. Feedback reflects support from CPs on the retention, acknowledging that the use of these tools is important in managing the period where ASXCLF performs intra-month resizing, and when the total default fund hits the cap.</p>	<p>ASX acknowledges the positive feedback.</p> <p>STEL and AIMs practices are important in managing the period of intra-month resizing and when the total default fund hits the cap. It is also an important tool in managing Cover-2 compliance when clearing risks increase abruptly, when compared to historical observations.</p>
4.7.1	Recovery assessments	<p>Initial feedback reflects strong objections to the proposed framework for recovery assessments. CPs viewed the approach as diverging from standard practices of peer CCPs (where recovery assessments are always sized as a constant multiple of CPs' default fund contributions).</p> <p>CPs submitted that the proposed framework effectively increases the recovery assessment "multiple" to each CP's contribution up to 3.25 / 9.75 times in the scenario where the dynamic default fund is at \$650M.</p> <p>CPs also submitted that the operational complexities introduced by adopting a variable recovery assessments multiple is hard to administer and monitor.</p> <p>(see section 2.2 of the main document for details)</p>	<p>ASX acknowledges the increased scale of recovery assessments in the original framework, and operational complexities introduced by adopting a variable recovery assessments multiple structure. ASX maintains that the existing arrangements for recovery assessments is not appropriate considering ASX's high SITG, and increasing recovery assessments is necessary to bring it in line with peer CCPs.</p> <p>As such, the revised proposed recovery assessments are:</p> <ul style="list-style-type: none"> <li>- 2 times CP's default fund contribution for one CP default; and</li> <li>- 3 times CP's default fund contribution for two or more CP defaults.</li> </ul> <p>ASX acknowledges that as the total default fund grows, it will be necessary to revisit the recovery assessments arrangements, and ASX will consult the RCC at the appropriate time.</p>
4.8.1	Default fund replenishment – keeping the existing 3 stage replenishment process	<p>The proposed dynamic default fund replenishment aims to keep the existing 3 stage replenishment structure, as ASX has one set of replenishment rules applying to both ASXCLF and ASXCL. This proposed framework would keep ASXCL's replenishment unchanged, while performing necessary changes to ASXCLF to be consistent with the dynamic default fund framework.</p> <p>CPs viewed the proposed replenishment timeline as too long when compared to peers. Full replenishment will only be completed 45 business days after default management completion. CPs stated that rapid replenishment is key to maintaining confidence for the CCP in times of stress.</p> <p>Feedback also reflected some confusion amongst CPs (e.g., reference to ASX's ability to call both replenishment and recovery assessments</p>	<p>ASX acknowledges the concerns of CPs with respect to the longer replenishment timelines compared to peer CCPs.</p> <p>However, because the replenishment rulebook covers ASXCL and ASXCLF, it is complicated to implement a shorter replenishment timeline for ASXCLF, while keeping ASXCL's replenishment timelines unchanged.</p> <p>Therefore, ASX will review the replenishment timeline for both ASXCLF and ASXCL when considering the dynamic default fund framework for ASXCL in the future.</p>

Index <sup>4</sup>	Key Issue	Feedback from Public Consultation	ASX Response
		simultaneously). During the follow-up bi-lateral engagement, ASX provided more information to clarify the confusion. No further feedback was received on the topic.	
4.8.2	Default fund replenishment – provision of estimates of CP’s default fund contribution before fully replenish the default fund	<p>The proposed framework includes ASXCLF’s intention to provide each CP with an estimate of the CP’s default fund commitment shortly after the completion of the last default management process.</p> <p>CPs support this provision, as estimates of CP’s default fund contribution before full replenishment enables CPs to better estimate the associated costs and obtain necessary funding.</p>	ASX acknowledges the positive feedback. Provision of an estimate of each CP’s default fund commitment shortly after the default management process is completed will be included in the proposed framework.
5.1.1	Default fund implementation times	<p>The proposed implementation timelines key milestones consulted on were:</p> <ul style="list-style-type: none"> <li>- Informal lodgement with Australian regulators by the end of January 2026; and</li> <li>- Subject to regulatory clearance, switch to dynamic default fund in Q3 2026.</li> </ul> <p>Feedback indicates that CPs had no objection to the proposed timelines and suggested 3-months’ notice before implementation would suffice.</p>	<p>ASX acknowledges the positive feedback.</p> <p>ASX aims to provide CPs with 3-months’ notice before implementing the dynamic default fund framework.</p>
5.1.3	Additional information ASX should provide to CPs as part of consultation	<p>Feedback indicates CPs have two requests:</p> <ul style="list-style-type: none"> <li>- Back test historical hypothetical total default fund sizes over time under average and maximum CST methods (see no. 4.2.3); and</li> <li>- Individual CPs’ contributions under the two methods.</li> </ul>	ASX notes CPs’ requests. In the follow-up bi-lateral engagements, ASX shared a summary of the historical total default fund sizes. CPs were encouraged to contact ASX to obtain the time series of total default fund sizes and their respective default fund contributions based on the two methods.
5.2.1	Three dress rehearsals with CPs before switching the dynamic default fund on.	CPs support dress rehearsals on the basis that they are useful to support readiness. However, CPs recommended cutting down the mandatory dress rehearsals to one and only increasing the number of dress rehearsals if required.	ASX notes CPs’ request. ASX will conduct one mandatory dress rehearsal at an appropriate time.

## Schedule 2: Default Waterfall of Revised Proposed Dynamic Default Fund Framework



\* This order of Futures Clearing CPs and OTC Clearing CPs default fund contribution applies to default of a Futures Clearing CP. If an OTC Clearing CP defaults, the order reverses.

\*\* Under the dynamic default fund framework, the ASX 1<sup>st</sup> tranche is subject to a maximum of \$450M.



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