

T+2 Settlement

FREQUENTLY ASKED
QUESTIONS

UPDATED FEBRUARY 2016



CONTENTS

Introduction	3
Frequently Asked Questions (FAQs) and Answers.....	4
1. General.....	4
2. Change to the Batch Settlement Cut-Off Time	4
3. Scope – Securities Impacted, other changes	5
4. Corporate Actions	6
5. Testing.....	7
6. Go live date	9
7. Industry Readiness and market communication	10
8. Other markets.....	13
9. Disciplinary regime for failed settlements	14
10. Risk Management	15
11. ASX Rule Book changes.....	18
12. ASIC reporting considerations	18
ASX T+2 Settlement contact details	19

This document has been updated in February 2016

Note: the latest revisions are shown in **green font**



Introduction

The settlement cycle for cash equities in Australia will be reduced to trade date plus two business days (T+2) from trade date plus three business days (T+3) from the target implementation date of 7 March 2016. The introduction of T+2 settlement cycle will be accompanied by a change to the batch settlement cut-off time from 10.30am to 11.30am. ASX will provide information and implementation material for market participants and others on asx.com.au – www.asx.com.au/t2.

ASX has also established a Market Implementation Group (MIG) to meet at least quarterly via webinar during 2015 and up until implementation of T+2 on 7 March 2016. More information on the MIG and its purpose is available from www.asx.com.au/t2.

ASX has published the [T+2 Settlement Business and Technical Overview document](#) (updated February 2016) to outline the proposed changes to be implemented. Please note that this document will be updated from time to time. The latest version has been published in February 2016, and is available from www.asx.com.au/t2 - Implementation & Readiness tab.

ASX has prepared the following Frequently Asked Questions and Answers to assist participants and other stakeholders' with their readiness. Questions include those raised by attendees during the MIGs and in other forums.



Frequently Asked Questions (FAQs) and Answers

1. General

Question: What are the expected benefits from shortening the settlement cycle by one business day?

Answer: T+2 settlement is expected to deliver broad based benefits through:

- Reducing counterparty risk for individual investors, participants and the central counterparty, resulting in reduced systemic risk for the market as a whole;
- Reducing the regulatory capital required to be held by market participants to mitigate risk;
- Standardising regional and global settlement practices;
- Driving greater post-trade operational and process efficiency and associated cost savings.

2. Change to the Batch Settlement Cut-Off Time

Question: Will mFund batch settlement cut-off be extended?

Answer: Yes. The batch settlement cut-off for all securities and services will move to 11.30 am. The Fund Request cut-off will change from 10.15 am to 11.15 am.

Question: Why is the change in batch cut-off time tied to T+2? Can it be introduced ahead of the implementation of T+2?

Answer: A later batch settlement cut-off is being introduced to support the implementation of a shorter settlement cycle and help maintain market efficiency. Two participants have expressed interest in the change to an 11:30 am batch settlement cut-off being introduced ahead of T+2 implementation. ASX has consulted a number of other participants and payment providers on this suggestion and has not found widespread support for decoupling the introduction of T+2 and the change to the batch settlement cut-off time. The primary reason for the lack of support by industry is the anticipated duplication of project resources required for system changes and testing (including conflicting projects, budget allocation).

This matter was discussed at the 4 March 2015 meeting of the Business Committee, which was established under the Code of Practice for Clearing and Settlement of Cash Equities in Australia. In this meeting ASX confirmed that based on the feedback received, ASX would proceed with the implementation of the change to the batch settlement cut-off time and T+2 settlement cycle together in March 2016.



Question: The changes impact the deadline or timing of some transactions on the settlement day, are there any changes to Participant connectivity to CHES, e.g. session log in, end times? Is this the same for the TAS?

Answer: All proposed changes are described in the [T+2 Settlement Business and Technical Overview document](#) (updated February 2016). The availability times for CHES and the TAS remain unchanged.

Question: Is there a change to when 170 messages (i.e. final settlement) are going to occur?

Answer: There is no change to the actual message type apart from a later receipt time (due to the extended batch cut-off time). The receipt of the MT170s will be later due to settlement cut-off being moved from 10:30am to 11:30am as they are still to be generated from settlement update processing.

3. Scope – Securities Impacted, other changes

Question: Will T+2 Settlements include non-equity ASX listed products, for example, fixed income products?

Answer: Yes, fixed income products are included. All CHES eligible products will be included in the implementation of T+2 Settlement. The [T+2 Settlement Business and Technical Overview document](#) (updated February 2016) published by ASX provides further information.

Question: Are tailor made combinations included in T+2?

Answer: Yes.

Question: Can you confirm that you are not planning to change the timings of ETO payments as part of the scope for the 7 March 2016 change?

Answer: The timings of ETO payments will not change as part of the T+2 project.

Question: With netting of Cash Market settlement obligations on the night of T as part of the T+2 settlement project, will a DTR still be able to report booking purposes trade on T+1 via Fidessa / ASX Best?

Answer: Booking purposes trade reported on T+1 based on T trade date and T+2 settlement date will not impact netting of trades by ASX on T as these are crossed. The MT164 chess messages for booking purposes trade will be tagged as info only per current process.



Question: In comparing the information across the ASX and NZX sites, I noticed that the NZX site had the following language in their FAQ under the section “Which trades will the move affect?” *It also indirectly impacts the equity options market due to the fact that equity options are physically settled.* Will equity options traded on ASX have the same indirect impact?

Answer: The Appendix in section 8.1.1. Of the [T+2 Settlement Business and Technical Overview document \(updated February 2016\)](#) lists all possible security types that may be settled via CHES and therefore impacted by the change to T+2 Settlement. There may be products that will be indirectly impacted – for example ETOs (product types 90-93, typically ASX has securities with types 90, 91 quoted). For the avoidance of doubt, the existing clearing and settlement arrangements for Derivatives CCP Contracts remains unchanged, however, the settlement regime for cash market transactions which arise as a result of the exercise and assignment process will effectively settle on T+1. At present this is T+2.

Question: Did ASX consider any changes to broker to broker transfer timings – currently 48 hours?

Answer: This was not raised as an issue during consultation. Current arrangements provide a reasonable period to allow the checking authorisation process to occur and is not specifically designed with preventing settlement failure.

4. Corporate Actions

Question: Will the ex period for corporate actions be reduced to 2 days in line with the change to the settlement cycle? Which corporate actions are impacted?

Answer: Yes, the ex period will be reduced to 2 days to match the settlement timeframe. The list of corporate actions impacted by this change has been included in the [T+2 Settlement Business and Technical Overview document \(updated February 2016\)](#) published by ASX in the first quarter of 2015.

Question: Will the deadline for DRP election still be RD + 1?

Answer: Yes. There is no change to the DRP election deadline requirements introduced into the Listing Rules on 14 April 2014.

Question: Is there a possibility of retaining the current three day ex period so as to reduce the number of failed trade protections for participants?

Answer: The ASX moved to a regime where the ex period matches the settlement period in April 2014, following consultation on the proposal. The previously included buffer of 2 business days (where ex periods were



5 business days) was considered no longer necessary given the very low level of failures. ASX proposes to use the same convention in the introduction of T+2 settlement, where the ex period will be 2 business days including the ex date and the record date.

Question: Are issuer companies using straight through processing of corporate actions announcements yet? If so, what transition do they have to draft their announcements in T+3 that go live in T+2?

Answer: Yes, issuers have been using the online forms for the announcement of Dividend, Interest Payment, Reconstruction and Return of Capital corporate action announcements on a voluntary basis since September 2014. The online forms were amended in August 2015, where the ex-period (and resultant ex date) calculated by ASX is appropriately adjusted depending on the record date announced by the issuer and whether it occurs before or after the target date for transition to T+2 Settlement.

5. Testing

Question: Can you advise when the test environment will be ready?

Answer: ASX is proposing that the test environment will be available for all ASX changes in November 2015 (date confirmed as 16 November 2015), including TAS testing.

Question: What is the extent of testing that will be made available to participants and other stakeholders?

Answer: ASX has provided further information regarding the test facilities, duration and scope in the [ASX Market Notice](#) published on 19 August 2015. ASX has also published [CHES External User Testing Guidelines for T+2](#).

Question: Can I do any testing now?

Answer: Yes. Users are able to use the current CHES testing environments to replicate a T+2 settlement regime by submitting a trade file with T+2 dates. Users may also test the reduced ex period by submitting CA files with a 2 day ex period. Access to information on how to build a trade file and CA file in the CHES testing guidelines found in the CHES testing guidelines.

Question: We are looking to perform end to end testing including our execution systems in ASX Trade (Tradematch) platform rather than CHES test environments. We understand this is not available currently, however want to ascertain when/if it will be made available in those test environments for testing.



Answer: Correct, T+2 is not available in the TRADE testing environment. T+2 can be tested in CHESST UAT (also known as ETE) and can be tested in RTE using trade files supplied by the participant. ASX has confirmed T+2 is available in ASX Trade FTE from 16 November 2015.

Question: Will the FTE or ETE environments be enhanced with T+2 changes for T+2 Settlement?

Answer: The ETE environment can be used for current T+2 testing with the same functionality as the RTE. There has been a development drop in the RTE on 16 November to support the Trade Acceptance Service (TAS) modifications. This is to cater for T+2 and changes to prevent cum and ex trades being netted together which are due to settle on the same settlement day for a specific security.

Question: In regards to technical and testing requirements for T+2, I would like to know if we could have some guidance.

Answer: ASX suggests that if you have particular questions about technical and testing aspects of the project, outside the information already provided, or regarding test support, contact ASX by email at T2Settlement@asx.com.au.

Question: Would you have any details to share as to when the ASX intends to have a UAT environment ready for external testing with its broker dealer community?

Answer: Vendors and participants are able to do CHESST testing now, as advised in the 19 August 2015 Market Notice. The final technical changes in relation to T+2 on CHESST were introduced to the test environment on 16 November 2015. ASX has published information on testing for participants – please refer to the following documents.

http://www.asx.com.au/documents/settlement/ASX_Note_T2_Attachment1_Testing_19Aug.pdf

http://www.asx.com.au/documents/settlement/T2_CHESST_External_User_Testing_Guidelines_August_2015.pdf

The testing is not end to end. ASX will speak to testing at the 22 October 2015 MIG webinar, and in vendor, participant workshops scheduled for November 2015.

Question: Will the CHESST RTE environment be available right through to the go live weekend?

Answer: Yes it will.

Question: Can ASX provide corporate action event samples in CHESST RTE during the test period?

Answer: Yes. ASX provided samples in each of November, December 2015, and January, February 2016. ASX Market Notices were published before each batch of events started their timetable. Otherwise,



participants and vendors can request support for corporate action files by contacting ASX at T2Settlement@asx.com.au.

Question: How will ReferencePoint sample files be made available to participants, vendors?

Answer: Sample T+2 test files will be available progressively in the Market Information ASX Online web page. Access to the test files will be via a generic Login Account and Password. This information will be advised in a Market Information Notice early December together with the first batch of test files. Select information on the test cases will be detailed in the Market Notice for customers' easy reference. All Market Notices related to T+2 are available from the Transition to T+2 Settlement web page – refer to the Implementation & Readiness tab.

6. Go live date

Question: When is the go-live date for T+2?

Answer: ASX is currently working towards a March 2016 go-live with a target transition date of Monday 7 March 2016. The [T+2 Settlement Business and Technical Overview document \(updated February 2016\)](#) published by ASX includes details of a proposed transition period. The exact transition date will be confirmed in **mid-February** 2016 based on ASX and market participant readiness.

Question: What about the March 2016 Labour Day holiday in Melbourne?

Answer: ASX is considering all known scheduled public holidays, non-settlement days in determining a go-live date. The current target transition date is Monday 7 March 2016. The Labour Day Holiday in Victoria is on the following Monday, 14 March 2016. For details on the transition arrangements refer to the [T+2 Settlement Business and Technical Overview document \(updated February 2016\)](#).

Question: Is there a real risk of late notice of a change to implementation date?

Answer: ASX's approach to a go/no go decision will be explained in the December Market Implementation Group webinar. The actual decision is likely to be confirmed after the Attestation deadline (12 February 2016.). ASX will also discuss this in further detail at the November 2015 Code of Practice Business Committee meeting with market representatives.

Question: Can ASX share more information on ASX's own plans for the implementation weekend?

Answer: ASX will include implementation information in the 18 February 2016 MIG webinar, and provide a detailed plan for implementation and communication for the transition weekend.



7. Industry Readiness and market communication

Question: Will the ASX run a public awareness campaign either through advertising or media editorials?

Answer: ASX will notify participants and other market stakeholders via the usual channels such as Market Notices, information on asx.com.au and meetings/workshops. ASX issued a [media release](#) on 25 February 2014 on T+2 Settlement and will publish further media releases around key milestones. Together with media releases, ASX will contact relevant journals and publications to promote inclusion of T+2 Settlement information in order to promote awareness. ASX published a [T+2 Brochure](#) for retail investors in October 2015 and is also publishing material for investors in other ASX publications and newsletters.

Question: There have been some instances following the introduction of T+2 in Europe where clients maintained a T+3 settlement regime while the participant had to manage the T+2 risk, what will participants be required do to manage that risk with the introduction of T+2 in Australia?

Answer: Client delivery obligations are a business matter to be agreed between a participant and its clients. The obligation to deliver for settlement remains with participants. In respect of client risk, participants could consider amending their existing client agreement for consistency with a T+2 settlement cycle.

Question: Is participant attestation required and, if so, when will it be required?

Answer: Yes. ASX will be seeking CHESV vendor and clearing and settlement participant attestation by no later than 12 February 2016 to confirm readiness for the transition to T+2 settlement. Further details on testing and the attestation process and timing have been provided in the [ASX Market Notice](#) published on 19 August 2015, and ASX will continue to provide updates to participants.

ASX has published additional information on the [T+2 web page](#) to provide Trade Participants and Payment providers with guidance on testing and ASX readiness tracking.

Question: How will ASX assist vendors to prepare for the implementation of T+2?

Answer: ASX is planning to hold workshops with vendors and their participants at a number of key milestone periods during the project. For those participants with in-house solutions for CHESV connectivity, bilateral workshops will be offered. Workshops have been held during March and April 2015 to discuss the changes identified in the [T+2 Settlement Business and Technical Overview document \(updated February 2016\)](#). A further round of workshops have been held in November 2015. ASX has also published a [T+2 Industry Readiness Guide](#) to further assist stakeholders with considerations for their preparedness for T+2.



Question: Does the introduction of T+2 for cash equities impact ASX provided products for CHES interface, that is, CHES PC, CHES Access?

Answer: There is no expected impact on these products. EIS upgrade details will be provided to CHES PC clients. This EIS upgrade is to install revised values for CHES Event Type which could appear on the MT542 "CHES Event Notification" as a result of Settlement Cut-off being extended.

Question: Will the educational material content have read and write versions so we can tailor it to our client audience. Not all of us are stockbrokers?

Answer: ASX will provide a number of pro forma versions of educational material with varying target audiences. Any branded material provided by ASX will not be editable by stakeholders.

Question: I would like to know if there are any resources or information that I could utilise to help me prepare for the March deadline as best as possible.

Answer: ASX will be communicating information via the [T+2 web page](#) so it's recommended you check the page periodically to keep up to date with information released from the ASX. The T+2 Market Implementation Group webinar sessions will be very useful as well – information is available on the web page.

Question: What will happen when cheque paying clients won't convert to BPAY or Direct Debit placing a funding exposure on the participant?

Answer: Each participant should consider how they ensure funding arrangements with clients will support the transition to T+2.

Question: Do Payment Providers need to provide Questionnaire responses, Attestation?

Answer: Payment Providers are not required to complete CHES testing. Attestation will only be sought by ASX from CHES Software Vendors, and CHES Clearing and Settlement Participants. Payment Providers should consider amongst other things the following processes that will be impacted by the introduction of T+2.

- Payment Provider Deed – ASX will be in contact about the new Payment Provider Deed as approved by APCA closer to the go-live date.
- Internal Procedures – On the T+2 target go-live date of 7 March the CHES batch will be extended from 10.30am to 11.30am. Payment Providers will send approvals for payments and receipts in the CHES batch one hour later. Payment Providers should consider the internal changes required in their procedures to meet the new batch cut off time.



- Please ensure you have reviewed the T+2 Frequently Asked Questions, the Business and Technical Overview and the Industry Readiness Guide published on our [T+2 web page](#).

Question: When is ASX looking for participants attestations – i.e. I intend to test to the last minute?

Answer: Friday 12 February 2016 is the deadline, all testing needs to be completed by then (the ASX final go-live decision will be made at that point). ASX would expect testing to be completed by Participants early so as to avoid any internal readiness issues. ASX encourages participants to provide their attestation as soon as possible, and not to wait until the deadline.

Question: I understand that ASX has attestations that broker dealers must meet ahead of the formal market transition. I spoke to my tech counterparts, and it seems we are awaiting details on the attestations. Can you provide the details, or can you let us know when they will be made available? We are gathering this information as we would like to validate that our planned testing will cover the needed functionality and scope of requirements that need attesting.

Answer: ASX will be asking CHESV vendors and Clearing and Settlement Participants to attest to their readiness (from technical and operational perspective) for the transition to T+2. The Attestation will be due on Friday 12 February 2016. ASX will provide the sample Attestation forms around the time of T+2 Market Implementation Group webinar to be held on 22 October 2015. It is not an accreditation – we will not be requiring participants to run particular test scenarios. ASX have produced testing guidelines – refer to the Q&As in section 5. The Attestation forms will also be published on our T+2 web page from late October 2015. Market Participants (trade) will not be required to provide an Attestation, but should still check our Readiness Guide and other tips to ensure readiness – per information on our [T+2 web page](#).

Question: With regard to Attestation, besides submitting the completed pro forma document provided by ASX, do participants need to provide evidence of testing or anything else?

Answer: ASX expects that vendors and participants will need to complete some form of testing in order to attest that they are operationally and technically ready for T+2. You do not need to provide that specific evidence to ASX, though ASX is actively monitoring access and submission of test files to the CHESV RTE environment.

Question: Do participants have an obligation/requirement to send out any notices to clients?

Answer: ASX has not specifically specified this but has recommended participants do communicate with their own customers to advise the change. ASX expects participants will make their own determination on customer communications particularly where agreements, terms and conditions may need to change.



8. Other markets

Question: What are the lessons learnt from the implementation of T+2 in other markets?

Answer: ASX included an agenda item in the March 2015 Market Implementation group meeting that discussed what went well and the shortcomings regarding the implementation of T+2 in other markets. Refer to the presentation, and recording for the MIG held on 19 March 2015 for Omgeo's comments on the implementation of T+2 in Europe, available on the [T+2 web page](#).

Question: Is ASX working with NZX to ensure the T+2 implementation date is aligned in both markets?

Answer: NZX has released a [consultation paper](#) regarding its intended move to T+2. In the paper NZX states: "NZX proposes to transition to a T+2 settlement cycle at the same time as ASX in order to maintain alignment of settlement cycles in the New Zealand and Australian capital markets." NZX released further information in April 2015, and has a [T+2 web page](#) containing further information.

NZX is participating in ASX's T+2 Market Implementation Group and presented to that group at the 25 June 2015 MIG. ASX will ensure that it continues to engage with NZX throughout the project to facilitate alignment in the implementation of T+2 between the two markets.

Question: Will securities traded on other markets in Australia, for example, Chi-X and other listing exchanges, move to a T+2 settlement cycle together with the ASX market?

Answer: Securities that utilise ASX settlement services and are traded on equity markets other than ASX in Australia will move to a T+2 settlement cycle at the same time that a T+2 settlement cycle is introduced for equity securities traded on the ASX market.

Question: Are BSX NSX moving to T+2 as well?

Answer: National Stock Exchange of Australia (NSX) is a listing exchange in Australia that utilises ASX's settlement services. Trades on that market will therefore move to a T+2 settlement cycle. The other listing exchanges in Australia that utilise ASX settlement services are SIM Venture Securities Exchange Limited (SIM VSE) and Asia Pacific Exchange Limited (APX).

Note that the Bendigo Stock Exchange (BSX) was renamed the SIM Venture Securities Exchange in 2010. The certificated securities that were listed on the BSX are now part of NSX and do not utilise ASX Settlement services and therefore will remain on a T+5 settlement cycle. All other NSX and SIM VSE securities will move to a T+2 settlement cycle.



Question: Are there any other changes to the services of the other markets in Australia other than settlement? How will I know what the changes are?

Answer: ASX expects that the other markets will advise their own customers of the impact to their own services with regard to a transition to T+2 Settlement. You should contact those markets directly to be placed onto their mailing lists.

Question: Will bond securities traded on ASX move to a T+2 settlement cycle?

Answer: Yes, exchange traded AGBs (depository interests) will be included in the transition to T+2 Settlement. Exchange traded AGBs (Australian Government Bonds) currently settle on a T+3 settlement basis on ASX, matching the conventional settlement period of bonds on the wholesale bond market. The wholesale bond market is giving active consideration to moving to a convention providing for a T+2 settlement cycle and has consulted on this issue. Further information on Exchange traded AGBs will be provided in future MIGs and in the [T+2 Settlement Business and Technical Overview document \(updated February 2016\)](#).

Question: Can you confirm what the implications are of not being ready for Go-Live on 7th December please for AFMA preparedness statements?

Answer: The statement below is with regard to the fixed income market, with the change led by AFMA. ASX suggests that participants contact AFMA to clarify this. The latest AFMA notices on this is available here: http://www.afma.com.au/media/2015_08_19_AFMA_T2.pdf and here http://www.afma.com.au/policy/member-news/2015/2015_09_T2_Settlement_for_Australian_Fixed_Income.pdf.

9. Disciplinary regime for failed settlements

Question: Is ASX proposing to waive fail fees associated with a shorter settlement cycle for an interim period following the introduction of T+2 settlement?

Answer: ASX has reviewed its settlement disciplinary regime in the context of implementation of T+2 and considers that the key elements of this regime – financial penalties for failed settlement, an automatic close-out requirement and the potential for serious cases of settlement delay to be referred to ASX's Disciplinary Tribunal - continue to provide appropriate incentives to promote timely settlement and support market efficiency.

As such, ASX is not proposing to waive settlement failure fees associated with the introduction of a shorter settlement cycle. ASX is proposing to change the ASX Settlement Operating Rules so that the



settlement disciplinary milestones are also reduced by 1 business day (that is, financial penalties will be levied for settlement fails on T+2 and the automatic close-out requirement will be applied to settlement shortfalls that remain after batch on T+4). Notwithstanding this, ASX has proposed that any additional settlement failure fees that are received during the first 12 months of implementation of T+2 will be set aside in a separate pool of funds to undertake customer and investor education. Additional detail to be advised in Q4 2015.

Question: Can ASX provide a transition timeline for buy-in / close out timing?

Answer: Changes to close out timing are provided in the [T+2 Settlement Business and Technical Overview document \(updated February 2016\)](#). A comparison of the existing T+3 timeline to the T+2 timeline is provided below.

Close Out Notification
Current vs. Adjusted Timeline

T+3					MT554	Buy back	=>	=>	Buy back settles
			Settle Fail	Fail + 1	Fail + 2				
T	T+1	T+2	T+3	T+4	T+5	T+6	T+7	T+8	T+9
T+2		Settle Fail	Fail + 1	Fail + 2					
				MT554	Buy back	=>	Buy back settles		

10. Risk Management

Question: In general terms, what is the expected reduction in risk from moving to a T+2 settlement cycle?

Answer: At any point in time, the introduction of a T+2 settlement cycle will reduce the duration of unsettled clearing house novated transactions and also clearing participants’ related non-novated settlements including bilateral off-market trades, security transfers and securities lending and borrowing transactions.

The exposure from the unsettled transactions for individual participants is likely to be lower and this will reduce participants’ exposure to default by their clients (counterparty credit risk). The reduction in



aggregate counterparty risk exposure for the central counterparty expected from the introduction of T+2 will also reduce systemic risk for all market users.

Question: How will a shortened settlement cycle affect my Cash Market Margin (CMM) obligation?

Answer: Individual clearing participant margin changes due to a settlement period reduction vary widely from relatively small increases to sizeable reductions for larger clearing participants. ASX estimates that had the T+2 settlement cycle been in place since the introduction of Cash Market Margining (June 2013), over 90 per cent of participants would have seen a reduction of between 20 to 30 percent in their average daily cash market margin requirement.

Question: Is it possible to obtain an indication of what our CMM obligation is under a T+2 settlement cycle vs a T+3 settlement cycle?

Answer: Yes, ASX Clear can provide this information to clearing participants upon request. To obtain this information, please contact us via T2Settlement@asx.com.au.

Question: Are there any expected Liquid Capital requirement savings?

Answer: Although it is difficult to estimate the impact on liquid capital requirements for participants subject to risk based capital requirements, ASX estimates that participants could expect a reduction in their liquid capital requirements, in so far as they relate to cash equities, of between 10 and 20 percent.

This is dependent on the amount of netting present in any participant portfolio of transactions and the speed at which payments from clients are received. Clearers of institutional business are likely to see the largest reductions. Retail brokers are expected to realise significantly smaller reductions depending on the level of client sponsorship and the use of real-time cash management trust accounts.

Question: Is there any change to the way that collateral is released when it has been withdrawn and subsequently held¹?

Answer: Where ASX Clear is returning funds, held collateral will be released the following business day morning on approval of the margin settlement cash flows by ASX Operations. Where the Participant

¹ "held collateral" means the 1 business day deferred release of any equity collateral withdrawal against a DCS account that has a non-zero margin obligation.

is paying funds, held collateral will be released the following business day on completion of the Participant's margin settlement in Austraclear.

Question: Margin payments to clearing participants will occur approx. half an hour later. Is there any impact to the time by which margin payments to the ASX need to be made?

Answer: ASX confirms that margin payments by ASX to clearers will occur by 12.30pm (rather than 12.00pm). There is no change to the requirements for Participants to settle margins at 10.30am.

Question: Can ASX confirm the CMM deadline is the same?

Answer: There will be no change to any of the margin settlement process timing apart from the extension to 12:30pm of ASX payments to customers.

The process is:

- Participants to lodge cash instruction CHES messages - 9:15am
- Participants to match and settle Austraclear receipts to ASX – 10:30am
- Participants to Match Austraclear receipts to Participants – 10:30am
- ASX to settle receipts to Participants – 12:30pm (instead of 12:00pm)

Question: ASX has advised that requests to withdraw options collateral will be processed up to 6.00pm each day. The extension from 5.00pm to 6.00pm for collateral release from options clearing doesn't really help me with any delays in turnaround?

Answer: ASX confirms that the following changes will be implemented for held options collateral and options margins with the introduction of T+2 settlement:

- Requests to withdraw options collateral from the ASX Clearing House will be processed up until 6.00pm each day. This is an extension of one hour from the current timing.
- If a Participant has options collateral held from the night before and ASX Clear is returning funds the collateral will be automatically released on approval of the margin settlement cash flows by ASX Clear usually around 8.00am.
- Any held options collateral from the day before will be released once a Participant's options margin is paid in Austraclear and the Austraclear status is settled.



11. ASX Rule Book changes

Question: When will the rule changes be issued?

Answer: ASX published a [consultation paper](#) with attached marked up rule book changes on 27 May 2015. A [Market Notice](#) was published to advise the availability of the consultation paper, and the changes were also be discussed at the MIG held on 25 June 2015. The actual revised rules will be published close to or on the transition date in March 2016.

Question: Have changes to the rules been considered for client segregation cash call and rule s1 liquidity calculation?

Answer: If the rules referenced aren't included in the consultation paper / draft rule amendments as a change, then they won't be changing. Refer to the consultation paper on the proposed rule changes available at the following link: http://www.asx.com.au/documents/public-consultations/Tplus2_Rule_Amendment_Consultation_Paper.pdf

12. ASIC reporting considerations

Question: Will the transition to a T+2 Settlement cycle impact the Corporations Act obligations for short sellers to report short positions to ASIC by 09:00 AEST three "reporting days" after the date a short position snapshot is taken?

Answer: ASIC have advised that Short Sellers often refer to this reporting deadline as "09:00am on T+3", and have provided the following information:

- *The timetable for short position reporting is defined in the Corps Act and is not related to the settlement cycle.*
- *There will be no changes to short position reporting obligations. The deadline for short position reports will remain as 09:00am AEST three "reporting days" after the "position date". (This is often referred to as T+3 but it is not quite the same as the meaning of T+3 for the settlement cycle.)*
- *There will be no changes to ASIC short position reporting FIX messages and no requirements for testing.*

For further information or enquiries, please email shortpositionreporting@asic.gov.au

Question: Will the transition to a T+2 Settlement cycle impact the ASX Operating Rule obligations for Trading Participants to report gross short sale positions to ASX by 09:00am each day?

Answer: No this obligation is unchanged.



ASX T+2 Settlement contact details

If you have any questions about the introduction of a T+2 settlement cycle that haven't been answered in this or other documents published by ASX, please contact the project team at email: T2Settlement@asx.com.au.

Disclaimer

This document provides general information only and may be subject to change at any time without notice. ASX Limited (ABN 98 008 624 691) and its related bodies corporate ("ASX") makes no representation or warranty with respect to the accuracy, reliability or completeness of this information. To the extent permitted by law, ASX and its employees, officers and contractors shall not be liable for any loss or damage arising in any way, including by way of negligence, from or in connection with any information provided or omitted, or from anyone acting or refraining to act in reliance on this information. The information in this document is not a substitute for any relevant operating rules, and in the event of any inconsistency between this document and the operating rules, the operating rules prevail to the extent of the inconsistency.

© Copyright 2016 ASX Operations Pty Limited ABN 42 004 523 782. All rights reserved 2016.

