



# ASX CLEAR (FUTURES) OPERATING RULES

## PROCEDURES DETERMINATIONS

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# PROCEDURES DETERMINATIONS AND PRACTICE NOTES RELATING TO THE ASX CLEAR (FUTURES) OPERATING RULES

## Rule 1.1 Definitions

**Approved Clearing and Settlement Facility** – ASX Clear (Futures) approves ASX Clear Pty Ltd as an Approved Clearing and Settlement Facility.

Introduced 02/08/13

**Approved Market Operator** – ASX Clear (Futures) approves the Exchange as an Approved Market Operator.

Introduced 02/08/13

## Rule 4.2(a) Becoming a Clearing Participant

Application Form – Please contact the Exchange for a copy of the Clearing Participant Application Form.

## Rule 4.2(c) Business Integrity Requirements

In order to satisfy ASX Clear (Futures) that it meets Rule 4.2(c), an applicant must provide to ASX Clear (Futures) one of the following:

- (a) If the applicant is an ADI, the applicant must confirm to ASX Clear (Futures) that it has in place a 'fit and proper' policy that meets the requirements of the Australian Prudential Regulation Authority Prudential Standard CPS 520.  
The applicant must be able to provide evidence of that policy to ASX Clear (Futures) upon request at any time.
- (b) If the applicant holds an Australian financial services licence which authorises it to carry on business as a Clearing Participant, the applicant must confirm to ASX Clear (Futures) that it has in place measures to ensure its responsible managers are of good fame and character, as required in ASIC Regulatory Guides 105.33 and 2.162, which are also applied to any of its directors who are not responsible managers.  
The applicant must be able to provide evidence of those measures to ASX Clear (Futures) upon request at any time.
- (c) In any other case, the applicant must provide a statutory declaration to ASX Clear (Futures) in relation to itself and from each of its directors confirming that:

- (i) they have not been the subject of any previous bankruptcy, insolvency, receivership, administration, or similar event;
- (ii) they have not been charged with or convicted of any charges or convictions for any offences relating to dishonesty, fraud, financial markets-related conduct, or money laundering;
- (iii) they have not been the subject of any fines, civil penalties, banning, suspension or other disciplinary measures for financial markets-related conduct;
- (iv) they have not been the subject of any disciplinary action or adverse mention in a report made by, or at the request of, any government or governmental authority or agency, the Commission, ASX, an Approved Clearing Facility, an Approved Settlement Facility, and any other exchange, market operator or clearing and/or settlement facility;
- (v) they have not been refused membership of any financial markets-related, legal or accounting professional organisation or had such a membership revoked; and
- (vi) they have not had an application for Participant status (or equivalent status) on another exchange, market, Approved Clearing Facility or Approved Settlement Facility refused,

whether in Australia or elsewhere, or, if that is not the case, a statement to that effect and a detailed explanation of the circumstances involved.

The applicant must also consent to ASX Clear (Futures) obtaining information on the creditworthiness of the applicant.

ASX Clear (Futures) may also have regard to any other information in its possession from any source in assessing whether the applicant meets Rule 4.2(c).

Introduced 15/06/15

## Rule 4.2(e) Organisational Requirements

In order to satisfy ASX Clear (Futures) that it meets Rule 4.2(e), an applicant must provide to ASX Clear (Futures) on or before its admission as a Clearing Participant a certification in the form prescribed by ASX Clear (Futures) from time to time that the applicant has the resources and processes in place to comply with its obligations under the Rules.

For these purposes, “resources” and “processes” have the same meaning as in Rule 4.2(e).

In providing this certification to ASX Clear (Futures), the applicant must have regard to:

- the Rules;
- ASX Clear (Futures) Operating Rules Guidance Note 1 Admission as a Participant;
- ASX Clear (Futures) Operating Rules Guidance Note 9 Offshoring and Outsourcing;
- ASX Clear (Futures) Operating Rules Guidance Note 10 Business Continuity and Disaster Recovery;
- the standards expected of financial services licensees set out in ASIC Regulatory Guide 104 Licensing: Meeting the general obligations and ASIC Regulatory Guide 105 Licensing: Organisational competence (this applies even if the applicant does not hold an Australian Financial Services Licence); and
- any other matters specified in the form prescribed by ASX for these purposes.

If required by ASX Clear (Futures), the applicant must be able to demonstrate to the satisfaction of ASX Clear (Futures), at any time, the basis on which the certification is or was provided.

Introduced 15/06/15

### **Rule 4.3A Applicants Incorporated or Carrying on Business Outside Australia**

If an applicant is incorporated or intends to carry on any part of its business as a Clearing Participant outside Australia:

- (a) ASX Clear (Futures) may require that the applicant (or a Related Body Corporate) currently conducts clearing operations which are regulated by a foreign clearing and settlement facility, a foreign financial market or foreign regulatory authority acceptable to ASX Clear (Futures); or
- (b) ASX Clear (Futures) may require that the applicant is:
  - (i) a clearing and settlement facility which holds an Australian CS Facility licence; or
  - (ii) operates as a clearing and settlement facility in an overseas jurisdiction in accordance with the legal requirements of that jurisdiction and ASX Clear (Futures) considers the applicant to be adequately regulated in that jurisdiction; and
- (c) ASX Clear (Futures) may require the applicant (or persons connected with the applicant) to give an additional undertaking or undertakings governed by Australian law in respect of any matter which ASX Clear (Futures) considers reasonable or in the interest of ASX Clear (Futures) including, without limitation, undertakings as to:
  - (i) the amount of resources and number of Employees to be located in Australia;
  - (ii) access by ASX Clear (Futures) to records required to be kept under these Rules;
  - (iii) foreign taxes that might be payable;
  - (iv) the law governing the applicant's activities under the Rules and the applicant's submission to jurisdiction;
  - (v) whether the law of the applicant's incorporation would recognise protections which are substantially equivalent to those afforded by Australian law to clients' money and property in a winding-up of the applicant; and
  - (vi) the ranking of creditors on a winding-up of the applicant; and
- (d) ASX Clear (Futures) may require the applicant to provide a legal opinion, from independent lawyers acceptable to ASX Clear (Futures) and paid for by the applicant, which deals with matters required by ASX Clear (Futures) and which is acceptable to ASX Clear (Futures); and
- (e) ASX Clear (Futures) may require a performance bond in the form and substance acceptable to ASX Clear (Futures); and
- (f) if the applicant proposes to conduct any Overseas Activity (as defined in Rule 4.15A), ASX Clear (Futures) may require the applicant to notify ASX Clear (Futures) of the details of the proposed Overseas Activity and to demonstrate that the proposed Overseas Activity will comply with Procedure 4.15A.

Introduced 15/06/15

## Rule 4.14(aa) Becoming a Clearing Participant – [Deleted]

Amended 11/02/14 Deleted 15/06/15

## Rule 4.14(a) Annual Audit Certificate

The prescribed form of annual audit certificate as required under Rule 4.14(a) is:

- (a) for non-ADI Clearing Participants that are also participants of ASX Clear Pty Ltd, Form 1, as set out in the Appendix hereto; and
- (b) for all other non-ADI Clearing Participants, Form 1 and Form 2, as set out in the Appendix hereto.

These are to be submitted via email to [CRAteam@asx.com.au](mailto:CRAteam@asx.com.au) within 3 months of the Clearing Participant's financial year end.

Items in Form 1 or 2 marked in bold and square bracketed may need to be deleted. Items marked with an asterisk indicate a selection that needs to be made. No other changes should be made to Form 1 or 2.

Foreign Clearing Participants can choose to have their internal controls and return audited according to Australian auditing standards and code of ethics or auditing standards and code of ethics of their home jurisdiction. The appropriate selection should be made in the Form 1 and Form 2. Notwithstanding this selection, ASX Clear (Futures) reserves the right to require an auditor to provide a report based on the Australian auditing standards and code of ethics.

Amended 01/07/13, 11/02/14, 15/06/15, 13/07/18



## **Form 1 – Independent Auditor’s Report on Net Tangible Assets Rules**

### **Independent Auditor’s Report to the Directors of [Participant Name]**

We have audited the internal control policies and procedures (“internal controls”) of [Participant Name] (the “Participant”) designed to ensure compliance with the requirements of:

ASX Clear (Futures) Pty Limited’s (“ASX Clear (Futures)”) **Operating Rule 8.1/OTC Rule 3.3(a)(ii)\*** in relation to the maintenance of net tangible assets (the “Net Tangible Assets Rules”)

in order to express an opinion about their effectiveness for the [period/year] ended [date].

#### **The Responsibility of the Directors for Internal Controls**

The directors of the Participant are responsible for maintaining an effective internal control structure, including establishing and maintaining accounting records and effective internal controls designed to ensure compliance with the requirements of the Net Tangible Assets Rules. We have conducted an independent audit of the internal controls designed to ensure compliance with the requirements of the Net Tangible Assets Rules in order to express an opinion on them to the directors of the Participant for the [period/year] ended [date].

#### ***Auditor’s Responsibility***

Our audit has been conducted in accordance with **Australian Auditing Standards / [insert auditing standards applicable to Participant’s home jurisdiction]\*** and accordingly included such tests and procedures as we considered necessary in the circumstances. These procedures have been undertaken to form an opinion whether in all material aspects, the Participant maintained suitably designed and effective internal controls to ensure compliance with the requirements of the Net Tangible Assets Rules for the [period/year] ended [date].

#### **INHERENT LIMITATIONS**

Because of the inherent limitations of any internal control structure it is possible that fraud, errors or non-compliance with laws and regulations may occur and not be detected. Further, the overall internal control structure, within which the internal controls designed to ensure compliance with the requirements of the Net Tangible Assets Rules operate, has not been audited, and no opinion is expressed as to its effectiveness.

An audit is not designed to detect all weaknesses in internal controls or all instances of non-compliance with the requirements of the Net Tangible Assets Rules as it is not performed continuously throughout the period/year and the tests performed over the internal controls are on a sample basis having regard to the nature and size of the Participant.

Any projection of the evaluation of internal controls to future periods is subject to the risk that the internal controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The audit opinion expressed in this report has been formed on the above basis.

**BASIS FOR QUALIFIED OPINION (IF APPLICABLE)**

**[QUALIFIED] AUDITOR’S OPINION**

In our opinion, [except for the matters referred to in the qualification below,] [Participant Name]:

maintained, in all material respects, during the [period] ended [date] suitably designed and effective internal controls to comply with the requirements of ASX Clear (Futures) Pty Limited’s **Operating Rule 8.1/OTC Rule 3.3(a)(ii)\*** in relation to the maintenance of net tangible assets.

**RESTRICTION ON DISTRIBUTION AND USE**

This report has been prepared for the Participant in order to meet its obligations to lodge this report with ASX Clear (Futures) Pty Limited. We disclaim any assumption of responsibility for reliance on this report to any person other than the Participant and ASX Clear (Futures) Pty Limited or for any purpose other than that for which it was prepared.

Audit Firm Signature

.....

Name of Audit Firm

.....

Partner’s Signature

.....

Name of Partner

.....

Address of Audit Firm

.....

.....

Date

.....

Amended 24/12/10, 01/12/11, 09/11/12, 01/07/13, 09/05/17

## Form 2 – Auditor's Report on Audited NTA Return

### Independent Auditor's Report to the Directors of [Participant\_name]

We have audited the financial information set out in the attached Audited NTA Return, excluding the:

- Directors Statement Relating to Net Tangible Assets and
- Financial information set out in the “Prior Period”, “Movement \$” and “Movement %” columns, (the “Return”) of [Participant\_name] (the “Participant”) for the [period] ended [date].

### *The Responsibility of the Directors for the Return*

The **directors** of the Participant are responsible for the preparation and fair presentation of the financial information set out in the Return in accordance with the requirements of the **ASX Clear (Futures) Pty Limited (“ASX Clear (Futures)”) Operating Rules**. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial information set out in the Return to ensure that the Return is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial information set out in the Return based on our audit. We conducted our audit in accordance with **Australian Auditing Standards/[insert auditing standards applicable to Participant's home jurisdiction]**. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance, whether the financial information set out in the attached Return, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the financial information set out in the Return. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial information set out in the Return whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Participant's preparation and fair presentation of the financial information set out in the Return in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Participant's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Participant, as well as evaluating the overall presentation of the financial information set out in the Return.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of **APES 110: Code of Ethics for Professional Accountants/[code of conduct legislation applicable to Participant's home jurisdiction]**.

**BASIS FOR QUALIFIED OPINION (IF APPLICABLE)**

**[QUALIFIED] AUDITOR’S OPINION**

In our opinion, [except for the matters referred to in the qualification below], the Return of [Participant\_name] for the [period] ended [date] presents fairly, in all material respects, the financial information of the Participant for the [period] ended [date] as required by **ASX Clear (Futures) in accordance with the ASX Clear (Futures) Operating Rules** that are relevant to the preparation and presentation of the Return.

**BASIS OF PREPARATION AND RESTRICTION ON DISTRIBUTION AND USE**

Without modifying our opinion, we draw attention to the basis of preparation of the Return. The Return has been prepared in accordance with **ASX Clear (Futures) Pty Limited Operating Rule 8.5(b)/OTC Rule 3.3(b)(ii)\***.

This report has been prepared for the Participant in order to meet its obligations to lodge this report with ASX Clear (Futures) Pty Limited. We disclaim any assumption of responsibility for reliance on this report to any person other than the Participant and ASX Clear (Futures) Pty Limited or for any purpose other than that for which it was prepared.

Dated this ..... day of .....

Audit Firm “Signature” .....

Name of Audit Firm .....

Address of Audit Firm .....

Partner’s Signature .....

Name of Partner .....

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**If an auditor is not satisfied as to any matter a qualified audit opinion should be expressed.**

Introduced 24/12/10 Amended 01/12/11, 01/07/13, 11/02/14

## Rule 4.14(ac) Group Structure Chart

For the purposes of Rule 4.14(ac), a Clearing Participant must submit its group structure chart as at 30 June each year by the following 31 July. This is to be submitted via email to [compliance@asx.com.au](mailto:compliance@asx.com.au).

Introduced 15/06/15

## Rule 4.14(e) Professional Indemnity Insurance

For the purposes of Rule 4.14(e), where the Clearing Participant acts for any person other than itself or a Related Body Corporate:

- (a) the Clearing Participant must take out and maintain, at all times, a professional indemnity (or equivalent) insurance policy that the Clearing Participant determines (acting reasonably) to be adequate, having regard to the nature and extent of the business carried on by the Clearing Participant in connection with its business as a Clearing Participant and the responsibilities and risks assumed or which may be assumed by the Clearing Participant in connection with that business and retain a copy of the certificate evidencing the insurance;
- (b) the professional indemnity (or equivalent) insurance must include insurance against a breach of duty it owes in a professional capacity, whether owed in contract or otherwise at law, arising from any act or omission of the Clearing Participant and its Employees;
- (c) in relation to any liability or potential liability of the type referred to in this Procedure 4.14(e), the Clearing Participant must immediately notify ASX Clear of any notification to its insurer of any claim, potential claim or circumstance that might give rise to a claim, that relates in any way to its activities as a Clearing Participant and must include the following details:
  - (i) any circumstance which is likely to give rise to a claim or potential claim against the Clearing Participant;
  - (ii) the receipt of a notice from any person of any intention to make a claim or potential claim against the Clearing Participant; and
  - (iii) the details of any claim, potential claim or circumstance against the Clearing Participant including the gross contingent liability, the net contingent liability, the full name of the Clearing Participant's insurer and the date the Clearing Participant notified its insurer of the claim, potential claim or circumstance;
- (d) the Clearing Participant must also advise ASX Clear (Futures) of any other matter which ASX Clear (Futures) requires in relation to any insurance policy maintained under this Procedure 4.14(e); and
- (e) if the insurance referred to in this Procedure 4.14(e) is provided by a Related Body Corporate, the Clearing Participant must receive confirmation from the Related Body Corporate that it is the insurer or the self-insurer covering and indemnifying the Clearing Participant against the liabilities referred to in this Procedure 4.14(e) and retain a copy of the confirmation.

Introduced 15/06/15

## Rule 4.14(ea) List of Authorised Signatories

A Clearing Participant must submit to ASX Clear (Futures) a list of persons authorised by the Clearing Participant to sign documentation and to deal with clearing issues in connection with the operation of its business as a Clearing Participant in such form and manner as may be prescribed by ASX Clear (Futures) from time to time.

Introduced 15/06/15

## Rule 4.15A(a) Foreign Clearing Participants and other Clearing Participants with Overseas Activity

For the purposes of Rule 4.15A(a), the requirements are as follows:

- (a) provide prior written notification to ASX Clear (Futures) including details of the proposed Overseas Activity;
- (b) obtain and maintain all necessary regulatory approvals from any relevant governmental agency or regulatory authority in Australia or elsewhere in respect of the Overseas Activity and provide a copy of those regulatory approvals to ASX Clear (Futures) upon request;
- (c) comply with the directions of ASX Clear (Futures) and any relevant governmental agency or regulatory authority in Australia or elsewhere concerning the conduct and supervision of the Overseas Activity; and
- (d) not engage in Overseas Activity of a type which would result in ASX Clear (Futures) becoming subject to the jurisdiction of any relevant government agency or regulatory authority outside Australia without the prior written consent of ASX Clear (Futures).

*Note: This Procedure applies to all Clearing Participants who locate aspects of their activities as a Clearing Participant overseas, regardless of where they are incorporated or carry on business.*

Introduced 15/06/15

## Rule 7.1 Satisfaction of Obligations of ASX Clear (Futures)

- (a) For the purposes of Rule 7.1(c), the designated assets are share capital invested in ASX Clear (Futures) by ASX Clearing Corporation Limited up to a maximum amount of A\$30,000,000.
- (b) For the purposes of Rule 7.1(e), the designated assets are share capital invested in ASX Clear (Futures) by ASX Clearing Corporation Limited (excluding share capital that is from time to time designated for the purposes of Rule 7.1(c)) up to a maximum amount of A\$150,000,000.
- (c) For the purposes of Rule 7.1(h), the designated assets are other monies or assets available to ASX Clear (Futures) including share capital invested in ASX Clear (Futures) by ASX Clearing Corporation Limited (excluding share capital that is from time to time designated for the purposes of Rules 7.1(c) and (e)) up to a maximum amount of A\$180,000,000.

Introduced 01/07/13 Amended 16/08/13, 01/10/15, 23/07/18

## Rule 8 Financial requirements

For the purposes of Rule 8.7, a Clearing Participant that is a foreign ADI as that term is defined in the Banking Act 1959 must prepare its accounts and returns in accordance with the accounting standards applicable to the foreign ADI in its home jurisdiction.

Introduced 30/11/15

## Rule 16 Use of Exchange Systems

Rule 16 applies to all Clearing Participants in relation to all systems of ASX Clear (Futures) provided those systems have been approved by ASX Clear (Futures) pursuant to the Rule.

The approvals given to date are in respect of:

- GENIUM INET Clearing software and supporting equipment provided for use by or on behalf of ASX Clear (Futures).
- Calypso software provided for use by Calypso Technology Inc.

Where, in future, new systems are developed necessitating the granting of software licences and supply of equipment to Clearing Participants, this software and equipment will be approved by ASX Clear (Futures) pursuant to this Rule for application to all Clearing Participants. Details will be set out here and by means of a notice.

Amended 01/07/13, 19/05/14

## Rule 19.1 Notice, Notification and Service of Documents

### Notice and Notification

For the purposes of Rule 19.1(b), unless otherwise specified in correspondence with a Clearing Participant, documents addressed to ASX Clear (Futures) should be addressed to the person holding the following position:

General Manager – Clearing and Settlement Operations  
ASX Limited  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000  
Telephone: 1800 814 051  
Facsimile: 02 9235 1857

### Notice to ASX Clear (Futures)

Notice to ASX Clear (Futures) may be given by:

1. Delivering it personally to the person specified above or otherwise specified in correspondence with the Clearing Participant;
2. Leaving it at or by sending it by courier or post to the address specified above or otherwise specified in correspondence with the Clearing Participant;
3. Sending it by facsimile to the facsimile number specified above or otherwise specified in correspondence with the Clearing Participant;

4. Updating the Clearing Participant's corporate details on asxonline where applicable, unless otherwise directed by ASX Clear (Futures);
5. Submitting it via the web-based system interface known as ASX Compliance Monitor ("ACM") where applicable, unless otherwise directed by ASX Clear (Futures); or
6. Specific email by any method which identifies an ASX Clear (Futures) department or an ASX Clear (Futures) employee's name or title as addressee and no notice of non-delivery has been received.

Where a Clearing Participant is also a participant in another market or clearing and settlement facility operated by ASX Clear (Futures) or a Related Body Corporate of ASX Clear (Futures) and the notice being provided relates to both participations, a notice given to ASX Clear (Futures) or a Related Body Corporate of ASX Clear (Futures) in accordance with the operating rules of that other market or facility is taken to be given to ASX Clear (Futures) in accordance with these Rules.

### **Notice by ASX Clear (Futures)**

ASX Clear (Futures) may give notice to any person, firm or corporation by any of the following methods:

1. Delivering it to the recipient personally;
2. Leaving it at or by sending it by courier or post to the address of the recipient last notified to ASX Clear (Futures);
3. Sending it by facsimile to the recipient's facsimile number last notified to ASX Clear (Futures);
4. A circular or bulletin addressed to a class of persons and delivered or communicated by any means permitted under this Procedure;
5. Specific email by any method which identifies a person or person's title as addressee and no notice of non-delivery has been received;
6. Broadcast email by any method which identifies the addressee and which, having regard to all the relevant circumstances at the time, was as reliable as appropriate for the purposes for which the information was communicated; or
7. Sending it via the web-based system known as ACM.

### **Service of Documents**

For the purposes of any Rule that requires or permits a document to be given to a person, whether the expression 'serve', 'give' or 'send' or any other expression is used, the document may be given, and will be taken to have been received, at the time and in the manner set out in the Procedures.

Nothing in Rule 19.1(c) or the Procedures prevents documents being sent or given to, or served on, a person in any other manner required or permitted by law.

For the purpose of Rule 19.1(c) the time and manner in which a notice may be given is as follows:

Notice by:

1. Post is taken to be given on the second Business Day after the document is put in the post, in a stamped envelope or other covering addressed to the recipient;
2. Courier is taken to be given at the time of delivery to the address referred to in this Procedure 19.1;
3. Facsimile is taken to be given when the sender's facsimile machine indicates a successful transmission to the facsimile number referred to in this Procedure 19.1;



4. Email, under this Procedure 19.1 is taken to be given 2 hours after the time the email enters the recipient's information system, unless a response to the contrary is received (e.g. an out of office notification); and
5. The web-based system known as ACM is taken to be given at the time which that system records the transmission.

For the purposes of the Rules, a notice given in accordance with this Procedure 19.1 to a person is received by that person at the time it is taken to be given to that person under this Procedure 19.1.

Introduced 01/01/12 Amended 11/02/14, 15/06/15

## Rule 20 Procedures for the Risk Committee

### 1 Scope of Application and Definitions

The following procedures (referred to as the Risk Committee Procedures) will apply to the Risk Committee (referred to as the Risk Committee).

Terms used and not otherwise defined in these Risk Committee Procedures will have the meanings given to them in the Rules.

Paragraphs of these Risk Committee Procedures are referred to as Paragraphs.

Introduced 11/02/14

### 2 Risk Committee Members

#### 2.1 Risk Committee Members

##### (a) Clearing Participant Representatives

Each Clearing Participant may nominate a single representative for the Risk Committee (each referred to as a Risk Committee Member).

However, a person may not be nominated to be a Risk Committee Member unless that person:

- (a) has appropriate expertise and experience in relation to the matters to be considered by the Risk Committee; and
- (b) is acceptable to ASX Clear (Futures) in its reasonable discretion.

If ASX Clear (Futures) rejects a Risk Committee Member nominated by a Clearing Participant then the Clearing Participant may nominate a replacement for consideration by ASX Clear (Futures).

##### (b) Client Representatives

ASX Clear (Futures) may invite up to five (5) Clients to nominate a single representative for the Risk Committee (each referred to as a Risk Committee Member), providing the Client:

- (a) satisfies the following criteria:
  - (i) is a Wholesale Client of one of the Clearing Participant members (and their nomination to the Risk Committee is supported by their Clearing Participant member);
  - (ii) has maintained an Individual Sub-Account for a minimum of 6 months;
  - (iii) at the time of selection, has a minimum margin requirement of greater than AUD \$2 million; and

- (iv) is not a Related Body Corporate of a Clearing Participant; or
- (b) satisfies other criteria determined by ASX Clear (Futures) in consultation with the Risk Committee from time to time.

However, a person may not be nominated to be a Risk Committee Member unless that person:

- (c) has appropriate expertise and experience in relation to the matters to be considered by the Risk Committee; and
- (d) is acceptable to ASX Clear (Futures) in its reasonable discretion.

The number of Client representatives at any given time cannot exceed five (5).

Introduced 11/02/14 Amended 03/07/17

## **2.2 ASX appointees**

ASX Clear (Futures) may select and appoint any number of further Risk Committee Members in its sole discretion, where this is necessary in order for ASX Clear (Futures) to meet requirements under applicable law with respect to the composition of the Risk Committee.

Introduced 11/02/14

## **2.3 Change of Risk Committee Members**

A Clearing Participant or Client may, at any time, notify ASX Clear (Futures), that it intends to change its nominated Risk Committee Member by nominating a replacement nominee in accordance with Paragraph 2.1 (Risk Committee Members). Once accepted by ASX Clear (Futures), the replacement nominee replaces the previous nominee on the Risk Committee.

Introduced 11/02/14 Amended 03/07/17

## **2.4 Related bodies corporate**

If two or more Clearing Participants are or become related bodies corporate, as determined by ASX Clear (Futures), such Clearing Participants are entitled to appoint only one single Risk Committee Member. If at any time Clearing Participants (which are related bodies corporate) have appointed more than one Risk Committee Member, such Clearing Participants will promptly notify ASX Clear (Futures) of the single Risk Committee Member who will represent them in the future.

Introduced 11/02/14

## **2.5 Chairman**

From time to time the Risk Committee will appoint a Risk Committee Member by majority vote to serve as chairman (referred to as the Risk Committee Chairman). Such appointment will be for a period determined by ASX Clear (Futures). If the Risk Committee Chairman ceases to be a Risk Committee Member or resigns, a new Risk Committee Chairman will be appointed by the Risk Committee.

Introduced 11/02/14

## **2.6 Risk Committee Secretary**

ASX Clear (Futures) will serve as the secretary of the Risk Committee (referred to as the Risk Committee Secretary) and will perform administrative duties.

Introduced 11/02/14

## **2.7 Suspension of Membership**

A Risk Committee Member will be suspended from its capacity as Risk Committee Member upon the occurrence of a Default in relation to the Clearing Participant which has nominated such Risk Committee Member.

Introduced 11/02/14

## **3 Convening the Risk Committee**

### **3.1 Meeting and Notice**

The Risk Committee Secretary will convene a meeting of the Risk Committee (referred to as a Risk Committee Meeting):

- (a) at the request of the Risk Committee Chairman or any two Risk Committee Members (provided such request is accompanied by a draft Agenda (as defined below) for such Risk Committee Meeting); and
- (b) at its own discretion,

by delivering notice (referred to as a Notice) in accordance with this Paragraph 3. Risk Committee Meetings will be held at a location as determined by the Risk Committee Secretary. Any Risk Committee Members who do not attend in person may participate by telephone or video conference.

Introduced 11/02/14

### **3.2 Urgent Matters**

The Risk Committee Secretary may convene a Risk Committee Meeting upon such notice and in such manner as it determines, in order to consider any matter which it determines requires the urgent attention of the Risk Committee.

Introduced 11/02/14

### **3.3 Participating Risk Committee Member**

The Risk Committee Members attending a respective Risk Committee Meeting (either in person or by telephone or video conference) are each referred to as a Participating Risk Committee Member.

Introduced 11/02/14

### **3.4 Proxies**

The Risk Chairman may make such arrangements for the appointment of proxies (including setting out the terms on which such proxies may vote or constitute a quorum) as it in its discretion determines.

Introduced 11/02/14

## **4 Quorum**

The quorum for a valid Risk Committee Meeting will be one third of all Risk Committee Members (referred to as the Quorum).

In the event that a Quorum is not present at the start of and throughout a duly convened Risk Committee Meeting, such Risk Committee Meeting will be adjourned by the Risk Committee Chairman to the next following Business Day or such other day as is agreed with the Risk Committee Secretary. A Quorum at such adjourned Risk Committee Meeting will consist of the Participating Risk Committee Members provided that notice of the Risk Committee Meeting has been given to all Risk Committee Members in accordance with Paragraph 3 (Convening the Risk Committee).

Introduced 11/02/14

## **5 Voting**

All decisions and recommendations made by the Risk Committee will be made at a Meeting by majority vote of the Participating Risk Committee Members.

For the purpose of all voting procedures each Participating Risk Committee Member will have one single vote. In the event that any vote is tied, the Risk Committee Chairman will have the casting vote.

Introduced 11/02/14

## **6 Participation of Employees**

A Risk Committee Member may invite one employee of the Clearing Participant or Client which it is representing (or of a related bodies corporate) to participate in a Risk Committee Meeting in respect of which such employee has particular expertise. The Risk Committee Member may, by notice to the Risk Committee Chairman, delegate the authority to vote on its behalf on a particular issue to any such employee.

ASX Clear (Futures) will send employees to Risk Committee Meetings in order to perform its function as Risk Committee Secretary. The Risk Committee may invite further employees and members of corporate bodies of ASX Clear (Futures) to Risk Committee Meetings.

Introduced 11/02/14 Amended 03/07/17

## **7 Minutes and Statements**

### **7.1 Risk Committee Minutes**

Minutes will be taken of all Risk Committee Meetings (referred to as the Risk Committee Minutes) by the Risk Committee Secretary.

Introduced 11/02/14

### **7.2 Risk Committee Statements**

The Risk Committee may appoint one or more Risk Committee Members to prepare, on behalf of the Risk Committee, any proposal, response, statement or other document setting out the views of the Risk Committee with respect to any relevant matter (referred to as a Risk Committee Statement). The Risk Committee Chairman may refer the Risk Committee Statement to a Meeting for approval or may, if the Risk Committee Chairman is satisfied that the Risk Committee Statement represents the views of the majority of Risk Committee Members after circulating such Statement to the Risk Committee Members, deliver such Risk Committee Statement to ASX Clear (Futures) for incorporation into the Risk Committee Minutes and will be taken to set out the view of the Risk Committee.

Introduced 11/02/14

## **8 Compensation**

Each Clearing Participant and Client will be responsible for the costs associated with its Risk Committee Member's participation in the Risk Committee and will not be entitled to demand or receive any fee or compensation from ASX Clear (Futures) for such participation.

Introduced 11/02/14 Amended 03/07/17

## **9 Confidentiality**

Except as expressly contemplated in these Risk Committee Procedures or as required by applicable law or court order or by a regulatory, self-regulatory or supervising authority having appropriate jurisdiction, each Clearing Participant and Client agrees and procures that its relevant Risk Committee Member agrees:

- (a) to maintain confidentiality as to all aspects of the Risk Committee, including any discussions, deliberations, proceedings or results of any vote, or any determinations produced by these proceedings (referred to as the Confidential Information); and
- (b) not to use any Confidential Information for its own benefit, the benefit of any of its related bodies corporate or a third person. Each Clearing Participant and Client will conclude and maintain a corresponding confidentiality agreement with its Risk Committee Member.

Introduced 11/02/14 Amended 03/07/17

## **10 Fiduciary Duties; Limitation of Liability**

### **10.1 Protected Persons**

Neither any Risk Committee Member nor any other person invited to participate in a Meeting (each referred to as a **Protected Person**) will, to the extent legally possible, have any fiduciary duties or other duties to protect third parties in relation to ASX Clear (Futures), any directors, managers or officers of it, the Clearing Participants or any other person (each referred to as a **Non-protected Person**) by reason of such service on the Risk Committee or the appointment of a Risk Committee Member to the Risk Committee.

Introduced 11/02/14

### **10.2 No Liability**

Despite anything to the contrary in the Rules, to the extent that, for any reason, a Protected Person has any such duties and liabilities relating to its membership of the Risk Committee to a Non-protected Person, such Protected Person acting under the Risk Committee Procedures will not be liable to such Non-protected Person for breach of any such duty if they relied in good faith on the Risk Committee Procedures, the Rules or other provisions of ASX Clear (Futures).

Introduced 11/02/14

## **11 Governing Law**

These Risk Committee Procedures, and all rights and obligations under them will be governed by and construed in accordance with the law in force in New South Wales.

Introduced 11/02/14

## **12 Amendments**

These Risk Committee Procedures may be amended by ASX Clear (Futures), provided that the Risk Committee Secretary will present details of any such amendment to a Risk Committee Meeting held no later than 30 days after such amendment comes into effect.

Introduced 11/02/14

## **Rule 21 Procedures for the Product Committee**

### **1 Scope of Application and Definitions**

The following procedures (referred to as the **Product Committee Procedures**) will apply to the Product Committee (referred to as the **Product Committee**).

Terms used and not otherwise defined in these Product Committee Procedures will have the meanings given to them in the Rules.

Paragraphs of these Product Committee Procedures are referred to as Paragraphs.

Introduced 11/02/14

## 2 Product Committee Members

### 2.1 Product Committee Members

#### (a) Clearing Participant Representatives

Each Clearing Participant may nominate a single representative for the Product Committee (each referred to as a **Product Committee Member**).

However, a person may not be nominated to be a Product Committee Member unless that person:

- (a) has appropriate expertise and experience in relation to the matters to be considered by the Product Committee; and
- (b) is acceptable to ASX Clear (Futures) in its reasonable discretion.

If ASX Clear (Futures) rejects a Product Committee Member nominated by a Clearing Participant then the Clearing Participant may nominate a replacement for consideration by ASX Clear (Futures).

#### (b) Client Representatives

Clients do not participate in the Product Committee at this time.

Introduced 11/02/14

### 2.2 ASX Appointees

ASX Clear (Futures) may select and appoint any number of further Product Committee Members in its sole discretion, where this is necessary in order for ASX Clear (Futures) to meet requirements under applicable law with respect to the composition of the Product Committee.

Introduced 11/02/14

### 2.3 Change of Product Committee Members

A Clearing Participant may, at any time, notify ASX Clear (Futures) that it intends to change its nominated Product Committee Member by nominating a replacement nominee in accordance with Paragraph 2.1 (Product Committee Members). Once accepted by ASX Clear (Futures), the replacement nominee replaces the previous nominee on the Product Committee.

Introduced 11/02/14

### 2.4 Related bodies corporate

If two or more Clearing Participants are or become related bodies corporate, as determined by ASX Clear (Futures), such Clearing Participants are entitled to appoint only one single Product Committee Member. If at any time Clearing Participants (which are related bodies corporate) have appointed more than one Product Committee Member, such Clearing Participants will promptly notify ASX Clear (Futures) of the single Product Committee Member who will represent them in the future.

Introduced 11/02/14

### 2.5 Product Committee Chairman

From time to time the Product Committee will appoint a Product Committee Member by majority vote to serve as chairman (referred to as the **Product Committee Chairman**). Such appointment will be for a period determined by ASX Clear (Futures). If the Product Committee Chairman ceases to be a Product Committee Member or resigns, a new Product Committee Chairman will be appointed by the Product Committee.

Introduced 11/02/14

## 2.6 Product Committee Secretary

ASX Clear (Futures) will serve as the secretary of the Product Committee (referred to as the **Product Committee Secretary**) and will perform administrative duties.

Introduced 11/02/14

## 2.7 Suspension of Membership

A Product Committee Member will be suspended from its capacity as Product Committee Member upon the occurrence of a Default in relation to the Clearing Participant which has nominated such Product Committee Member.

Introduced 11/02/14

## 3 Convening the Product Committee

### 3.1 Meeting and Notice

The Product Committee Secretary will convene a meeting of the Product Committee (referred to as a **Product Committee Meeting**):

- (a) at the request of the Product Committee Chairman or any two Product Committee Members (provided such request is accompanied by a draft Agenda (as defined below) for such Product Committee Meeting); and
- (b) at its own discretion,

by delivering notice (referred to as a **Notice**) in accordance with this Paragraph 3 (Convening the Product Committee). Product Committee Meetings will be held at a location as determined by the Product Committee Secretary. Any Product Committee Members who do not attend in person may participate by telephone or video conference.

Introduced 11/02/14

### 3.2 Urgent Matters

The Product Committee Secretary may convene a Product Committee Meeting upon such notice and in such manner as it determines, in order to consider any matter which it determines requires the urgent attention of the Product Committee.

Introduced 11/02/14

### 3.3 Participating Product Committee Member

The Product Committee Members attending a respective Product Committee Meeting (either in person or by telephone or video conference) are each referred to as a **Participating Product Committee Member**.

Introduced 11/02/14

### 3.4 Proxies

The Product Committee Chairman may make such arrangements for the appointment of proxies (including setting out the terms on which such proxies may vote or constitute a quorum) as it in its discretion determines.

Introduced 11/02/14

## 4 Quorum

The quorum for a valid Product Committee Meeting will be one third of all Product Committee Members (referred to as the **Quorum**).

In the event that a Quorum is not present at the start of and throughout a duly convened Meeting, such Product Committee Meeting will be adjourned by the Product Committee Chairman to the next following Business Day or such other day

as is agreed with the Product Committee Secretary. A Quorum at such adjourned Product Committee Meeting will consist of the Participating Product Committee Members provided that notice of the Product Committee Meeting has been given to all Product Committee Members in accordance with Paragraph 3 (Convening the Product Committee).

Introduced 11/02/14

## 5 Voting

All decisions and recommendations made by the Product Committee will be made at a Product Committee Meeting by majority vote of the Participating Product Committee Members.

For the purpose of all voting procedures each Participating Product Committee Member will have one single vote. In the event that any vote is tied, the Product Committee Chairman will have the casting vote.

Introduced 11/02/14

## 6 Participation of Employees

A Product Committee Member may invite one employee of the Clearing Participant which it is representing (or of a related bodies corporate) to participate in a Product Committee Meeting in respect of which such employee has particular expertise. The Product Committee Member may, by notice to the Product Committee Chairman, delegate the authority to vote on its behalf on a particular issue to any such employee.

ASX Clear (Futures) will send employees to Product Committee Meetings in order to perform its function as Product Committee Secretary. The Product Committee may invite further employees and members of corporate bodies of ASX Clear (Futures) to Product Committee Meetings.

Introduced 11/02/14

## 7 Minutes and Statements

### 7.1 Product Committee Minutes

Minutes will be taken of all Product Committee Meetings (referred to as the **Product Committee Minutes**) by the Product Committee Secretary.

Introduced 11/02/14

### 7.2 Product Committee Statements

The Product Committee may appoint one or more Product Committee Members to prepare, on behalf of the Product Committee, any proposal, response, statement or other document setting out the views of the Product Committee with respect to any relevant matter (referred to as a **Product Committee Statement**). The Product Committee Chairman may refer the Product Committee Statement to a Product Committee Meeting for approval or may, if the Product Committee Chairman is satisfied that the Product Committee Statement represents the views of the majority of Product Committee Members after circulating such Product Committee Statement to the Product Committee Members, deliver such Product Committee Statement to ASX Clear (Futures) for incorporation into the Product Committee Minutes and will be taken to set out the view of the Product Committee.

Introduced 11/02/14

## 8 Compensation

Each Clearing Participant will be responsible for the costs associated with its Product Committee Member's participation in the Product Committee and will not be



entitled to demand or receive any fee or compensation from ASX Clear (Futures) for such participation.

Introduced 11/02/14

## 9 Confidentiality

Except as expressly contemplated in these Product Committee Procedures or as required by applicable law or court order or by a regulatory, self-regulatory or supervising authority having appropriate jurisdiction, each OTC Participant agrees and procures that its relevant Product Committee Member agrees:

- (a) to maintain confidentiality as to all aspects of the Product Committee, including any discussions, deliberations, proceedings or results of any vote, or any determinations produced by these proceedings (referred to as the **Confidential Information**); and
- (b) not to use any Confidential Information for its own benefit, the benefit of any of its related bodies corporate or a third person. Each Clearing Participant will conclude and maintain a corresponding confidentiality agreement with its Product Committee Member.

Introduced 11/02/14

## 10 Fiduciary Duties; Limitation of Liability

### 10.1 Protected Persons

Neither any Product Committee Member nor any other person invited to participate in a Product Committee Meeting (each referred to as a **Protected Person**) will, to the extent legally possible, have any fiduciary duties or other duties to protect third parties in relation to ASX Clear (Futures), any directors, managers or officers of it, the Clearing Participants or any other person (each referred to as a **Non-protected Person**) by reason of such service on the Product Committee or the appointment of a Product Committee Member to the Product Committee.

Introduced 11/02/14

### 10.2 No Liability

Despite anything to the contrary in the Rules or the Procedures, to the extent that, for any reason, a Protected Person has any such duties and liabilities relating to its membership of the Product Committee to a Non-protected Person, such Protected Person acting under the Product Committee Procedures will not be liable to such Non-protected Person for breach of any such duty if they relied in good faith on the Product Committee Procedures, the Rules, the Procedures or other provisions of ASX Clear (Futures).

Introduced 11/02/14

## 11 Governing Law

These Product Committee Procedures, and all rights and obligations under them will be governed by and construed in accordance with the law in force in New South Wales.

Introduced 11/02/14

## 12 Amendments

These Product Committee Procedures may be amended by ASX Clear (Futures), provided that the Product Committee Secretary will present details of any such amendment to a Product Committee Meeting held no later than 30 days after such amendment comes into effect.

Introduced 11/02/14

## Rule 41      Accounts

41.1      A single House Clearing Account will be established in respect of a Clearing Participant's House Positions, which may include both the OTC Open Positions and other Open Positions of the Clearing Participant.

Introduced 11/02/14

41.2      A single Client Clearing Account will be established in respect of a Clearing Participant's Client Positions, which may include both the OTC Open Positions and other Open Positions of the Clearing Participant's Clients.

Separate sub-accounts of the Client Clearing Account will be established in respect of each of:

- (a)      Client Positions comprising OTC Open Positions; and
- (b)      Client Positions comprising Open Positions that are not OTC Open Positions.

Introduced 11/02/14

## Rule 43      Initial Margin and Other Deposits

Pursuant to Rule 43, ASX Clear (Futures) may require a Clearing Participant to deposit Initial Margin or Additional Initial Margin (AIMs) with ASX Clear (Futures) in accordance with the procedures published on [www.asx.com.au](http://www.asx.com.au), as amended from time to time, or as otherwise advised by ASX Clear (Futures).

Introduced 27/11/17

## Rule 45      Intra Day and Extra Margins

Pursuant to Rule 45, ASX Clear (Futures) may require a Clearing Participant to deposit Intra Day Margin or Extra Margin with ASX Clear (Futures) in accordance with the procedures published on [www.asx.com.au](http://www.asx.com.au), as amended from time to time, or as otherwise advised by ASX Clear (Futures).

Introduced 27/11/17

## Rule 46.1      Daily Close-Out of Matched Positions

An Open Position in a CFD contract cannot be closed out under Rule 46.1 unless the Open Position is for the same beneficial client for the same CFD Contract. The definition of client for the reporting of Open Positions for the Open Interest Charge calculation means;

“Any person, firm or corporation (including a Related Body Corporate) on behalf of whom a Participant or a client of a Participant provides instructions to enter, acquire or dispose of a CFD”.

Amended 11/02/14

### Rule 46.3 Close-Out of Open Contracts in error

Where a Clearing Participant reinstates Open Contracts that were matched out in error, the Clearing Participant must be able to provide to ASX Clear (Futures), on request, appropriate evidence or an explanation to substantiate that the close out of Open Contracts was in error. ASX Clear (Futures) reserves the right to issue Market Notices clarifying the reinstatement of Open Contracts if deemed necessary to do so.

Introduced 24/02/14

### Rule 46.5 Daily Close-Out of Matched Positions (including Back to Back Open Positions)

In accordance with Rule 46.5, ASX Clear (Futures) directs Clearing Participants as to the correct treatment of Back to Back Open Positions in this Direction. Where a Clearing Participant fails to comply with this Direction, such a failure will constitute a breach of the Rules and the Clearing Participant will be subject to the disciplinary process associated with such a breach.

Specifically, ASX Clear (Futures) directs Clearing Participants as follows:

- Clearing Participants must Close Out Back-to-Back Open Positions within each Individual Account no later than the time prescribed for the purposes of Rule 46.1 on the Business Day following the creation of those Back-to-Back Open Positions;
- Except as specified below in so far as it relates to Open Positions across multiple Individual Accounts of a single legal entity, Open Positions held within an Individual Account, whether or not it is a sub-account of an Affiliated Account, must not at any time be settled or offset against Open Positions held within another Individual Account or sub-account, unless these positions are formally transferred on market into the same Individual Account; and
- If a Clearing Participant wishes to Close Out Open Positions across multiple Individual Accounts of a single legal entity, the Clearing Participant must ensure legal advice is obtained that such activity does not constitute a breach of the Rules or the law.

Amended 01/07/10

### Introduction

Open Interest (OI) is one of a number of indicators of a market's depth of liquidity. Exchange's OI is derived from the summing of Open Positions held by all Clearing Participants in their House Clearing Accounts and Client Clearing Accounts (collectively referred to as "Clearing Accounts") at the end of each trading day. These figures are submitted daily by the relevant Clearing Participant into the Exchange System in accordance with Rule 46.1<sup>1</sup>.

A Clearing Participant would derive the figures to be submitted into the Exchange System from the summing in its back office of Open Positions held in Individual House Accounts<sup>2</sup> and

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<sup>1</sup> Rule 46.1 requires a Clearing Participant to advise ASX Clear (Futures) on a daily basis of the number of Open Positions which it wishes to remain open. This advice is effected through the Clearing Participant submitting that information into the Exchange System.

<sup>2</sup> An 'Individual House Account' is an individual account established by an Exchange Participant on its own behalf for the purposes of Trading on the Exchange.

Individual Client Accounts<sup>3</sup> (collectively referred to as “Individual Accounts”).<sup>4</sup> Accordingly, the fundamental level at which market liquidity is held is at the level of the Individual Account.

It has come to ASX Clear (Futures)’s attention that not all Clearing Participants have been netting Individual Accounts in their back offices in a manner which enables the most accurate OI to be derived. In particular, ASX Clear (Futures) is concerned with the failure of certain Clearing Participants to consistently Close Out in their back offices Back-to-Back Open Positions<sup>5</sup> within Individual Accounts. If submitted into the Exchange System, such Back-to-Back Open Positions may inflate the OI figure without actually indicating an increase in the true liquidity of the market.

To enhance the integrity of OI, ASX Clear (Futures) now requires that, in fulfilling their obligations under Rule 46.1, Clearing Participants must (as outlined in this Direction) Close Out Back-to-Back Open Positions within each Individual Account no later than the time prescribed for the purposes of Rule 46.1 on the Business Day following the creation of those Back-to-Back Open Positions in their back offices in order that such positions do not form part of the total number of Open Positions submitted into the Exchange System towards the relevant Clearing Account.<sup>6</sup>

The Tables below illustrate how Clearing Participants must comply with this Direction.

Amended 01/07/10, 11/02/14

**Application of this Direction**

In Table 1 below, assume that a Client Clearing Account of a Clearing Participant contains Individual Client Accounts which hold the following Open Positions in a particular futures contract<sup>7</sup>:

Table 1 – Example of a Client Clearing Account

<u>Client Clearing Account</u>	<u>Short</u>	<u>Long</u>	<u>Net (to be submitted into the Exchange System)</u>
Individual Client Account 1	-400	+50	-350
Individual Client Account 2	0	+500	+500
Individual Client Account 3	-300	+500	+200
<b>Total</b>	<b>-700</b>	<b>+1050</b>	<b>-350, +700</b>

<sup>3</sup> An ‘Individual Client Account’ is an individual account established by an Exchange Participant for a Client for the purposes of Trading on the Exchange.  
<sup>4</sup> The total Open Positions held in a particular Clearing Participant’s House Clearing Account should be derived in that Clearing Participant’s back office from summing the number of Open Positions held in each of its Individual House Accounts. The total Open Positions held in a particular Clearing Participant’s Client Clearing Account should be derived in that Clearing Participant’s back office from summing the number of Open Positions held in each of its Individual Client Accounts.  
<sup>5</sup> ‘Back-to-Back Open Positions’ are Open Positions within an Individual Account which can be matched and settled against each other.  
<sup>6</sup> Such a practice would also reduce the risk of incorrect settlements being made in error.  
<sup>7</sup> The same principle would apply to a House Clearing Account and Individual House Accounts.

Closing Out Back-to-Back Open Positions in Individual Accounts

In the above table, Individual Client Account 1 holds Back-to-Back Open Positions of 50 lots and Individual Client Account 3 holds Back-to-Back Open Positions of 300 lots. Individual Client Account 2 does not contain any Back-to-Back Open Positions. Before determining each Individual Client Account’s contribution to the Client Clearing Account, Back-to-Back Open Positions are to be eliminated from each Individual Client Account in the Clearing Participant’s back office. As shown in the ‘Net’ column of the above table, the resulting net positions to form part of the total to be submitted into the Exchange System would be –350 short in Individual Client Account 1 and +200 long in Individual Client Account 3. As no Back-to-Back Open Positions are held in Individual Client Account 2, the entire +500 long positions held would form part of the total to be submitted into the Exchange System as part of the Client Clearing Account total.

Therefore, for the purposes of submitting the most accurate representation of the Open Positions within the above Client Clearing Account into the Exchange System, the Clearing Participant must submit the gross sum of the individual net positions of each Individual Client Account, -350/+700.

Affiliated Accounts

Individual Accounts may be grouped together as an “Affiliated Account.”<sup>8</sup> Within an Affiliated Account, there may be a mix of long and short positions in a given contract in separate Individual Accounts (sub-accounts). In order to provide an accurate representation of the holdings within an Affiliated Account, Clearing Participants are required to submit the gross sum of the net holdings of each sub-account into the Exchange System. That is, each sub-account within the Affiliated Account, as opposed to the Affiliated Account as a whole, is considered to be an Individual Account for the purposes of calculating and Closing Out Back-to-Back Open Positions.

By way of illustration in the table below, assume that an Affiliated Account of a Clearing Participant contains sub-accounts which hold the following Open Positions in a particular futures contract:

Table 2 – Example of a Client Clearing Account

<u>Client Clearing Account</u>	<u>Short</u>	<u>Long</u>	<u>Net (to be submitted into the Exchange System)</u>
Affiliated Account			
Sub-account 1	0	+100	+100
Sub-account 2	-600	+150	-450
Sub-account 3	-500	+700	+200
<b>Total</b>	<b>-1100</b>	<b>+950</b>	<b>-450, +300</b>

<sup>8</sup> An Affiliated Account is defined in the ASX 24 Operating Rules and is also known as an “omnibus account” (but is distinct from a Clearing Account). Affiliated Accounts are often held on behalf of fund management entities and trading desks which run a number of books for different purposes. In addition, ASX Clear (Futures) is aware that some Clients mandate use of a single account to trade multiple strategies (for example, long trades for funding, short trades for hedging). ASX Clear (Futures) considers that such an account is in fact a number of Individual Accounts comprising an Affiliated Account and should be treated by Clearing Participants as such for the purposes of submitting Open Positions into the Exchange System.

## Closing Out Back-to-Back Positions in Affiliated Accounts

For the example in the above table, it would not be appropriate for a Clearing Participant to Close Out positions within the Affiliated Account as though the Affiliated Account were one Individual Account (i.e. by netting –1100 short against +950 long, resulting in a net position of –150 short). Rather, each separate sub-account would be netted individually and the resulting net positions form part of the total to be submitted into the Exchange System. In the above table, Sub-account 2 in the Affiliated Account holds Back-to-Back Open Positions of 150 lots and Sub-account 3 holds Back-to-Back Open Positions of 500 lots. Sub-account 1 does not contain any Back-to-Back Open Positions. Before determining each sub-account's contribution to the Client Clearing Account, these Back-to-Back Open Positions must be eliminated from calculation in the Clearing Participant's back office.

As shown in the 'Net' column of the above table, the resulting net positions to form part of the total to be submitted into the Exchange System would be –450 short in Sub-account 2 and +200 long in Sub-account 3. As no Back-to-Back Open Positions are held in Sub-account 1, the entire +100 long positions held would form part of the total to be submitted into the Exchange System as part of the Client Clearing Account total.

Thus for the above Affiliated Account, a –450/+300 holding (which has been derived from a sum of the individual net position figures in each sub-account within the Affiliated Account) would be submitted to the Exchange System as the most accurate representation of the holdings in that Client Clearing Account.

In order that an account can be treated as an Affiliated Account (and be entitled to hold Back-to-Back Open Positions), Participants must request explicit instructions in this regard (as well as the rationale for it) from their clients (which may include entities related to the Participant) and must retain these instructions on file. Further, Participants must instruct their clients to provide them with daily instructions as to the number of Back-to-Back Positions required to be left open in order to report their Affiliated Account in accordance with this Direction.

If a Participant does not receive instructions from its client that an account is being operated as an Affiliate Account, this Direction must be followed and Back-to-Back Open Positions must be closed out of the account. If the Client wishes to operate an account as an Affiliated Account, they must commit to informing the Participant daily of how many open positions are to be maintained (or how many back-to-back positions are to be closed out) in line with this Direction.

Amended 01/07/10, 11/02/14

## **Exception to this Direction**

### Differentiated Deliverable Commodities

This Direction to Close Out Back-to-Back Open Positions outlined above applies to cash-settled contracts (e.g. SPI 200™ futures contracts, Commonwealth Treasury Bond futures contracts etc) and deliverable contracts where all deliverable commodities are functionally identical (e.g. Individual Share Future contracts, currency future contracts etc), as Back-to-Back Open Positions in such contracts do not contribute to market liquidity.

However, Back-to-Back Open Positions (concurrent long and short positions in the same Futures Contract and Settlement Month on behalf of a Clearing Account) which are held in physically deliverable contracts where the deliverable commodities may vary in quality, location, nature or some other means (e.g. ASX Grain Futures Contracts and Greasy Wool) may represent a contribution to market liquidity, where there is intent or likelihood to both take and make a delivery at a single expiry. Accordingly, such Back-to-Back Open Positions

may be maintained and included as part of the number of Open Positions submitted into the Exchange System but must be managed in accordance with the procedures set forth below.

A. The last day Clearing Participants holding Back-to Back Open Positions can Close Out (net off) Open Positions is the Close Out Day immediately preceding the Settlement Month in which the Open Positions are held. The Close Out Day is the Business Day immediately following the Declaration Date for the applicable Option Expiry Month. For example, Open Positions held in January that the client does not wish to either trade out of or make or take delivery against, must be Closed Out (netted off) by the Business Day immediately after the Declaration Date for December options. The Applicable Close Out Days for:

- Grain – are listed at <http://www.asx.com.au/about/grain-maturity-calendar.htm>; and
- Wool – are listed at <http://www.asx.com.au/about/wool-maturity-calendar.htm>.

<i>ASX Grain Settlement Month:</i>	<i>January</i>	<i>March</i>	<i>May</i>	<i>July</i>	<i>September</i>	<i>November</i>
Applicable Close Out Day is the Business Day immediately following the Declaration Date for the applicable Option Expiry Month:	December	February	April	June	August	October

<i>ASX Wool Settlement Month</i>	<i>February</i>	<i>April</i>	<i>June</i>	<i>August</i>	<i>October</i>	<i>December</i>
Applicable Close Out Day is the Business Day immediately following the Declaration Date for the applicable Option Expiry Month:	February	April	June	August	October	December

B. Clearing Participants with Back-to-Back Open Positions which are held beyond the applicable Close Out Day must either:

- Trade out of the Open Positions and Close Out resultant Back-to Back Open Positions created within each Clearing Account no later than the time prescribed for the purposes of Rule 46.1 on the Business Day following the creation of those Back-to Back Open Positions; or
- Make and take delivery for the Open Positions held within each Clearing Account during the Delivery Period.

C. Open Positions transferred after the Close Out Day can only be Closed Out if:

- the trade date of the position being transferred is the same as the transfer date; and
- it is Closed Out no later than the time prescribed for the purposes of Rule 46.1 on the Business Day following the creation of those Back-to-Back Open Positions.

D. Open Positions Closed Out in error between the Close Out Day and Final Trading Day can be reinstated so long as it is in accordance with Rule 46.3.

## Unintentional Crossing Prevention

Clearing Participants are required to identify any trades that have been included on the internal booking report of the Trading Participant and ensure that these Back to Back Open Positions are matched out in the same account on the Trading Date that they were created on.

Amended 01/07/10, 11/02/14, 24/02/14, 20/03/17

## **Inappropriate Practices**

Except as specified below in so far as it relates to Open Positions across multiple Individual Accounts of a single legal entity, Open Positions held within an Individual Account, whether or not it is a sub-account of an Affiliated Account, must not at any time be settled or offset against Open Positions held within another Individual Account or sub-account, unless these positions are formally transferred on market into the same Individual Account.

Any such activity may represent inappropriate off-market trading and may constitute a breach of the Rules or the law.

If a Clearing Participant wishes to Close Out Open Positions across multiple Individual Accounts of a single legal entity, the Clearing Participant must ensure legal advice is obtained that such activity does not constitute a breach of the Rules or the law.

For example, in Table 1 above, if the Open Positions within Individual Client Account 1 are inappropriately offset against the Open Positions within Individual Client Account 3 the resulting net position would be –150 short. However, the correct number of Open Positions to be included in the total to be submitted to the Exchange System are –350 short for Individual Client Account 1 and +200 long for Individual Client Account 3.

Amended 01/07/10, 11/02/14

## **Implementation**

Clearing Participants are required to follow this Direction in their treatment of Back-to-Back Open Positions.

Where a Clearing Participant fails to comply with this Direction, such a failure will constitute a breach of the Rules and the Clearing Participant will be subject to the disciplinary process associated with such a breach.

Clearing Participants are also reminded of the importance of maintaining appropriate Close Out procedures and audit trails. Documentation held in this regard may be reviewed as part of a Clearing Participant compliance inspection or operational review and must be made available to ASX Clear (Futures) on request.

Amended 01/07/10

## **Rule 63A.6 BRC Delivery Procedures (Compensation Policy)**

Under Rule 63A.6 (*to take effect 11 March 2004*), in the event of a failure to settle a BRC transaction by the due time, ASX Clear (Futures) may direct that compensation be payable in accordance with a calculation methodology determined by ASX Clear (Futures).



## Determination

ASX Clear (Futures) has determined the calculation methodology for the purpose of Rule 63A.6 is the Standard Inter-Organisation Compensation Rules published by Australian Payments Clearing Association Limited (APCA) from time to time, subject to the following modifications:

<b>APCA Rule</b>	<b>ASX Clear (Futures) modification</b>
Makes provision for non-failing party to be reimbursed for administration fee.	ASX Clear (Futures) may, in its absolute discretion, determine that the administration fee will be waived.
Claims must be in writing and received within 90 days.	ASX Clear (Futures) will determine at its absolute discretion whether compensation is payable without formal claim.
Compensation events.	The only compensation event will be Delayed Payment under Rule 6.
None	BRC Participants responsible for a settlement failure will be informed of a claim against them within 7 days.
None	BRC Participants receiving a claim against them must pay the calculated compensation within 14 days of demand.
None	BRC Participants validly requiring compensation will be paid at the month end 21 days after the incident.

## Rule 65 Deliverable Swap Futures Contracts

Under Rule 65.1, the two OTC Open Contracts, one between ASX Clear (Futures) and each nominated OTC Participant, must be created by no later than 5:00pm on the Final Trading Day or such other time as agreed by ASX Clear (Futures).

Under Rule 65.2, a Futures Participant that is not an OTC Participant must either close out or arrange with an OTC Participant to effect delivery on the Futures Participant's behalf, by the time and in the manner specified below:

- (a) A Futures Participant that is not an OTC Participant must close out any positions 5 Trading Days prior to the Final Trading Day of the Deliverable Swap Futures Contract unless the Futures Participant has arranged with an OTC Participant to effect delivery on the Futures Participant's behalf.
- (b) A Futures Participant that is not an OTC Participant must close out Client Positions 5 Trading Days prior to the Final Trading Day of the Deliverable Swap Futures Contract unless the Client has arranged with an OTC Participant to effect delivery on the Client's behalf.
- (c) In the event that a Futures Participant that is not an OTC Participant still holds a position after expiry on the Final Trading Day, then that Futures Participant will have from 12 Noon until 1:00pm on the Final Trading Day to arrange with an OTC Participant to effect delivery on the Futures Participant's or Client's behalf.

- (d) If by 1:00pm on the Final Trading Day the Futures Participant that is not an OTC Participant has not arranged with an OTC Participant to effect delivery on the Futures Participant's or Client's behalf, then the Futures Participant's Deliverable Swap Futures Contracts will be cash settled pursuant to Rule 63.

*Explanatory Note: A Deliverable Swap Futures Contract is governed by the Futures Rules until it is discharged by delivery in accordance with Futures Rule 65. A futures position may be closed out on market until expiry of the futures contract at 12 Noon on the futures expiry day.*

Introduced 30/11/15

## **Rule 111 Application of Client Protection Model Provisions**

Upon making a determination for the purpose of Rule 111, ASX Clear (Futures) will provide notice of this to all Clearing Participants by circular or bulletin as soon as reasonably practicable. ASX Clear (Futures) will also publish notice of the determination on [www.asx.com.au](http://www.asx.com.au) as soon as reasonably practicable.

Introduced 11/02/14

## **Rule 112 Client Protection Model Client Fact Sheet**

Upon the commencement of the Client Protection Model Provisions with respect to classes of Market Contracts, Open Contracts, Clearing Participants or Clients, as applicable, a Clearing Participant must:

- (a) in respect of each of its existing Clients for which it holds an Open Position to which the Client Protection Model Provisions apply; and
- (b) in respect of each of its other existing Clients not covered by (a), before, or if not practicable, as soon as practicable after it next holds an Open Position to which the Client Protection Model Provisions apply,

provide the Client Protection Model Client Fact Sheet to such Person or direct such Person to a copy of the Client Protection Model Client Fact Sheet, to the extent that such Person has not previously received the Client Protection Model Client Fact Sheet.

Once the Client Protection Model Provisions have commenced, a Clearing Participant must provide each new Client with the Client Protection Model Client Fact Sheet or direct such Person to a copy of the Client Protection Model Client Fact Sheet, before the Clearing Participant holds an Open Position for that Client.

ASX Clear (Futures) may require a Clearing Participant to attest annually that it has provided the Client Protection Model Client Fact Sheet to its Clients in accordance with the Rules and Procedures.

For the purpose of Rule 112 and this Procedure, the term "Client Protection Model Client Fact Sheet" refers to the document entitled "ASX Client Clearing Service for derivatives – Fact Sheet" as amended by ASX Clear (Futures) from time to time.

Introduced 11/02/14 Amended 07/07/14

## **Rule 115 Client Sub-Accounts**

In respect of each CPM Client for which ASX Clear (Futures) maintains an Individual Sub-Account, ASX Clear (Futures) will request data including:

- (a) Client Name;
- (b) if applicable, Client LEI or ABN;
- (c) Client Address;
- (d) Segregation Code (Individual Sub-Account);
- (e) Clearing Participant ID;
- (f) Clearing Participant Name;
- (g) Contact Details (name, phone, email) for Legal Contacts, Operations Contacts and CP Default Contacts;
- (h) Details of any Alternate Clearing Participant and any order of preference and confirmation of documentation in place with Alternate Clearing Participant; and
- (i) Client Standard Settlement Instructions (per currency).

ASX Clear (Futures) may reasonably request any other data in respect of each CPM Client, as published or notified by ASX Clear (Futures) to the relevant CPM Client and the CPM Client's relevant Clearing Participant.

Where there is a Nominated Person in respect of an Individual Sub-Account, ASX will also require data that relates to the Nominated Person including:

- (a) Nominated Person Name;
- (b) if applicable, Nominated Person LEI or ABN;
- (c) Nominated Person Address;
- (d) Contact Details (name, phone, email) for Legal Contacts, Operations Contacts and CP Default Contacts; and
- (e) Standard Settlement Instructions (per currency).

Introduced 11/02/14

#### **Rule 115.4 Client Sub-Account (Nominated Person)**

Until such time as its Clearing Participant is in Default, a CPM Client may notify ASX Clear (Futures) of the details of a Nominated Person in respect of an Individual Sub-Account held by the Clearing Participant for that CPM Client using such methods as ASX Clear (Futures) may from time to time designate.

The CPM Client may also amend these details from time to time prior to the Default of its Clearing Participant. If these details are amended, ASX Clear (Futures) may notify the Nominated Person by using the contact details recorded prior to the amendment, to inform the Nominated Person of the relevant amendment.

Introduced 11/02/14

#### **Rule 116.2A Margin**

To enable ASX Clear (Futures) to attribute cash and non-cash assets to an Individual Sub-Account, the Clearing Participant's instructions must specify the following:

- (a) the Account code for the Individual Sub-Account;
- (b) the cash assets (including currency) that are to be attributed to the Individual Sub-Account;
- (c) the non-cash assets that are to be attributed to the Individual Sub-Account; and

- (d) the transfer details for any non-cash assets, including the relevant CSD account for the CPM Client (or Nominated Person).

Instructions are to be provided by a Clearing Participant to ASX Clear (Futures) using the method notified by ASX Clear (Futures) from time to time.

A Clearing Participant may initiate or update an instruction for assets to be attributed to an Individual Sub-Account at any time. However, ASX Clear (Futures) will only attribute assets to an Individual Sub-Account once those assets have been received by ASX Clear (Futures). ASX may reject an instruction that would result in the aggregate Collateral Value of all Client Sub-Accounts of the Clearing Participant's Client Clearing Account exceeding the value of assets (as determined by ASX Clear (Futures)) transferred by the Clearing Participant and held in the Clearing Participant's Client Clearing Account.

Introduced 31/08/15

## Rule 117 Transfer

The transfer of eligible Open Positions of a CPM Client recorded in a Client Sub-Account of a Clearing Participant (**Transferring Clearing Participant**) to another Client Sub-Account for that CPM Client with another Clearing Participant (**Receiving Clearing Participant**) in accordance with Rule 117 (each a **Transferring Open Position**) will be effected by ASX Clear (Futures) in accordance with the following procedures:

- (a) the CPM Client, Transferring Clearing Participant and Receiving Clearing Participant must consent to the transfer of the relevant eligible Open Positions from the Transferring Clearing Participant to the Receiving Clearing Participant. ASX Clear (Futures) will treat the consent of the Transferring Clearing Participant as also constituting consent provided on behalf of the CPM Client;
- (b) the Receiving Clearing Participant must submit the details of each Transferring Open Position to ASX Clear (Futures);
- (c) ASX Clear (Futures) will run a series of eligibility and other checks in connection with the Transferring Open Positions in accordance with its internal processes;
- (d) following the successful completion of the eligibility and other checks, ASX Clear (Futures) will effect the transfer of the Transferring Open Positions:
- (i) in respect of Transferring Open Positions which are OTC Open Positions, during its usual end-of-day process prior to the calculation of any Variation Margin; or
  - (ii) in respect of Transferring Open Positions which are held in relation to Futures Contracts, immediately following the successful completion of the eligibility and other checks; and
- (e) provided that ASX Clear (Futures) has received any additional margin (if required) from the Receiving Clearing Participant, each Transferring Open Position will be recorded in the relevant Client Sub-Account for the CPM Client with the Receiving Clearing Participant.

Following completion of the transfer process ASX Clear (Futures) will provide the details of each Transferring Open Position which has been transferred to the Receiving Clearing Participant to the Transferring Clearing Participant and the Receiving Clearing Participant.

If a CPM Client and its Clearing Participant have agreed that Open Positions recorded in a Client Sub-Account (which may be an Individual Sub-Account or an Omnibus Sub-Account as agreed between the parties) for that CPM Client with that Clearing Participant will be transferred by ASX Clear (Futures) to another Client Sub-Account for that CPM Client with that Clearing Participant then transfer will be effected in accordance with the procedures set

out above as if the Clearing Participant was both Transferring Clearing Participant and Receiving Clearing Participant.

Introduced 11/02/14

## **Rule 118 CPM Client Default**

If a Clearing Participant which has not Defaulted applies a “Hold” status in the Exchange System to an Individual Sub-Account of a CPM Client of such Clearing Participant, ASX Clear (Futures) may treat such action as notification that such CPM Client has defaulted.

The Clearing Participant may request ASX Clear (Futures) to transfer Open Positions recorded for a CPM Client in a Client Sub-Account to its House Clearing Account in accordance with the procedures described in paragraphs (a) to (e) above for Rule 117 (Transfer) in respect of which the Clearing Participant is to be regarded as both the Transferring Clearing Participant and the Receiving Clearing Participant and the consent of the CPM Client is not required. In such circumstances ASX Clear (Futures) will treat such request by the Clearing Participant as notification that such CPM Client has defaulted.

Introduced 11/02/14

## **Rule 119 Clearing Participant Default (Application to Individual Sub-Accounts)**

A CPM Client of a Clearing Participant may notify ASX Clear (Futures) of the following information using such methods as ASX Clear (Futures) may from time to time designate:

- (A) the details of up to three Alternate Clearing Participants to which details of Open Positions recorded in an Individual Sub-Account for that CPM Client should be disseminated if the CPM Client’s Clearing Participant Defaults; and
- (B) whether, upon the Default of its Clearing Participant, ASX Clear (Futures) should disseminate information in connection with the Open Positions in the Individual Sub-Account held by the Clearing Participant for that CPM Client to all of its nominated Alternate Clearing Participants simultaneously or if the information should be disseminated to the Alternate Clearing Participants in a particular order nominated by the CPM Client.

If a Clearing Participant Defaults, then:

- (a) each CPM Client of the Defaulting Clearing Participant for which that Clearing Participant records Open Positions in an Individual Sub-Account may, but is not required to, confirm to ASX Clear (Futures) by telephone (and confirmed in writing) or by email whether the Open Positions recorded for it by the Defaulted Clearing Participant in its Individual Sub-Account(s) should be transferred to an Alternate Clearing Participant it has nominated, or terminated or Closed Out;
- (b) unless each CPM Client has already confirmed the following information to ASX Clear (Futures), ASX Clear (Futures) will take reasonable steps to seek information from that Clearing Participant’s CPM Clients for which that Clearing Participant records Open Positions in an Individual Sub-Account by using the telephone or email contact details provided to ASX Clear (Futures) by such CPM Clients in accordance with these Procedures as to the following:
  - (i) the details of up to three Alternate Clearing Participants; and
  - (ii) whether ASX Clear (Futures) should disseminate information in respect of the Open Positions in the Individual Sub-Account held by the Defaulted Clearing Participant for that CPM Client to all of its nominated Alternate Clearing Participants or if the information should be disseminated to the

Alternate Clearing Participants in a particular order nominated by the CPM Client,

and if ASX Clear (Futures) is unable to obtain such instructions from the CPM Client ASX Clear (Futures) may terminate the CPM Client's Open Positions in its sole discretion; and

- (c) for the purposes of Rules 119.4 and Rule 119.5 the time specified for an Alternate Clearing Participant nominated by a particular CPM Client to confirm that it is prepared to accept the transfer of all of the Open Positions recorded in an Individual Sub-Account for that CPM Client held by the Defaulted Clearing Participant, is 48 hours for OTC Open Positions or Open Positions relating to OTC Allocated Futures Contracts, and 24 hours for all other Open Positions after the relevant Default. If such confirmation is received from the Alternate Clearing Participant then, pursuant to Rule 119.4, those Open Positions will be transferred to the Alternate Clearing Participant in accordance with paragraphs (a) to (e) of Procedure 117 (Transfer) above (except that the Transferring Clearing Participant's consent is not required since the Transferring Clearing Participant is the defaulted Clearing Participant). This transfer may occur even if there is a cashflow due to be paid on the day of the transfer.

ASX Clear (Futures) may, in its sole discretion, change the specified time by which an Alternate Clearing Participant must provide confirmation for the purposes of Rule 119.4 and Rule 119.5. If ASX Clear (Futures) does change the specified time, it will notify the affected Alternate Clearing Participants and CPM Clients as soon as reasonably practicable.

If a Person is a Nominated Person in respect of the Individual Sub-Account then:

- (a) any communication described in this Procedure which is conducted after the CPM Client's Clearing Participant has Defaulted will be conducted between that Person and ASX Clear (Futures) only; and
- (b) that Person may request that the Open Positions recorded in that Individual Sub-Account be transferred to any Individual Sub-Account in respect of which the Person is a Nominated Person or CPM Client held by the Alternate Clearing Participant.

Introduced 11/02/14

#### **Rule 121.4 Clearing Participant Default (Termination of Open Positions and Collateral Value)**

ASX Clear (Futures) is not required to transfer equivalent non-cash assets in circumstances where:

- (a) the Client has Individual Sub-Accounts in respect of both Open Contracts and OTC Open Contracts and those Individual Sub-Accounts are to be transferred to different Alternate Clearing Participants; or
- (b) the Open Positions in the Individual Sub-Account have been terminated by ASX Clear (Futures) and:
- (i) the realisation of some or all of the equivalent non-cash assets is required to meet losses, costs and expenses allocated to the Individual Sub-Account; or
- (ii) ASX Clear (Futures) is unable to transfer equivalent non-cash assets to the Client (or Nominated Person), including, without limitation, due to lack of timely, complete or valid transfer instructions, impossibility, impracticability or any other event or circumstance.

In any of those circumstances ASX Clear (Futures) may realise such equivalent non-cash assets and transfer or pay cash instead.

Introduced 31/08/15

## Rule 123 Application of Security Interest Provisions

Upon making a determination for the purpose of Rule 123, ASX Clear (Futures) will provide notice of this to all Clearing Participants by circular or bulletin as soon as reasonably practicable. ASX Clear (Futures) will also publish notice of the determination on [www.asx.com.au](http://www.asx.com.au) as soon as reasonably practicable.

Introduced 11/02/14

## Recovery Rules

Nothing in these Procedures limits the Recovery Rules. These Procedures do not prevail over the Recovery Rules.

*Explanatory Note: The Recovery Rules may affect the operation of the Procedures.*

Introduced 01/10/15

## Schedule 3 Prescribed Times

Rule	Description	Time
43.1 and 44.4	Time for payment of Initial margins and Daily Settlement Amounts	<p>SFE AUD denominated contracts – 10:30 am (Sydney time), to be pending RTGS.</p> <p>SFE AUD denominated contracts – 11:00 am (Sydney Time), funds to be cleared.</p> <p>SFE NZD denominated Contracts – 10:30 am (Sydney Time), to be pending RTGS.</p> <p>SFE NZD denominated Contracts – 11:00 am (Sydney Time), funds to be cleared.</p> <p>SFE US denominated contracts – 12:00 pm (Sydney time), payment to be confirmed via authenticated SWIFT message to Exchange USD Bank.</p> <p>SFE US denominated contracts – 5:00 pm (New York time), funds to be received by Exchange US Correspondent Bank.</p> <p>EUR denominated contracts – 12pm (Sydney time), Payment to be confirmed via authenticated SWIFT message to Exchange EUR Bank.</p>

		<p>EUR denominated contracts – Funds to be received by Exchange EUR Correspondent Bank by local cutoff for same day value.</p> <p>GBP denominated contracts – 12pm (Sydney time), Payment to be confirmed via authenticated SWIFT message to Exchange GBP Bank.</p> <p>GBP denominated contracts – Funds to be received by Exchange GBP Correspondent Bank by local cutoff for same day value.</p> <p>JPY denominated contracts – 10am (Sydney time), Payment to be confirmed via authenticated SWIFT message to Exchange JPY Bank.</p> <p>JPY denominated contracts – Funds to be received by Exchange JPY Correspondent Bank by local cutoff for same day value.</p>
43A.1	Time for payment of Initial Margins	<p>SFE – 10:30 am (Sydney Time), to be pending RTGS</p> <p>SFE – 11:00 am (Sydney Time), Funds to be cleared</p>

## Schedule 9 MISCELLANEOUS PRESCRIPTIONS BY BOARD

### 4 ASX Clear (Futures) reports

In accordance with Rule 97.2 ASX Clear (Futures) will provide:

- (a) each CPM Client for whom ASX Clear (Futures) maintains an Individual Sub Account within a Clearing Participant's Client Clearing Account; or
- (b) if a Nominated Person has been notified to ASX Clear (Futures) in relation to that CPM Client, such Nominated Person,

and the relevant Clearing Participant for such CPM Client with the following reports:

#### Client Clearing

- Client Trade – Open Report
- Rate Reset Report
- Curve – Discount Factor Report
- Curve – Underlying Quotes Report
- Curve – Curve Points Report
- Curve – Zero Points Report
- Curve – Par Rates Report
- Client Static Data Report

Introduced 11/02/14



## Schedule 14 Grains Contracts

*Note: Tender Documentation in relation to this Schedule 14 can be obtained from the Exchange by contacting Clearing and Settlement Operations via email at: [ClearingandSettlementOperations@asx.com.au](mailto:ClearingandSettlementOperations@asx.com.au).*

### **SETTLEMENT OF DELIVERABLE DERIVATIVE CONTRACTS OVER A COMMODITY WHICH IS GRAIN.**

#### **Bulk Handlers**

For the purpose of this schedule, the following companies have entered into arrangements with ASX Clear (Futures) to act as Bulk Handlers for the storage and handling of the Underlying Commodity:

- Australian Bulk Alliance Pty Ltd
- AWB Grainflow Pty Ltd
- Co-operative Bulk Handling Limited
- GrainCorp Operations Limited
- Viterro Operations Ltd

#### **14.2.1 ELECTION TO TENDER BY SELLER**

When a Seller elects to effect delivery during the Delivery Period, the Participant is required to lodge the following tender documentation with ASX Clear (Futures):

- (a) Grain Futures Tender/Redemption Notice.

The Tender Notice is submitted to ASX Clear (Futures) in the following manner:

- (a) The Participant completes the Tender Notice section of the Grain Futures Tender/Redemption Notice and lodges with ASX Clear (Futures). A Tender Notice may only be lodged with ASX Clear (Futures) where the Confirmed Lodgement Status relating to the specified quantity of Underlying Commodity that is the subject of the tender, is aged two days; and
- (b) The Tender Notice must be submitted to ASX Clear (Futures) by 12:00 noon on any Notice Day other than the last Notice Day (the Maturity Date). On the Last Notice Day, the Tender Notice must be lodged by 3:00 pm, unless otherwise notified by ASX Clear (Futures).

*Note: The Seller may elect to settle a Deliverable Contract which is Grain by either closing out the position in the market or by effecting delivery against the contract. A Participant is required to submit a Tender Notice to ASX Clear (Futures) to indicate their intention to deliver against an open sold position in the Delivery Period.*

## **14.2.2 ACCEPTANCE OF TENDER DOCUMENTATION**

### **Rejection of Tender Documentation**

If ASX Clear (Futures) rejects a Tender Notice, the Participant will be informed of the rejection and the reasons for the rejection, before the commencement of the end-of-day processing on the day the Tender Notice is received.

## **14.2.5 PROCEDURES FOR ALLOCATION**

The allocation of tenders in the Delivery Month is done by random selection against the gross bought position.

## **14.2.6 ASX CLEAR (FUTURES) TO CONFIRM ACCEPTANCE OF TENDER DOCUMENTATION AND ALLOCATION**

### **Seller's Delivery Advice**

If ASX Clear (Futures) accepts the Tender Documentation, the Participant will receive a Seller's Advice prior to 6:30pm on the Business Day the Tender Documentation is lodged.

On the day the Tender Documentation is received, the Seller's Advice, incorporating the current Business Day's settlement price, is sent to the Seller. This will be sent prior to the commencement of end-of-day processing. The Seller's Advice details the Settlement Amount to be received by the Seller on the following Business Day.

### **Buyer's Delivery Advice**

ASX Clear (Futures) will notify a Buyer they have been allocated a tender by issuing a Buyers Advice prior to 6:30pm on the Business Day the buyer is allocated the tender.

Prior to the commencement of end-of-day processing on the day the Buyer is allocated a tender, the Buyer's Advice, incorporating the current Business Day's settlement price, is sent to the Buyer. The Buyer's Advice details the Settlement Amount to be paid by the Buyer on the following Business Day.

## **14.4.2 HOLDING OF INTEREST FOR BUYER FOLLOWING SETTLEMENT OF FUTURES CCP CONTRACT**

ASX Clear (Futures) will continue to hold the interest in the Underlying Commodity for the benefit of a Participant unless the Participant instructs ASX Clear (Futures) to transfer the interest to their account or a nominated account at the Bulk Handler. The procedure for doing this is:

- (a) the Participant must complete the Redemption section of the Grain Futures Tender/Redemption Notice and send to ASX Clear (Futures). A Redemption Notice must be received by the ASX Clear (Futures) before 3:00pm (Sydney time). Redemption Notices received after this time will be processed the following Business Day.
- (b) ASX Clear (Futures) will initiate and send a signed TTF Form to the Participant. The Participant will sign and send to the Bulk Handler for processing or alternatively ASX Clear (Futures) will process an Electronic Title Transfer to a nominated account as specified by the Participant;

- (c) the Bulk Handler will confirm the details on the Title Transfer and, if they accord with the Bulk Handler's records, transfer the specified quantity in the Underlying Commodity from the account of ASX Clear (Futures) to the nominated account;
- (d) the Bulk Handler will confirm to both ASX Clear (Futures) and the Bulk Handler's client advising the transfer has been completed by the Bulk Handler; and
- (e) ASX Clear (Futures) will adjust its records accordingly and this will confirm the following:
  - (i) the transfer of the specified quantity of the Underlying Commodity has been successful;
  - (ii) the specified quantity in the Underlying Commodity is no longer held in ASX Clear (Futures) account and thus is no longer deliverable stock; and
  - (iii) the specified quantity in the Underlying Commodity has been transferred by the Bulk Handler to the nominated account.

Introduced 24/10/11

## Schedule 15 – Procedures for the Risk Committee

Introduced 01/07/13 Deleted 11/02/14

**End of Section.**