



# ASX Clear (Futures) Overnight Margining Process

April 2021

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## Introduction

### Overview

The purpose of this document is to set out the detail of the overnight margining process including Clearing Participants' obligations in respect of this process.

### Overview of overnight margining process

ASXCLF operates an overnight margin call for a select number of Clearing Participants, both Futures and OTC participants. The call is to cover exposures generated from trading during the overnight trading session.

The overnight margin process comprises two components:

1. An additional intraday risk management run conducted at approximately 2am Sydney time based on changes in Initial Margin - margin calls in USD are made for any margin shortfalls greater than \$3m for House and \$5m for Client.
2. Clearing Participants must maintain a margin buffer to cover potential Variation Margin exposures – the buffer is split across House and Client which is resized monthly, with any changes notified to the participants.

### Criteria for a Clearing Participant's Inclusion in Overnight Margining Process

#### Criteria

Clearing Participants are required to meet an overnight margin call based on the following:

- The Clearing Participant accounts for more than 25% of clearing for night session activity based on two years' worth of data

Or:

- For **Futures only** or **Futures and OTC participants**, the Clearing Participant's 2-year average daily total initial margin is more than \$100m;
- For **OTC only participants**, the Clearing Participant's 2-years average daily total initial margin is more than \$200m.

All Clearing Participants who meet these criteria will be advised of the details of the Overnight Margining process.

### Review Process

ASXCLF determines which Clearing Participants meet the above criteria on a periodic basis and notifies participants bi-laterally on the review date if they now come within (or cease to be within) the scope of the overnight margining process.

## Additional 2am margin call

### Margin Call Calculations

The 2am margin call calculation is restricted to Australian Dollar denominated OTC and ETD products and accounts for overnight initial margin on:

- Positions carried forward from the last intraday margin call, conducted at approximately 2/230pm (Sydney time) on the previous afternoon
- New clearing activity for the current trading day

The call amount considers the Initial margin movement between the most recent intraday initial margin and the initial margin calculated at 2am. All margin call calculations are performed by account and include any excess collateral available to cover margin movements. Initial Margin cover called as part of an earlier intraday margin call will be treated as additional collateral. Calculations are carried out in the base currency of the product before being converted to USD.

Margin calls are notified to affected participants at approximately 2.30am (Sydney time) Tuesday to Saturday and are due to be paid within 2 hours of the call. Margin calls are not made on US public holidays.

In the event of extreme market moves, ASXCLF may call for additional margin prior to the commencement of the night session. This will be notified to participants at the time of the call.

### Notification Process

Once USD call amounts have been calculated, ASX Operations contacts via phone and email, the nominated person(s) for impacted Clearing Participants.

### Details on ASXCLF Bank Account(s)

Once notification is received, funds are required to be deposited into the nominated ASX Clear (Futures) bank account as separately advised to each individual Clearing Participant.

### Treatment of Funds Received and Auto Return

Upon receipt of the intraday USD funds the following actions are taken

1. The revised Financial Status Advice published ~9am will display the USD call as a book entry (equal in/out flow), this is to reflect that all intraday calls will be automatically returned to participants. An example of how the USD call are displayed in the Financial Status Advice is provided in Appendix B.
2. On receipt of all AUD funds, USD will be then returned to the nominated CP SSI, no action is required from participants to request the USD funds. Therefore all USD funds are excluded from covering margin obligations for the upcoming day session.

Complete details and associated timings of the ASX Clear (Futures) margin cycle is set out in Appendix C.

### Margin Buffer

Clearing Participants who have met the criteria are required to prefund an AUD margin buffer to offset variation margin exposures in the overnight session.

The buffer is calculated by ASX based on the participants' 75th percentile of the absolute net variation margin movements for all accounts for a participant, from the previous end of day settlement calculation until the first intraday. ASX recalibrates the buffer periodically.

The margin buffer is not a credit for regular margin calls, Additional Initial Margin calls or intra-day margin calls. The margin buffer is not repayable as an Excess Deposit.

## Clearing Participant Readiness for the additional 2am margin call

### Processes and Procedures

ASXCLF expects Clearing Participants to have in place processes and documented procedures to monitor both the calling and settlement of all ASXCLF margins (including where those obligations are met by a proxy). Such procedures should include appropriate escalation internally as well as proactive escalation to ASX Operations where there is the potential for late settlement.

### Offshoring and Outsourcing

Given the likelihood that tasks relating to the 2am margin call are performed by a related body corporate, Clearing Participants are reminded of the notification requirements contained within the ASX Clear (Futures) Operating Rules<sup>1</sup> in relation to Overseas Activity. [Guidance Note 9](#) (GN9) has been published by ASX Clear (Futures) Pty Limited to provide guidance to participants on some of the issues they need to address when offshoring or outsourcing their activities as a participant. GN9 should be read in its entirety to ensure that all aspects have been reviewed and considered.

For clarity, ASXCLF would regard the payment of any margin as a material business activity, as meeting margin payments within the required timeframe is a fundamental aspect in a Clearing Participant meeting its obligations under the rules.

### Other Obligations

Participants should also consider their ASIC Market Integrity Rules (ASX 24 Market) and Corporations Act obligations, paying particular attention to any client segregated account and reconciliation obligations.

### Contact Form

All in-scope Clearing Participants are required to complete the form in Appendix A which requests contact details, contacts for escalation (both onshore and offshore), location and affiliate relationship with the Australian Clearing entity.

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<sup>1</sup> ASX Clear (Futures) Operating Rule 4.1

## FAQ's

### When will I be called to pay a 2 am Margin?

Margin calls are notified to affected participants at approximately 2.30am (Sydney time) Tuesday to Saturday and are due to be paid within 2 hours of the call. Margin calls are not made on US public holidays.

### How is the margin call calculated?

The call amount considers the Initial margin movement between the most recent settled intraday Initial margin and the initial margin calculated at 2am. All margin call calculations are performed by account and include any excess collateral available to cover margin movements. Any intraday margin calls made since the last settled end of day initial margin are treated as additional collateral.

Calculations are carried out in the base currency of the product before being converted to USD.

### How is the excess margin calculated?

During the day session, margins may be called through intra-day calls to cover initial margin or variation margin requirements. Due to changes in market or positional movements, margins collected by ASX may represent excess margin. The following examples illustrate how excess margin is calculated:

#### 1. Example, no excess margin following last intraday.

Time	Margin Held by ASX	Margin Shortfall*	Margin Called	Excess Margin
End of Day (t-1)	0	0	0	0
Intra-call #1	0	5	5	0
Intra-call #2	5	20	15	0
Intra-call #3	20	35	15	0

\* Margin shortfall is based on margin requirement at the time of the call. It can vary depending on market and positional movements

#### 2. Example, excess margin following last intra-day call.

Time	Margin Held by ASX	Margin Shortfall*	Margin Called	Excess Margin
End of Day (t-1)	0	0	0	0
Intra-call #1	0	5	5	0
Intra-call #2	5	30	25	0
Intra-call #3	30	15	0	15

\* Margin shortfall is based on margin requirement at the time of the call. It can vary depending on market and positional movements.

### Will I still have to pay a buffer even though I am being margined throughout the night?

Yes, the margin buffer covers movements in price movements since the last intraday until 2 am. The 2am margin call is implemented to cover initial margin on both new positions and any positions carried forward since the most recent end of day.

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**What are my payment options?**

A USD payment into the nominated account.

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**Can ASX direct debit my margin obligation?**

Direct Debit is not available at this time, however ASX is investigating this capability.

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**Who do I contact if I'll be late paying?**

Paying late may result in a breach in ASXCL (Futures) Operating Rules, however in the event that there may be an issue with payment, participants are advised to contact Trading Operations at [tradingoperations@asx.com.au](mailto:tradingoperations@asx.com.au) or via phone on +61 2 9256 0677 . These contact details will also be provided on the emailed margin call notification.

## Appendix A

### ASX Clear (Futures) Overnight Margin Call Settlement Details Form

Please complete the attached spreadsheet and return to ASX Operations [OvernightMarginOperations@asx.com.au](mailto:OvernightMarginOperations@asx.com.au).



2am USD  
Contacts.xlsx

For contacts:

- Participants are to limit and consolidate group distribution contacts to a maximum of three emails,
- ASX will only send communications to group contracts only
- Individual contacts are required for escalation purposes.

For changes to SSI details ASX may request test payments and returns prior to allowing for use in 2am margining.



## Appendix B

### Example Financial Status Advice

FINANCIAL STATUS ADVICE			
SFE			
House			
ABC Name Address		Trade Date: 16-Jun-2020	
		Settlement Date: 17-Jun-2020	
		Currency: Non-Matching	
Excess Cash Standing Instructions: 0.00			
Currency	Description	Amount	Balance
	** Includes Pre-Settlement Intra-day **		
AUD	Brought Forward Balance		150,000,000.00 CR
	Cash Receipt	5,000,000.00 CR	
	Adjusted Balance		155,000,000.00 CR
	Variation Margin	7,000,000.00 CR	
	Carried Forward Balance		162,000,000.00 CR
	Available Cash		162,000,000.00 CR
	Initial Margin	140,000,000.00	
	Buffer Margin	25,000,000.00	
	Cash Shortfall		3,000,000.00 DR
	Minimum Cash Required		0.00
	Expected Cash Movement		3,000,000.00 CR
Excess Cash Standing Instructions: No Limit			
Currency	Description	Amount	Balance
	** Includes Pre-Settlement Intra-day **		
USD	Brought Forward Balance		0.00
	Adjusted Balance		0.00
	Cash Adjustment - 2am USD Call	9,000,815.00 CR	
	Cash Adjustment - 2am USD Call REVERSAL	9,000,815.00 DR	
	Carried Forward Balance		0.00
	Available Cash		0.00
	Cash Excess		0.00
	Minimum Cash Required		0.00
	Expected Cash Movement		0.00

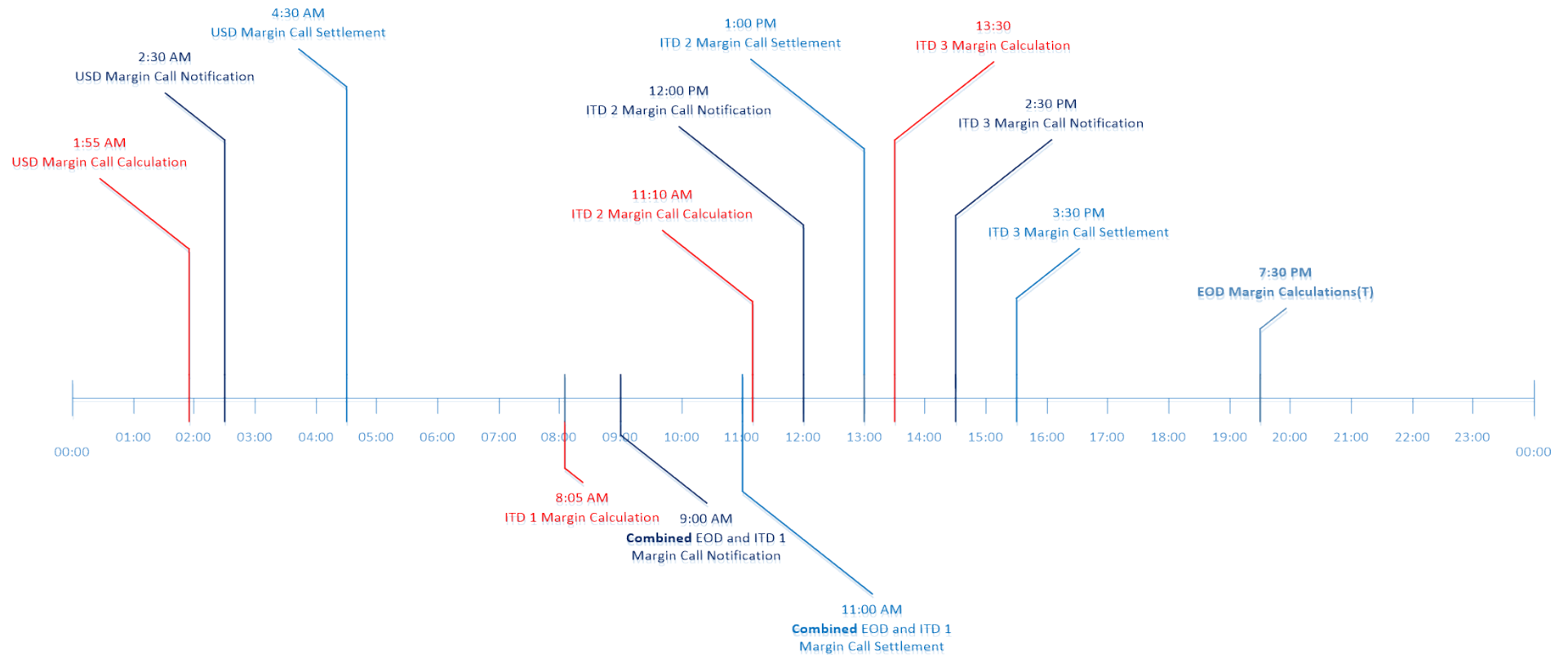
Note: Participants receive two Financial Status Advice's, one before the 8:05 Intraday Margin calculation and one afterwards. This is the second (updated) Financial Status Advice resulting from the aggregation of the EOD settlement and the first (8.05) intra-day margin.

## Appendix C

### ASX Clear (Futures) Margin Cycle



#### ASX Clear (Futures) Margin Cycle as at November 2017



Note: Under the ASX Clear (Futures) Operating Rules ASXCLF may also make additional margin calls at other times.