

Marisa

Please find below Bell Potter Securities submission in regards to the ASX Clear Pty Limited Consultation on Capital Requirements:

Minimum Capital Requirements for Direct Clearing Participants

1) Do you think that the current minimum core capital requirement of \$5 million for DCP is appropriate?

Yes, it has served the industry well, providing a level of stability for both DCPs and ASX. With SPAN margining and the introduction of Cash Market margining we do not believe there is any further need to increase the level of minimum core liquid capital.

2) If you do not consider the \$5 million appropriate:

a) Should ASXCL proceed with increasing the minimum core capital requirement for DCPs and why?

b) What Level should it be increased to?

c) Should the increase be implemented in stages or all at once?

d) What should the effective date of the increase(s) be?

N/A

3) Are there any other factors that ASXCL should take into consideration in determining the appropriate course of action with respect to minimum core capital requirements?

The ASX should look at the range of capital\liquidity measures currently in force with

- Minimum Core Capital
- Cash Market Margining (Daily and Intra Day)
- CME Span Margining (Daily and Intra Day)

and determine and weight each measure appropriately to avoid any overlap of calculation.

Tiered Minimum Core Capital Requirements for General Clearing Participants

1) Do you think a tiered minimum core capital requirement for GCPs is appropriate

Yes we believe the tiered minimum core capital requirements for GCPs is appropriate. It aids in reducing barriers for entry for DCPs wishing to enter that market as Third Party Clearers and also recognises those DCPs which may have a related party. By having more players we should see a greater spread of clearing\settlement risk and hopefully lower processing costs.

It could also encourage new participants to the market.

2) If "yes" to above, is ASX's tiering proposal appropriate? If not, what would you propose?

Yes we believe the tiering proposal appropriate.

3) Do you think there should be a time limit for transitional capital arrangements?

No – we believe transitional capital requirements should not be time restricted so as to maximise the possibilities of Third Party Clearing competition within the industry.

4) Are there any other factors that ASX clear should take into consideration in determining the appropriate course of action with respect to tiered minimum core capital requirements for GCPs?

The only aspect that the ASX has not addressed is the potential for core capital among related parties to be consolidated and shared across the related parties. This would close the gap between the Direct Option (which relates to Wholly Owned Group Entities) and Transitional General Clearing Participants (which assume Self and one or more external parties).

Regards,

Rod

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