

# ASX CLEAR OPERATING RULES

## SCHEDULE 1 RISK BASED CAPITAL REQUIREMENTS

This schedule sets out the Risk Based Capital Requirements for the purposes of Rule 5.1. A Participant subject to the Risk Based Capital Requirements must comply with this schedule.

### S1.1

#### S1.1.1 Definitions and Interpretation

In Rule S1, unless the context otherwise requires:

**“Approved Deposit Taking Institution”** means:

- (a) an authorised deposit taking institution under section 5 of the Banking Act 1959 (Cth);
- (b) a banking institution which has its activities formally regulated in accordance with the standards of the ~~Basle~~ Basel Committee on Banking Supervision; or
- (c) an institution which has been given a risk weighting by the Australian Prudential Regulation Authority equivalent to an authorised deposit taking institution referred to in paragraph (a) above.

[...]

**“Base Core Capital Requirement”** means the amount specified in Rule S1.2.1(1)(b)(i) (Table A or Table B), as applicable.

[...]

### S1.2 OBLIGATIONS OF PARTICIPANTS

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

- (i) Unless a Participant obtains a prior waiver from ASX Clear under Rule 1.6, it must ensure that its:
  - (a) Liquid Capital is at all times greater than its Total Risk Requirement; and
  - (b) Core Capital is at all times not less than the sum of the amounts specified in Rules S1.2.1(1)(b)(i) (Table A or Table B), the (ii), (iii) and (iv) below following tables as applicable:

(i)

| <u>Table A - Direct Participants - Base Core Capital Requirement - Minimum Core Capital</u> |             |
|---|-------------|
|   | \$5,000,000 |

| <u>Table B - General Participants - Base Core Capital Requirement - Minimum Core Capital</u> |              |  |
|--|--------------|--|
| Tier 1   | \$5,000,000  | Clearing for itself or up to one External.   |
| Tier 2   | \$10,000,000 | Clearing for: <ul style="list-style-type: none"><li>• itself and one External, or</li><li>• two Externals.</li></ul>                     |
| Tier 3   | \$15,000,000 | Clearing for: <ul style="list-style-type: none"><li>• itself and two Externals, or</li><li>• three Externals.</li></ul>                  |
| Tier 4   | \$20,000,000 | Clearing for: <ul style="list-style-type: none"><li>• itself and three or more Externals, or</li><li>• four or more Externals.</li></ul> |

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

(ii) for a Participant undertaking client written options clearing other than for which specific Cover is lodged, as described in the Procedures, which ASX Clear has determined:

A. to be de minimis - \$0;

B. not to be de minimis or material - \$2,500,000;

C. to be material - \$5,000,000.

(iii) for a Participant undertaking own account business, as described in the Procedures, which ASX Clear has determined:

A. to be de minimis - \$0;

B. not to be de minimis or material - \$2,500,000;

C. to be material - \$5,000,000.

(iv) for a Participant undertaking non-ASX client activity, as described in the Procedures, which ASX Clear has determined:

A. to be de minimis - \$0;

B. not to be de minimis or material - \$2,500,000;

C. to be material - \$5,000,000.

- (2) For the purpose of Rules S1.2.1(1)(b)(ii), (iii) and (iv):
- (a) the amounts under those Rules will not apply to Participants determined by ASX Clear to be inactive;
  - (b) the amount of Core Capital required in respect of a Participant under those Rules will be assessed quarterly by ASX Clear (or at such other time at ASX Clear's discretion);
  - (c) where, as a result of an assessment referred to in paragraph (b) above, ASX Clear determines that additional Core Capital is required in respect of a Participant under those Rules, the Participant will have until the date specified in the notice provided to the Participant of the additional Core Capital required to ensure that its Core Capital complies with such additional requirement. Subject to paragraph (d) below, ASX Clear will give not less than 6 months' notice of such additional requirement.
  - (d) in the event a Participant fails to lodge, in accordance with Rule S1.2.10(2), a return relevant to the assessment referred to in paragraph (b) above, ASX may give less than 6 months' notice of any additional Core Capital required.

~~Provided that in satisfying the requirements in Rule S1.2.1(1)(b) a Participant may satisfy an approved portion of the requirement in accordance with, and subject to, Rule S1.2.4(8), Rule S1.2.11 and Rule S1.2.12.~~

~~Introduced 11/03/04 Amended 01/01/09, 01/01/10, 01/01/12, 01/08/14~~

- (3) For the purpose of making a determination on materiality pursuant to Rule S1.2.1(1)(b)(iii)(C) and Rule S1.2.1(1)(b)(iv)(C), ASX Clear may rely on any self-declaration of materiality provided by the Participant.

[...]

#### **S1.2.4 Approved Subordinated Debt**

- (1) A Participant entering into a subordination arrangement may only include an amount owing under such an arrangement in its Liquid Capital if:
  - (a) the subordination arrangement has the prior approval of ASX Clear under Rules S1.2.4(2) and (3); and
  - (b) the amount is notified to and approved by ASX Clear prior to being drawn down under the subordination arrangement and complies with Rule S1.2.4(4) where relevant.
- (2) ASX Clear will not approve a subordination arrangement unless in the opinion of ASX Clear:
  - (a) subject to Rule S1.2.4(6), the amount owing to the lender under the subordination arrangement will not be repaid until all other debts which the Participant owes to any other persons are repaid in full; and

- (b) the obligation to pay any amount owing under the subordination arrangement is suspended if Rule S1.2.1(1) is no longer complied with.
- (3) ASX Clear will not approve a subordination arrangement unless the Participant has executed an Approved Subordinated Loan Deed in respect of the subordination arrangement.
- (4) [Deleted]
- (5) A Participant must comply with the terms of the Approved Subordinated Loan Deed and any associated agreement to which it, ASX Clear, and the lender are parties and must ensure the lender's compliance with these documents.
- (6) Prior to its Bankruptcy, a Participant may repay an amount owing under an approved subordination arrangement only with the prior approval of ASX Clear.
- (7) ASX Clear will not withhold its approval under Rule S1.2.4(6) if in the opinion of ASX Clear:
  - (a) the Participant's Liquid Capital divided by its Total Risk Requirement is capable of continuing to be greater than 1.2 on repayment; and
  - (b) the Participant's Core Capital is capable of continuing to be equal to or greater than the amount required under Rule S1.2.1 when Approved Subordinated Debt is included under Rule S1.2.4(8).
- (8) ~~If a Participant does not hold sufficient Core Capital under Rule S1.2.1(1)(b), then it may with the prior approval of ASX Clear and subject to such conditions and limitations as ASX Clear may specify, include Approved Subordinated Debt to satisfy an approved portion of its Core Capital requirement commencing on the date that the Participant first does not hold sufficient Core Capital. [Deleted]~~  
Introduced 11/03/04 Amended 01/01/10, 15/06/15  
*[Note: This deletion is occurring as part of other rule amendments relating to Approved Subordinated Debt.]*

#### **S1.2.10 Returns and Registers**

- (1) A Participant must ensure that it prepares returns:
  - (a) in accordance with Rule S1 and in the manner and form prescribed by ASX Clear; and
  - (b) which accurately reflect its accounts, ~~and its~~ financial position and business activities, as appropriate.
- (2) A Participant must ensure that it lodges returns prepared under Rule S1.2.10(1):
  - (a) within the times prescribed by ASX Clear;
  - (b) certified by ~~2 or~~ such ~~other~~ number of directors ~~or partners~~ as prescribed by ASX Clear, as having been prepared in accordance with Rule S1; and

- (c) containing any attestations required by ASX Clear relating to its identification of key risks and including the ability of its internal systems to monitor and manage these risks effectively.

[...]

**S1.2.11 Core Capital – Further Requirements [Deleted]**

~~If a Participant does not hold sufficient Core Capital under Rule S1.2.1(1)(b) a Participant may, with the prior approval of ASX Clear and subject to such conditions and limitations as ASX Clear may specify, satisfy an approved portion of its Core Capital requirement by providing cash to ASX Clear which will be available to ASX Clear in the event of the Participant committing an event of default under Rule 15.1, or if Rule 15.3 applies, to discharge the obligations of the Participant to ASX Clear.~~

~~Introduced 01/01/10 – Amended 28/04/14~~

**S1.2.12 Core Capital – Further Requirements Upper Limit [Deleted]**

~~For the purpose of complying with Rule S1.2.1(1)(b), any Approved Subordinated Debt or cash under Rules S1.2.4(8) and S1.2.11 must not in total exceed 50% of the minimum Core Capital amount required by Rule S1.2.1(1)(b).~~

~~Introduced 01/01/10 – Amended 28/04/14~~

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