

# ASX Collateral Bulletin

June 2018

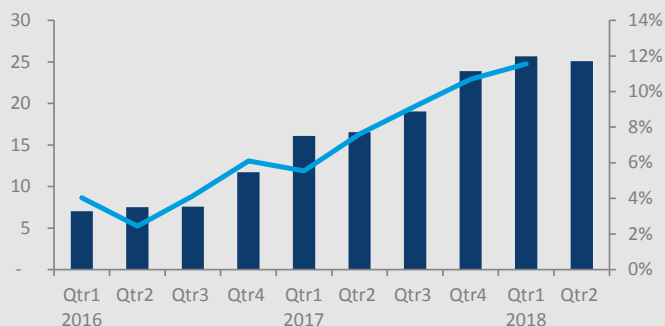


ASX Collateral is the only live, fixed income, tri-party repo, securities lending and collateral management service provider in Australia that mobilises collateral directly within the CSD.

The service can collateralise exposures across a range of A\$ products, including:

- Repurchase agreements: intra-day, overnight and term
- Cleared ETD and OTC derivatives and non-cleared OTC derivatives
- Securities lending and borrowing
- Central Counterparty (CCP) margining

## ASX Collateral Balances



ASX Collateral Balance High AUD\$ Bn  
ASX Collateral as % AUD\$ Repo Market\*



ASX Collateral Growth

**12%**

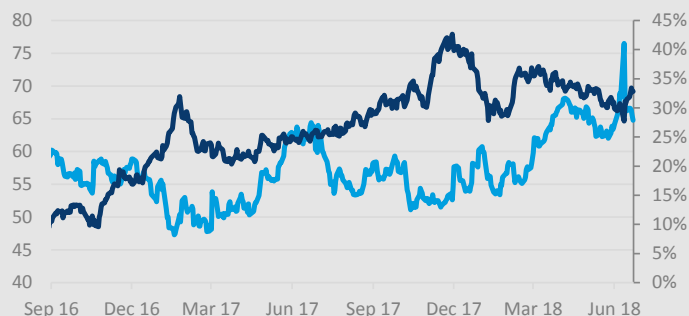
ASX Collateral triparty settlement as % of total AUD\$ repo market

**\$25.7bn**

balance high reached in **FY2018**

\* based on RBA B3 report

## RBA OMO (Open Market Operations)



RBA OMO Outstandings AUD\$bn  
ASX Collateral as % of RBA OMO

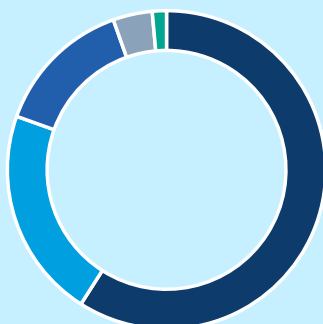
**35%**

average of RBA daily OMO has settled via triparty over the last three months

**43%**

record high of RBA OMO settled via ASX Collateral in FY18

## Collateral Segmentation



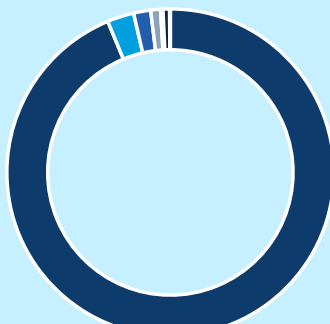
Sovereign, Semis, Supras, Corporate, Structured

**59%**   **21%**   **14%**

Govts   Semis   Supras

ASX Collateral automates collateral allocation on a 'cheapest to deliver' basis, subject to the Collateral Receivers' eligibility criteria.

## Collateral Ratings



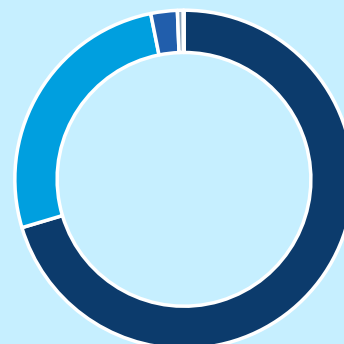
AAA LT, AA- LT, A+ LT, A LT, A- LT, A-1+ ST, BBB+ LT, BBB LT, NR LT

**94%**

AAA

ASX Collateral optimises the allocation across a range of Fixed Income instrument types, including Asset / Mortgage Backed securities, Convertible bonds, Corporate bonds, Supras, Semis and Australian Sovereign bonds.

## Collateral Allocation



<\$5m, \$5-49m, \$50-99m, \$100-250m, >\$250m

**70%**

of collateral allocated is in sub \$5m parcel

ASX Collateral triparty settlement provides significant efficiencies to collateral management by automating the collateral allocation, mark-to-market and margin call processes, in addition to coupon processing and substitutions.

## APRA CPS226 - Margining requirements for non-centrally cleared derivatives

- Covered entities that exceed the qualifying level now have to post **variation margin** (AUD\$3bn qualifying level)
- 1st September 2018 sees **initial margin** requirements for Phase 3 entities come into effect (AUD\$2.25tr qualifying level)

ASX Collateral **TCMS (Triparty Collateral Management Service)** offers an automated and efficient process for managing the collateral of your initial and variation margin obligations, within a segregated account structure, accounting for any eligibility and concentration criteria agreed between the trading counterparts.

<https://www.apra.gov.au/sites/default/files/161017-Final-CPS-226-clean.pdf>

## Triparty Securities Lending Service (TSLs)

ASX Collateral **TSLs (Triparty Securities Lending Service)** that is now live enables Austraclear securities to be settled DvD (Delivery versus Delivery) against a basket of collateral e.g. **Collateral Transformation** trade structure such as borrowing HQLA vs Basket of Corporate Bond collateral or borrowing a special vs GC basket.

The DvD linked settlement of the bond borrow vs collateral basket **removes the intraday credit risk** that exists under the more traditional booking of two individual FOP (free of payment) legs.

**Liquidity Ratios:** there is no cash in a DvD settlement, so TSLs could have a positive effect on liquidity ratios when compared to DVP (Delivery vs Payment) settlement transactions i.e. borrow under Reverse Repo DVP vs pledge collateral under Repo DVP

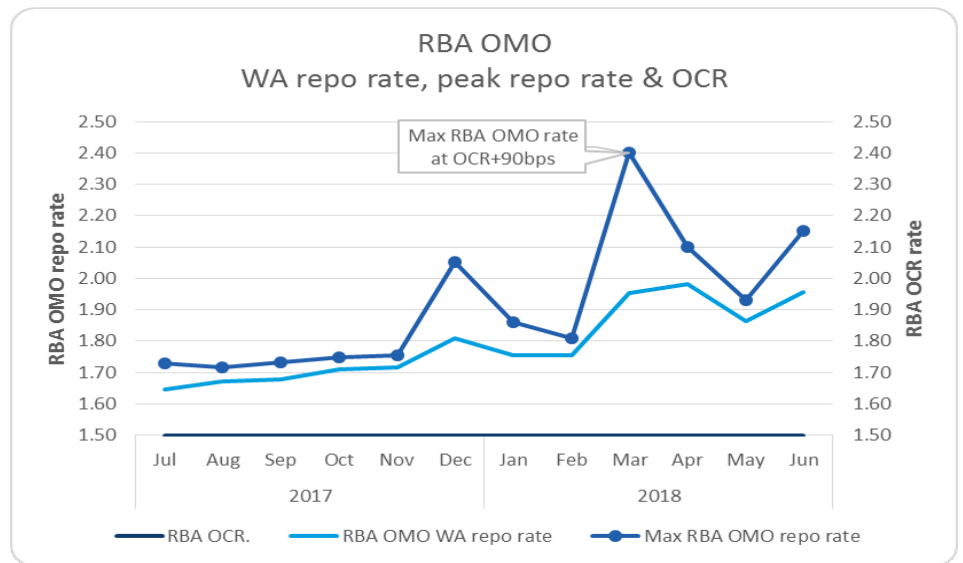
**Settlement Efficiency:** triparty settlement offers time efficiencies and responds to the need to support ever increasing collateral velocity.

## AUD\$ repo rate at elevated levels

The AUD\$ repo rate has been trading at higher levels throughout most of 2018.

See graph that shows the increased spread between the RBA OMO rate to RBA OCR (Overnight Cash Rate). Max spread was OCR+90bps on 29 Mar18, but has been rising again recently as we approach June quarter end.

\*based on RBA a03 report



## Further information

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## Settling Structured transactions via triparty

ASX Collateral supports settlement across a range of trade durations and transaction types:

- **Trade durations** can be open ended, intraday, overnight (1day) or termed (unlimited)
- Maturity transforming trades such as **Evergreens** or **Extendibles** can be settled via ASX Collateral
- Repo trades booked versus an **Index** such as RBA OCR (OCR+25bps) can be settled via ASX Collateral
- There a range of ways ASX Collateral services can support **Collateral swap / upgrade structures:**

- TRS Service to settle DVP: repo RMBS collateral basket v reverse repo HQLA bond
- TCMS service to settle FOP: pledge collateral basket v borrow HQLA bond
- TSLs service to settle DVD: linked settlement of pledge collateral basket vs borrow HQLA bond.

## ASX sponsors ISF Masterclass on Repo, Securities Lending and Collateral Management Sydney, Wednesday 4th July

Join market participants to discuss the future of securities lending, repo and collateral management (particularly relating to the use of OTC derivatives) from a global and national perspective.

The event is aimed at asset managers, super funds, banks and brokers who would like to learn more, meet counterparties, and share their experience.

Please reach out to the below for further information or register by clicking here.