



# ASX Collateral Management Services

## Product Guide

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## 1. Foreword

ASX Collateral is a centralised collateral management service that leverages to facilitate the allocation and optimisation of securities across a range of bilateral agreements and counterparties.

This sophisticated centralised collateral management engine, the availability of automatic allocations, substitution of collateral and the near real-time revaluation of collateral holdings (where up-to-date price information is available) provides Customers with operational cost savings and improved risk management.

ASX Collateral acts as an independent operational agent for both counterparties for the purposes of their collateral management obligations. With information about the holdings and collateral acceptability criteria for each counterparty, ASX Collateral can ensure the optimal allocation of type and value of collateral between the counterparties.

The ASX entity providing this collateral management service is ASX Collateral Management Services Pty Limited.

## 2. Customer Service

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### ASX Collateral Operations

For the daily administration and operational aspects of ASX Collateral and Austraclear please contact ASX Operations based in Sydney, Australia.

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### 3. Overview of ASX Collateral

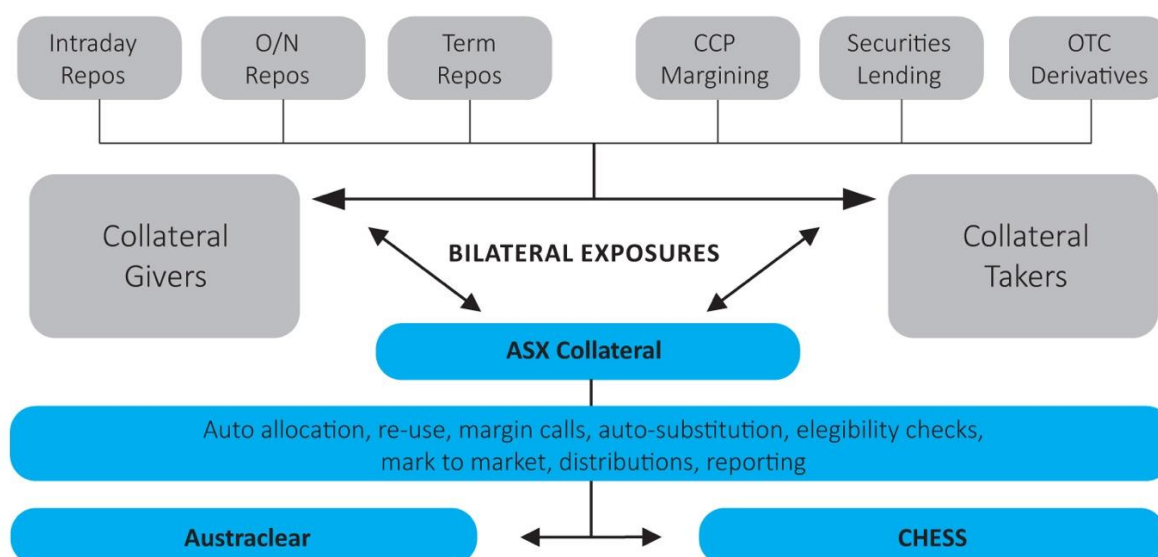
#### 3.1. Service Overview

ASX Collateral is a centralised collateral management service with direct links to the Austraclear settlement system for the Australian wholesale debt market. In a further phase of the service, direct links will be provided to the CHES replacement settlement system for the Australian equities market. Both Austraclear and CHES are operated by the ASX Group (and together with RITS, are referred to herein as Settlement Systems).

The ASX Collateral service utilises a sophisticated allocation algorithm that efficiently allocates Customers' collateral as well as supports the use of tailored re-use structures, to optimise the use of all available collateral.

**Figure 1 - ASX Collateral**

NOTE: CHES replacement environment to be made available in a future phase



##### 3.1.1 Triparty Repo Service (TRS)

ASX Collateral can be used for the settlement, collateralisation and maintenance of repo transactions in Australian currency (AUD). The transfer of cash (the principal in a repo transaction) occurs at the same time as the transfer of securities (the collateral) under the Delivery versus Payment (DvP) settlement mechanism used in Austraclear. (See [section 4.1](#) for further details.)

##### 3.1.2 Triparty Collateral Management Service (TCMS)

ASX Collateral can be used for the collateralisation of various exposures, including exposures related to securities lending and borrowing, CSA margining and CCP margining. (See [section 4.2](#) for further details.)

### 3.1.3 Triparty Securities Lending Service (TSLs)

ASX Collateral can be used for the settlement, collateralisation and maintenance of securities lending transactions in Australian currency (AUD). The transfer of loaned securities (the principal in the transaction) occurs at the same time as the transfer of securities collateral under the Delivery versus Delivery (DvD) settlement mechanism used in Austraclear. (See [section 7.8.5.2](#) for further details.)

### 3.1.4 Service Solution

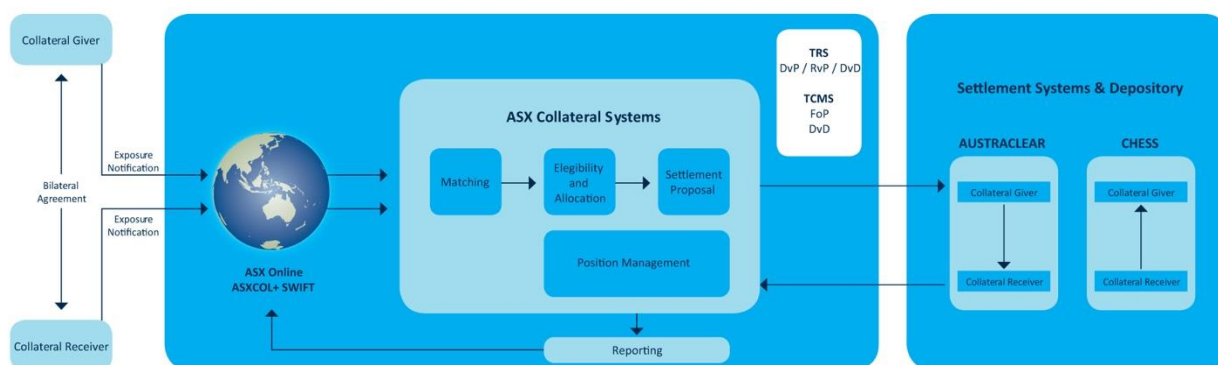
ASX Collateral offers an end-to-end solution to the market for TRS, TSLs and TCMS exposures via:

- A web interface or SWIFTNet using triparty messages whereby Customers can enter and manage their exposures against multiple counterparties.
- A state of the art collateral management engine that delivers the optimisation of collateral through auto allocation, auto-select (from a Customer's existing Austraclear account) re-use, collateral substitution and Customer defined eligibility criteria.
- Integration with existing ASX clearing and settlement infrastructure (Austraclear) to automatically manage settlements. Collateral is segregated at an account level in Austraclear, enabling Customers to reflect their underlying transfer of collateral or security interest, segregating the collateral from each counterparty and ensuring legal certainty as to holding.
- Detailed reporting of exposures from an individual contract level through to group level reporting to allow more effective management of collateral across business units.
- Australian-based operational support from the ASX Collateral Service and Operations Team.

The service is highly automated but has been designed to minimise infrastructure development impacts for Customers.

By utilising a secure web interface and existing market infrastructure, ASX Collateral delivers a collateral management solution that is both secure and that ensures collateral is fully optimised; ensuring that collateral is in the right place at the right time.

**Figure 2 – ASX Centralised Collateral Management Service Solution (ASX Collateral)**



## 4. Products and Services

ASX Collateral offers a Triparty Repo Service (TRS), a Triparty Securities Lending Service (TSLS) and a Triparty Collateral Management service (TCMS).

The key features for each service are briefly explained in this section.

### 4.1. ASX Collateral Triparty Repo Service (“TRS”)

ASX Collateral TRS has been designed to simplify the process of administering repurchase agreements for both Repo buyers and sellers (together referred to here as Counterparties). It also delivers reductions in operational risk through an efficient DvP settlement process through Austraclear, removing the need to re-key data.

The ASX Collateral TRS supports all commonly used repurchase agreements in the Australian market including:

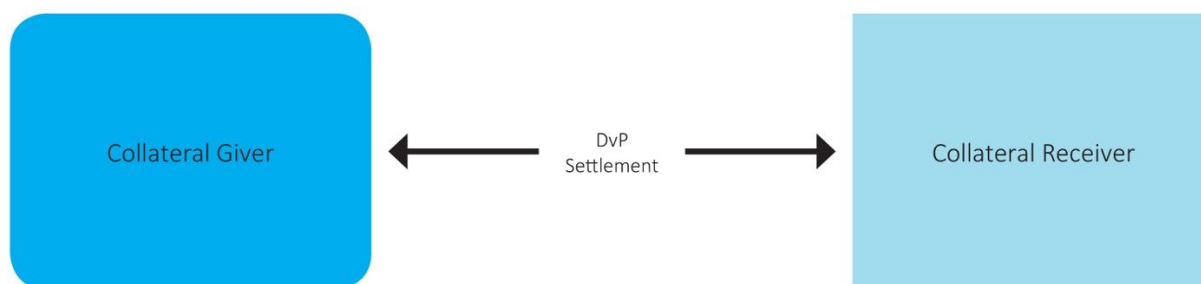
- Intra-day and overnight repos;
- Market (at call) and term repos.

ASX Collateral Customers who are counterparties to a repurchase agreement can enter the repo exposure details through a secure web interface, ASXCOL+. (See [section 4.4.2.](#)) When the exposure notifications have been validated and matched in the ASX Collateral system, automatic eligibility checks are performed based on the Collateral Receiver’s eligibility criteria. Securities are prioritised by ascending order of quality, or cheapest to deliver.

DvP instructions are generated within the ASX Collateral system and sent to the Collateral Manager. The Collateral Manager gives these instructions to the Settlement System to instruct the transfer of the securities being given as collateral from the nominated Collateral Source Account of the Collateral Giver to the Collateral Account of the Collateral Receiver (lodge account structure) against the transfer of cash from the Collateral Receiver to the Collateral Giver as part of the BAO process. (See [section 4.4.1](#) on Batch Asset Optimisation.)

See [section 5.2](#) of this Guide for an explanation of account structures.

**Figure 3 – TRS – DVP Settlement on exposure opening and closing**



Collateral allocated as part of a repo exposure is monitored by ASX Collateral and marked to market at regular intervals throughout the day to ensure that margin requirements (haircuts and tolerances) are maintained. Should the value of the collateral rise or fall outside the repo exposure agreed tolerances, the ASX Collateral system automatically creates instructions to withdraw or top-up the assets. These instructions are sent to the Collateral Manager, who automatically passes them to the settlement system. (See also [section 4.4.1](#), Batch Asset Optimisation.)



ASX Collateral Customers can also close out any intra-day or market repos by selecting the exposure from within their dashboard in ASXCOL+ (see [section 4.4.2](#)) and entering the closing instruction.

Only Lodge Account structures can be used for TRS exposures. See [section 5.2](#) of this Guide for an explanation of Lodge Accounts.

Interest on repo trades is calculated on the principal amount on a daily basis. Where, an exposure becomes under collateralised, top up settlement instructions are automatically generated by ASX Collateral as part of the Batch Asset Optimisation (BAO process). (See [section 4.4.1](#) on Batch Asset Optimisation and [section 6](#) on the Collateral Allocation Process). At the closing of a triparty repo transaction, in case of a positive repo interest rate, ASX Collateral will

debit the repo principal amount plus interest from the Collateral Giver and credit the Collateral Receiver (see [section 7.10](#)).

The Triparty Repo Service also supports flexible interest payments. Counterparties to a repo trade may agree to settle interest payments at regular intervals during the life of a transaction (daily, weekly, fortnightly, monthly, quarterly, semi-annually or annually) and/or a list of ad-hoc payment dates. The interest payment schedule can subsequently be updated as required during the trade life cycle.

#### **4.2. ASX Triparty Securities Lending Service ("TSL")**

ASX Collateral TSL has been designed to simplify the securities lending transaction for both Security Lenders (Collateral Receivers) and Security Borrowers (Collateral Givers) (together Counterparties). The service should provide immediate balance sheet netting and removes intraday credit risk.

ASX Collateral Customers who are counterparties to a securities lending transaction can enter the details of the security to be loaned as 'Principal' through a secure web interface, ASXCOL+ (see [section 4.4.2](#)). When the 'Principal' security details have been validated and matched in the ASX Collateral system, automatic eligibility checks will be performed based on the Collateral Receiver's eligibility criteria. Securities will be prioritised by ascending order of quality, or 'cheapest to deliver'. DvD instructions will be generated within the ASX Collateral system and sent to the Collateral Manager. The Collateral Manager will give these instructions to the Settlement System to instruct the transfer of the securities being given as collateral from the nominated Collateral Source Account of the Collateral Giver to the Collateral Account of the Collateral Receiver (lodge account structure) against the delivery of the loaned security from the Collateral Receiver's nominated Principal Security Source Account to the Collateral Giver's nominated Principal Destination Account (which can be the Collateral Source Account) as part of the BAO process (see [section 4.4.1](#) on Batch Asset Optimisation).

See [section 5.2](#) of this Guide for an explanation of account structures.

#### **4.3. ASX Triparty Collateral Management Service ("TCMS")**

ASX Collateral TCMS has been designed to simplify the collateral administration process for both Collateral Givers and Receivers (together Counterparties) whilst offering benefits to both parties through the utilisation of non-cash assets in their asset portfolios as collateral rather than using cash as collateral.

ASX Collateral TCMS allows Customers to cover numerous types of principal agreements including:

- ISDA/CSA margining
- CCP margining
- Collateralisation of securities lending transactions
- Securities financing transactions other than repo (such as reverse stock loans).

Under the ASX Collateral TCMS model, Customers who are counterparties to a principal transaction with a collateral requirement can manage the principal transaction bilaterally and use the ASXCOL+ secure web interface or SWIFTNet (see [section 4.4.2](#)) to enter their exposures.

The TCMS exposures to be managed between counterparties can be set up on an aggregated basis as a single exposure starting with 0, with subsequent changes to the aggregated exposure value notified as and when new exposures are created (for instance, for CCP margining); or on a non-aggregated basis with specific exposures managed individually.

When the exposure notifications have been validated and matched in the ASX Collateral system, automatic eligibility checks will be performed based on the Collateral Receiver's eligibility criteria.

Securities will be prioritised by ascending order of quality, or 'cheapest to deliver'. Instructions will be generated within the ASX Collateral system and sent to the Collateral Manager. The Collateral Manager will give these instructions to the Settlement System to instruct the transfer of the securities being given as collateral from the nominated Collateral Source Account of the Collateral Giver to the Collateral Account of the Collateral Receiver as part of the BAO process (see [section 4.3](#) on Batch Asset Optimisation).

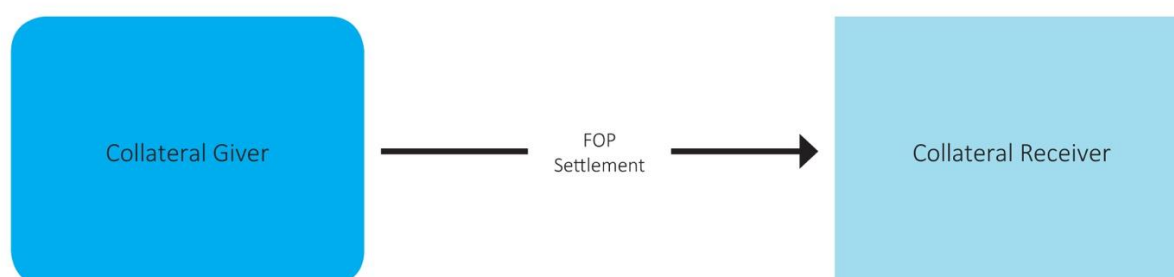
Both Lodge and Pledge account structures (referred to as Transferred Collateral Accounts and Secured Collateral Accounts respectively in Austraclear) are supported under TCMS. Further details of these account structures can be found in [section 5](#) of this Guide, "Getting Started".

Free of payment settlement instructions (FoP) will be automatically generated in the ASX Collateral System. These instructions will be sent to the Collateral Manager, who will deliver them to the appropriate Settlement System. For securities given as collateral by way of outright transfer, the instructions will be for the transfer of collateral from a nominated Collateral Source Account of the Collateral Giver to a Collateral Account of the Collateral Receiver<sup>1</sup> (using a Lodge Account structure) with the transfer of principal from the Collateral Receiver to the Collateral Giver taking place bilaterally outside of the ASX Collateral Service.

For securities given as collateral by way of security interest, the instructions will be for the transfer of collateral from a nominated Collateral Source Account of the Collateral Giver to a secured Collateral Account of the Collateral Giver (using a Pledge Account structure) with the transfer of principal from the Collateral Receiver to the Collateral Giver taking place bilaterally outside of the ASX Collateral Service.

See [section 5.2](#) of this Guide for an explanation of Lodge Accounts and Pledge Accounts.

**Figure 4 – TCMS – Free of Payment Settlement (collateral only) on exposure opening and closing**



Collateral allocated as part of a TCMS exposure is monitored by ASX Collateral and marked to market (as part of the BAO process) to ensure that margin requirements (haircuts and tolerances) are maintained. Should the value of the collateral rise or fall outside the TCMS exposure agreed tolerances, the ASX Collateral system will

<sup>1</sup> Note that in both Lodge Account and Pledge Account structures, the account of the Collateral Receiver to which these securities are delivered (the Collateral Account) are a special type of Austraclear account that only ASX Collateral has access to (and over which ASX Collateral can only act in accordance with the Collateral Management Services Agreement (or "CMSA"). See section 5.1 for further details on the CMSA).

automatically create instructions to withdraw or top-up the assets. These instructions will be sent to the Collateral Manager, who will validate and automatically deliver them to the Settlement System.

#### **4.4. Common Services**

##### **4.4.1 Batch Asset Optimisation (BAO)**

For TRS, TSLs and TCMS, an ASX Collateral BAO process will run multiple times (on average every fifteen minutes) throughout the business day to ensure that all collateral requirements are met whilst optimising the collateral process for the Collateral Giver by allocating following the client defined or default allocation order. The BAO process will also automatically trigger the substitution of collateral should the Collateral Giver need to recall the security originally selected. The substitution will be contingent on the Collateral Giver having available eligible assets in their account to allocate. If a Collateral Giver does not have eligible assets available in their account to allocate, as a last resort, a cash transfer instruction can be created.

##### **BAO Sequence**

The order in which tasks will be processed in the BAO will be as follows:

1. Withdrawal – for closing and substitution instructions
2. Substitution – will link the withdrawal leg with an allocation leg for DvD settlement
3. Swap Substitution (optimisation)
4. Swap Substitution (concentration breach)
5. Swap failed substitution (optimisation) with the cash as last resort
6. Swap failed substitution (concentration breach) with cash as last resort
7. Substitute cash applied as last resort
8. Top up
9. Allocation
10. Swap opening / top up
11. Swap opening / top up with cash as last resort.

##### **4.4.2 ASXCOL+ Secure Web Interface and SWIFTNet**

ASX Collateral Management Services provides a secure web interface, ASXCOL+, a browser based, integrated workstation connectivity solution that runs over the internet. Customers can use ASXCOL+ to instruct new exposures and changes to existing exposures and to monitor their collateral exposures.

Customers can also instruct and manage exposures for STP via SWIFTNet triparty messages. Customers will also be able to monitor the actual settlement of transactions through their existing interfaces to Austraclear and RITS.

##### **4.4.3 Reporting**

ASX Collateral Management Services provides Customers Reporting through ASX Online and through Austraclear.

Customers have access to the following reports through ASX Online, Austraclear and through SWIFTNet:

1. Collateral and Exposure Report. For both Collateral Givers and for Collateral Receivers. Based on the SWIFT standard MT569 statement format and available in XML (ASX Online) or via SWIFTNet in FIN message format. Available on an intraday basis between 8:00am and 9:00pm.
2. Summary Daily Exposure Report. For both Collateral Givers and Collateral Receivers. Based on the SWIFT standard MT569 statement format and available in PDF format only. Available at the end of day via ASX Online.
3. Detailed Daily Exposure Report. For Collateral Givers and Collateral Receivers. Based on the SWIFT standard MT569 statement format and available in PDF format only. Available at the end of day via ASX Online.

Existing Austraclear (and, in a later phase, CHESS) reports showing trade level (settlements) and holdings including the SWIFT MT535 Holdings statement have been augmented to include new collateral accounts.

Further details can be found in [section 10](#) of this Guide, “Reporting” as well as in the “ASX Collateral Management Services User Guide, Part 2: Exposure Management and Reporting”.

## 5. Getting Started

ASX Collateral service Customers must be Full Participants of Austraclear (Participant). This allows settlement of transactions in ASX Collateral through the Austraclear System and RITS.

ASX Collateral currently facilitates the use of Austraclear securities as collateral. In a further phase of the service, direct links will be provided to the CHES replacement settlement system for the Australian equities market to facilitate the use of CHES securities as collateral.

All Collateral Accounts and Collateral Source Accounts of a Customer must be in the Customer's name.

### 5.1. Collateral Management Service Agreement (CMSA)

The Collateral Manager will enter into a Collateral Management Service Agreement (CMSA) on a bi-lateral basis with each Collateral Giver and Collateral Receiver who wishes to use ASX Collateral.

A Customer who wishes to use ASX Collateral as a Collateral Giver must enter into the CMSA for Collateral Givers. A Customer who wishes to use ASX Collateral as a Collateral Receiver must enter into the CMSA for Collateral Receivers. Most Customers will wish to have the flexibility to use the service as either a Collateral Giver or a Collateral Receiver, and will enter into both agreements.

The CMSAs set out the terms on which the Collateral Manager will provide its services to Collateral Givers and Collateral Receivers. Each CMSA includes the following Appendices:

- Appendix A – Counterparty Acceptance List & Eligibility Criteria – see [section 5.1.1](#)
- Appendix B – Operational Profile – see [section 5.1.2](#)
- Appendix C – Notification of Authorised Signatories

#### 5.1.1 Counterparty Acceptance List, Allocation Preferences & Eligibility Criteria

Each CMSA includes a Counterparty Acceptance List & Eligibility Criteria appendix for Collateral Receivers and a Counterparty Acceptance List and Allocation Preferences for Collateral Givers.

The Collateral Giver Counterparty Acceptance List, Baskets & Allocation Preferences identifies the Collateral Receivers that the Collateral Giver has entered into tri-party arrangements with and the applicable services (TRS, TSL and/or TCMS). Collateral Givers can also use this appendix to define any exclusions from a collateral basket reference (for instance, exclusions by ISIN or security type) or separate accounts for TSL.

It also allows a Collateral Giver to set up their own customised Asset Allocation preferences to determine which assets or types of assets should be auto-allocated first by ASX Collateral.

Alternatively, Collateral Givers may choose to use ASX Collateral's default allocation order to meet the Collateral Receiver's eligibility.

The Collateral Receiver Counterparty Acceptance List and Eligibility Criteria and Baskets identify the Collateral Givers that the Collateral Receiver has entered into tri-party arrangements with and the applicable services (TRS, TSL and/or TCMS).

It also allows the Collateral Receiver to select either standard ASX Collateral Baskets of securities as their acceptable collateral or create their own bespoke baskets for each contract they enter into. A Collateral Receiver can apply the criteria across all Counterparties or can tailor the eligibility by counterparty or by contract, thus allowing the Collateral Receiver to individually tailor their risk profiles against specific counterparties or apply the eligibility to a specific service, such as TRS, TSL or TCMS.

- Collateral eligibility will also include the ability to nominate options to reflect agreements reached between Counterparties as to:
- whether a Lodge Account or Pledge Account will be used to hold the collateral
- the Eligible basket of securities
- whether to allow or prohibit the re-use of collateral.

The Collateral Manager will match these instructions (when reviewing the related appendices from Giver and Receiver's CMSA and set up the accounts accordingly).

### 5.1.2 Operational Profile

Appendix B (Operational Profile) of the CMSA must be completed by each Customer and includes the following information about the Customer:

- Customer Name and Contact Details
- ASXCOL+ Administrator details
- Austraclear Participant identification
- Re-use priority
- Cash Account and Cash Record.

### 5.1.3 Details of Standard Messages

Details of the Standard Messages from ASX Collateral can be found in ASX Collateral Connectivity Guide.

### 5.1.4 Principal Agreements

The establishment and maintenance of principal agreements is the responsibility of the Counterparties (Collateral Giver and Collateral Receiver). Principal agreements can include (but are not necessarily limited to):

- Global Master Repurchase Agreement
- Global Master Securities Lending Agreement
- Australian Master Securities Lending Agreement
- ISDA Credit Support Annex (English Transfer of title)
- Securities Lending Agreements as covered by existing RITS Regulations.

## 5.2. Accounts in ASX Collateral

The ASX Collateral account structure includes Collateral Source Accounts, Collateral Accounts and for TSLS the Principal Source Accounts and Principal Destination Accounts which can either be the same as the Collateral Source Accounts for efficiency or separate designated accounts.

### 5.2.1 Collateral Source Accounts

Collateral Source Accounts are accounts of a Collateral Giver that hold securities that may be used as collateral. These may be existing trading accounts of the Collateral Giver, or they may be new accounts set up for this purpose only.

Collateral Source Accounts are controlled by both the Collateral Giver and the Collateral Manager. Both the Collateral Giver and the Collateral Manager can transfer securities into or out of a Collateral Source Account.

Re-use of securities given as collateral can only be achieved by way of an outright transfer (that is, using the Lodge Account structure). ASX Collateral will in effect treat the account of the Collateral Receiver which holds those securities (which will be the Collateral Receiver's Collateral Account) as a Collateral Source Account for the purpose of re-use.

## 5.2.2 Collateral Accounts

There are two types of Collateral Account:

- A Lodge Account is a Collateral Account used to hold securities given as collateral by way of transfer of title (for example in the case of a repo or collateral in a securities loan). In Austraclear, these accounts are known as Transferred Collateral Accounts.
- A Pledge Account is a Collateral Account used to hold securities given as collateral by way of security interest. In Austraclear, these are known as Secured Collateral Accounts.

All Collateral Accounts are controlled by the Collateral Manager only. Neither a Collateral Giver nor a Collateral Receiver, can directly transfer securities into or out of a Collateral Account.

Collateral Source Accounts and Collateral Accounts are maintained within the settlement system (initially Austraclear, and in a later phase of the service, CHES replacement) as with any normal trading account. However, Collateral Source Accounts and Collateral Accounts (and their holdings) are mirrored in the ASX Collateral system and used as the basis of the collateralisation algorithms.

Settlement instructions sourcing securities from Collateral Accounts are trusted transactions and should not fail under normal circumstances.

Each Customer who enters into a CMSA as a Collateral Giver must nominate the trading account or accounts that it wishes to use as Collateral Source Accounts, or open a new account or accounts as Collateral Source Accounts. See [section 5.1.2](#) of this Guide on the Customer Operational Profile which contains this information.

Collateral Accounts will be opened for a Collateral Giver or Collateral Receiver once the CMSA (and all relevant appendices) has been executed and provided to the Collateral Manager. See [section 5.1](#) of this Guide on the CMSA and its appendices.

## 5.2.3 Principal Accounts

For TSLs, there are two types of accounts for the management of securities as principal:

- A Principal Source Account is a nominated account by the Collateral Receiver (or Security Lender) used for sourcing securities to be used as principal in a TSL transaction.
- A Principal Destination Account is a nominated account by the Collateral Giver (or Security Borrower) used for receiving securities as principal in a TSL transaction.

As above, these accounts are maintained within the settlement system as with any normal trading account. These accounts can also be the nominated Collateral Source Accounts of the parties or separate accounts per TSL contract as defined by the parties in Appendix A (see [section 5.1.1](#) for more details)

## 5.3. Account Structures and Features

### 5.3.1 Flexible Collateral Account Structures for Collateral Receivers

ASX Collateral provides Collateral Receivers with flexibility in structuring their Collateral Accounts. For each identified Collateral Giver, ASX Collateral will establish a segregated Collateral Account and/or Secured Collateral Account per contract for the Collateral Receiver.

### 5.3.2 Flexible Collateral Source Account Structures for Collateral Givers

ASX Collateral provides Collateral Givers with flexibility in structuring their Collateral Source Accounts.

A Collateral Giver can define a specific Collateral Source Account as relating to a specific underlying client, where it is acting as a custodian or other intermediary per contract, identifying them for allocation to specific Collateral Accounts that are similarly defined as relating to that underlying client.

## 6. Collateral Allocation Process

ASX Collateral has a number of key features that are designed to manage the administrative functions of the collateral management process and to deliver exceptional value added services to Customers.

This section of the Product Guide will provide an overview of the key features of automatic collateral allocation “Auto-Assign” and how Customers can benefit from its optimisation functions.

### 6.1. Collateral Allocation Options for Collateral Givers

Collateral Givers can choose to manually allocate assets as collateral or to use the ASX Collateral Auto-Assign functionality which will automatically allocate collateral to meet their exposures.

#### 6.1.1 Collateral Optimisation

Through Auto-Assign, the Collateral Manager will automatically allocate collateral from the Collateral Giver’s identified accounts (Collateral Source Accounts) to meet its exposures.

In addition, a Collateral Giver can complete the customised asset allocation priority order in the Counterparty Acceptance List, Basket and Allocation Preferences appendix to specify the priority order for sourcing collateral from each of its Collateral Source Accounts. This priority order can include collateral that the Collateral Giver has received in its capacity as a Collateral Receiver and that it is entitled to re-use (i.e. the Collateral Giver can specify if it wishes to re-use collateral held in its Collateral Accounts before it uses collateral held in its Collateral Source Accounts. Note that re-use is only available in a Lodge Account structure). See [section 5.1.1](#) to [section 5.1.2](#) of this Guide on the Customer Operational Profile and Counterparty Acceptance List, Basket and Allocation preferences appendices.

All eligible assets held in a Collateral Giver’s Collateral Source Accounts (subject to the Collateral Giver nominating them as Collateral Source Accounts in their Customer Operational Profile) will be considered for collateral allocation, with the following exceptions:

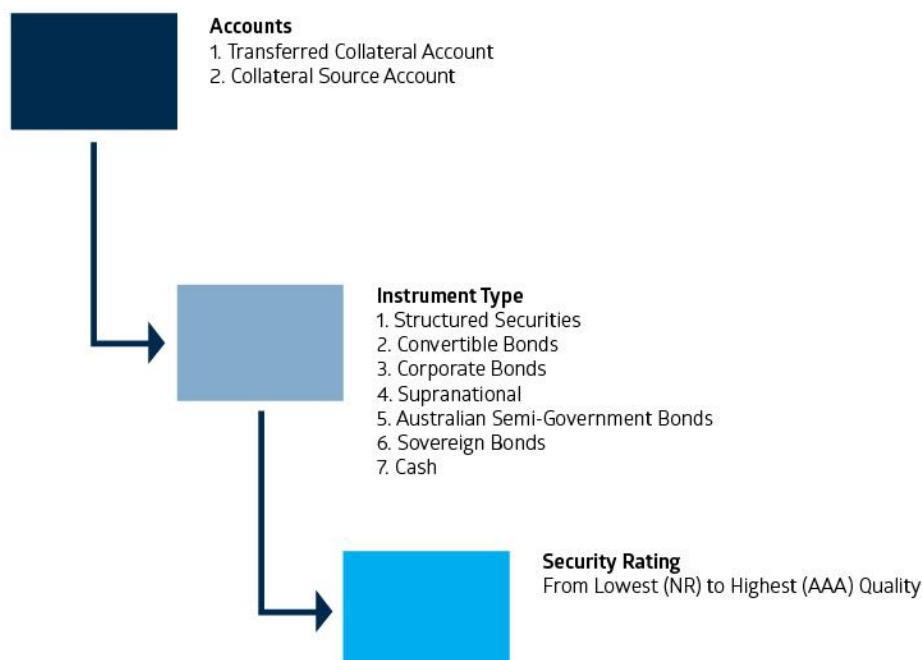
- Securities marked for pending delivery eligible for settlement.
- Securities subject to corporate actions.
- Securities specifically excluded by the Collateral Giver.

##### 6.1.1.1 ASX Default Allocation Order

The default allocation priority for the ASX Collateral Auto-Assign functionality is by ascending order of quality, or cheapest to deliver:



**Figure 5 – Example Collateral Optimisation Default Allocation Order**



The cheapest to deliver allocation order will provide Collateral Givers with full optimisation within the constraints of the Collateral Receiver’s eligibility criteria.

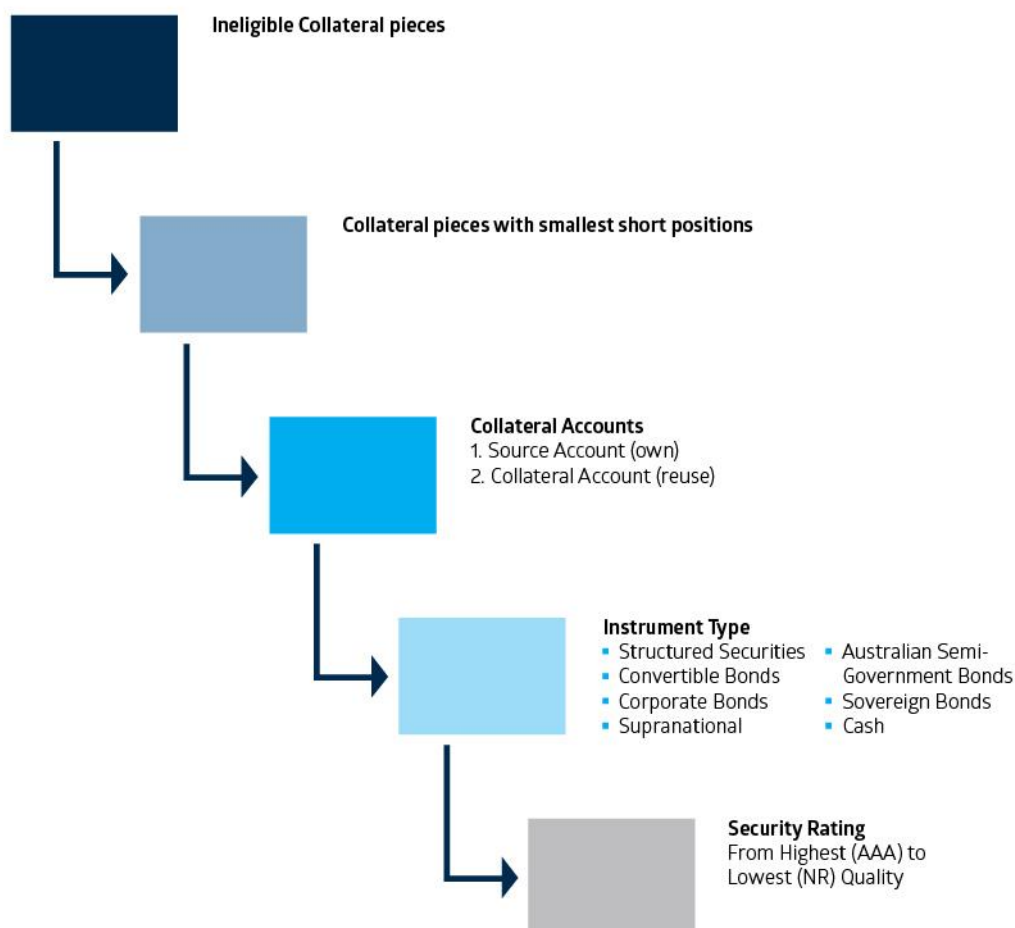
#### 6.1.1.2 Default Withdrawal Order

When withdrawing collateral back to the Collateral Giver’s account of origin (a Collateral Source Account or, in the case of collateral that has been re-used, a Collateral Account where a Lodge Account structure has been utilised and therefore a “Transferred Collateral Account” in Austraclear), the BAO process applies the reverse of the allocation order, returning the highest quality collateral first.

The following additional factors will be taken into account during the withdrawal sequence:

- Ineligible collateral pieces
- Short positions
- Reused positions.

**Figure 6 – Example of Collateral Optimisation Default Withdrawal Order**



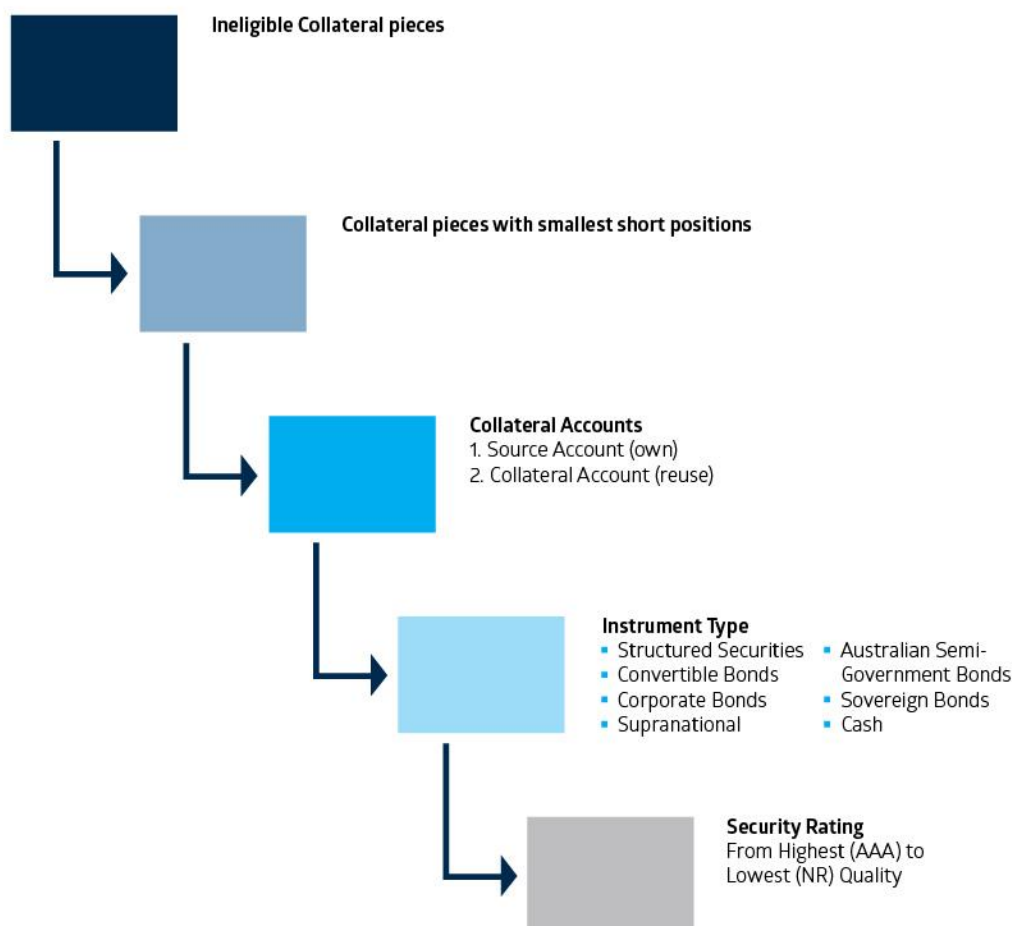
### 6.1.1.3 Fully Customisable Collateral Allocation Order

The ASX Collateral Auto-Assign functionality provides Collateral Givers with a fully customisable collateral auto-allocation process allowing the individual tailoring of collateral allocations to meet business needs and/or a desired risk profile. This allows Collateral Givers to manage their funding costs while maintaining control over their asset portfolios.

The customised asset optimisation is set at the Customer level and is applied across all tri-party services, counterparties and eligibility profiles.

See [section 5.1.1](#) for further details of the CMSA (Collateral Giver) Appendix A Counterparty Acceptance List, Basket and Allocation Preferences.

**Figure 7 – Example of Fully Customised Asset Optimisation**



At the heart of the customised asset optimisation framework is the ability for the Customer to combine a number of parameters to define their allocation preferences.

A Collateral Giver is able to combine any of the asset criteria to create a bespoke asset optimisation order. This ensures that the Collateral Giver retains complete control of the how assets are automatically allocated to cover their exposures.

#### 6.1.2 Fully Customisable Collateral Withdrawal Order

ASX Collateral also offers the functionality to apply the reverse ordering for collateral withdrawals, so as to ensure that the Collateral Giver's priority ranking is respected.

#### 6.1.3 Manual Collateral Allocation

The ASX Auto-Assign functionality offers a powerful tool to support the optimisation of collateral. However, some Customers may wish to retain the ability to manually allocate assets as collateral.

The ASX Collateral manual collateral allocation function allows a Collateral Giver to select the specific assets it wishes to allocate to cover a collateral obligation, subject to the Collateral Receiver's eligibility criteria.

Manual collateral allocation can be selected at the time the new exposure is notified to ASX Collateral via ASXCOL+. For further information on the manual allocation of collateral please see [section 7](#) of this guide.

Where manual collateral allocation is selected, all substitutions, withdrawals and margin adjustments can only be instructed by the Collateral Giver through ASXCOL+.

## 7. Transaction Management

Throughout the life cycle of a collateral transaction, ASX Collateral will receive trade (exposure) notifications from both counterparties (or from one party if unilateral notification has been agreed by the Collateral Giver and Receiver); match and validate the instructions against tolerances; check collateral eligibility; generate against payment or free of payment settlement instructions; perform mark-to-market of collateral securities multiple times every hour; process margin calls and substitutions as well as support any adjustments that either party wishes to make to the terms.

Collateral Givers and Receivers are provided with reporting to allow them to manage their exposures. See [section 10](#) on Reporting for more information.

**Figure 8 – ASX Collateral Transaction Lifecycle**



Processing of collateral transactions and settlements are conducted in line with the Operational Profiles for the Collateral Giver and Collateral Receiver and the applicable cut-off times for the service (TRS, TSLS or TCMS). See [section 5.1.2](#) of this Guide on the Operational Profile. See [Appendix A](#) of this Guide for the cut-off times for the TRS, TSLS and TCMS.

### 7.1. Transaction Management – ASX Collateral TRS

A reference in this guide to a repurchase agreement or repo is to an agreement between two parties under which one party sells a security to the other, with a commitment to buy back (repurchase) the security at a later date for a specified price. See [section 3.1.1](#) of this Guide on the ASX Collateral TRS (Triparty Repo Service).

#### 7.1.1 Term & Market Repos

A reference in this Guide to a term repo includes an overnight repo and a reference to a term or market repo is to a repurchase agreement under which the closing leg repurchase occurs at a future date that can either be defined (in the case of a term repo) at the time of entering the opening leg or is defined upon agreement by both parties at a point in the future (in the case of an ‘at call’ market repo or “evergreen” repo).

The process of managing collateral obligations for a term or market repo in ASX Collateral operates generally as follows:

- Step 1: The opening leg and the date on which the closing leg will be executed are entered by the Collateral Giver and Collateral Receiver (unless unilateral instructions are permitted – see [section 7.4](#) of this Guide on unilateral instructions) entering matched instructions into ASXCOL+ through their ASX On-line portal or through SWIFTNet.
- Step 2: ASX Collateral identifies eligible securities to be provided as collateral. (See [section 6](#) of this Guide on allocation of securities as collateral). Instructions for the movement of collateral will be sent with settlement on a DvP basis.
- Step 3: The Collateral Giver and Receiver are able to monitor the open position through the ASXCOL+ secure web interface or through SWIFTNet. At any point during the life of the trade, they can close out the position and generate the closing leg transaction by entering matched instructions or unilateral instructions where this has been agreed with the counterparty.

Whilst the position remains open during the life of a trade, and where the Collateral Giver has opted to utilise the auto-allocation functionality, the allocated collateral is monitored by ASX Collateral to ensure that they are fully optimised.

As such, the Collateral Giver is able to monitor any margin calls or substitution instructions that the ASX Collateral system automatically generates as required to ensure the position remains optimised and fully collateralised.

Where a Collateral Giver has opted not to utilise the Auto-Assign functionality available as part of the ASX Collateral Service, they will be required manually monitor their exposures, using the ASXCOL+ secure web interface and the intraday reports provided by ASX Collateral to ensure they remain fully collateralised.

The Collateral Giver and Collateral Receiver can also be able to adjust the terms of the repo, including changes to the principal, interest rate and, closing date should the need arise.

For 'at call' repos, the Customer enters an opening leg and will then be able to monitor the open position via the ASXCOL+ secure web interface. At any point during the life of the repo, either party can close out the position and generate the closing leg transaction.

#### 7.1.2 Intraday Repos

A reference in this Guide to an intraday repo is to a repurchase agreement under which both the sale and repurchase occur on the same day.

The process of managing collateral obligations for an intraday repo in ASX Collateral operates generally as follows:

- Step 1: The opening leg is entered as matching instructions by the Collateral Giver and Collateral Receiver (unless unilateral instructions are permitted – see [section 7.4](#) of this Guide on unilateral instructions) into ASXCOL+ through their ASX On-line portal or through SWIFTNet.
- Step 2: ASX Collateral identifies eligible securities to be provided as collateral. (See [section 6](#) of this Guide on allocation of securities as collateral). Instructions for the movement of collateral will be sent with settlement on a DvP basis.
- Step 3: The Collateral Giver and Collateral Receiver are able to monitor the open position through the ASXCOL+ secure web interface or through SWIFTNet. At any point during the day, they can close out the position and generate the closing leg transaction by entering matched instructions (unless unilateral instructions are permitted).

Changes to the terms of the repo (including changes to the principal) can be notified by the Collateral Giver and Collateral Receiver by giving matched instructions (unless unilateral instructions are permitted), should the need arise.

Under a complete unilateral instruction agreement, should the Collateral Giver wish to extend the length of the repo, they can simply adjust the opening leg to reflect any changes to the agreed terms.

If the Collateral Receiver wishes to ensure that changes to terms or adjustments to principal are only processed on the receipt of matched instructions, they can choose to exclude these types of instructions from the unilateral instruction agreement with their counterpart.

If the Collateral Giver has selected the ASX Collateral Auto-Assign functionality, the assigned collateral will be monitored by ASX Collateral to ensure that they are fully optimised. Margin calls and substitution instructions will be generated automatically and can be monitored by the Collateral Giver and the Collateral Receiver via ASXCOL+ secure web interface or through SWIFTNet.

Where a Collateral Giver has opted not to utilise the Auto-Assign functionality available as part of the ASX Collateral Service, they will be required manually monitor their exposures, using the ASXCOL+ web interface and the intraday reports provided by ASX Collateral to ensure they remain fully collateralised.

## 7.2. Transaction Management – ASX Collateral TSL

See [section 4.2](#) of this Guide for a description of ASX Collateral TSL (Tri-party Securities Lending Service).

### 7.2.1 Collateral Management

The process of managing collateral obligations for securities lending transaction in ASX Collateral operates generally as follows:

- Step 1: The loaned security details, opening date and term are entered as matching instructions by the Collateral Giver (Security Borrower) and Collateral Receiver (Security Lender) (unless unilateral instructions are permitted – see [section 7.4](#) of this Guide on unilateral instructions) into ASXCOL+ through their ASX On-line portal or through SWIFTNet.
- Step 2: ASX Collateral identifies eligible securities to be provided as collateral. (See [section 6](#) of this Guide on allocation of securities as collateral). Instructions for the movement of collateral will be sent with settlement on a DvD basis.
- Step 3: The Collateral Giver and Receiver are able to monitor the open position through the ASXCOL+ secure web interface or through SWIFTNet. At any point during the life of the trade, they can close out the position and generate the closing leg transaction by entering matched instructions or unilateral instructions where this has been agreed with the counterparty.

Whilst the position remains open during the life of a trade, and where the Collateral Giver has opted to utilise the auto-allocation functionality, the allocated collateral is monitored by ASX Collateral to ensure that they are fully optimised.

As such, the Collateral Giver is able to monitor any margin calls or substitution instructions that the ASX Collateral system will automatically generate as required to ensure the position remains optimised and fully collateralised.

Where a Collateral Giver has opted not to utilise the Auto-Assign functionality available as part of the ASX Collateral Service, they will be required manually monitor their exposures, using the ASXCOL+ secure web interface and the intraday reports provided by ASX Collateral to ensure they remain fully collateralised.

### 7.2.2 Principal Management

The Collateral Giver and Collateral Receiver is also able to adjust the term of the transaction including changes to fee (if managed by ASX Collateral) or closing date should the need arise. Adjustments to principal cannot be made.

On a TSL opening, ASX Collateral will automatically rollover any instruction at the end of the business day to the next business day if the settlement instruction is pending due to non-availability of principal securities.

Corporate actions on principal securities will be paid to the owner of the principal security on book's close date in Austraclear (the Collateral Giver retains the economic benefit of the securities allocated as collateral – see [section 7.8.1.3](#)).

Redemptions on principal securities will be paid to the owner of the principal security on redemption date from the listed owner on book's close date in Austraclear. The Collateral Giver and Collateral Receiver need to manage the term of the TSL transaction to ensure that it is closed prior to the book's close date as ASX Collateral will not manage the redemption amount.

Further, to ensure that ASX Collateral can affect the opening and closing of a loaned security 'DvD', ASX COL+ will reject instructions if at least one of the principal securities has a redemption date smaller than the exposure opening date or the closing date is greater or equal to the redemption date.

### 7.3. Transaction Management – ASX Collateral TCMS

See [section 4.3](#) of this Guide for a description of ASX Collateral TCMS (Tri-party Collateral Management Service).

Customers, who have an existing principal agreement in place and have successfully on-boarded to the ASX Collateral platform, can utilise ASX Collateral to instruct the settlement of their collateral obligations to their counterparts.

Once these exposures are matched by ASX Collateral where the Collateral Giver has opted to utilise the Auto-Assign functionality, the system selects the optimal collateral to deliver, by ascending order of quality, or 'cheapest to deliver', from the Collateral Giver's nominated Collateral Source Account.

If the Collateral Giver has opted to manually allocate collateral, they must select the assets they wish to allocate via ASXCOL+ at the time of entering the exposure. The selected collateral will be validated against the Collateral Receiver's eligibility criteria before a settlement instruction is proposed.

Free of payment settlement instructions are automatically generated and is immediately sent to the Settlement Systems for settlement. The collateral is then delivered to the Collateral Receiver's Collateral Account.

During the life of the exposure, ASX Collateral continuously monitors and mark to market the collateral securities and, where the Collateral Giver has agreed to Auto-Assign, ASX Collateral automatically instructs margin top ups or withdrawals to ensure that the collateral value is maintained in line with the underlying exposure.

All such margin related settlement instructions under TCMS involves free of payment transfers between the Collateral Giver and the Collateral Receiver.

For the duration of the exposure, the Collateral Giver can recall the assets they have allocated as collateral and ASX Collateral will seek to substitute the assets for other eligible assets in their Collateral Source Accounts or Collateral Accounts.

### 7.4. Unilateral vs. Bilateral Instructions

Exposures are entered via ASXCOL+ or through SWIFTNet which are then matched by the systems. Alternatively, the counterparties can agree to operate on the basis of unilateral instructions whereby only one of the counterparties is required to enter an exposure (i.e. no matching required) via ASXCOL+ before it is submitted to the Settlement Systems.

ASX Collateral can also allow users to agree what type of exposure instructions can be unilaterally instructed (e.g. openings) and what type of instructions require matched bilateral instructions (e.g. principal adjustments, closing legs etc.).

The unilateral instruction agreement will form a part of the Counterparty Acceptance List appendix.

### 7.5. Margin Call Management

ASX Collateral provides accurate and timely management of margin obligations arising due to changes in the valuation of collateral against an open exposure ("Margin Call Management").

ASX Collateral manages the margin requirements based on the tolerances and margins that have been set by the Collateral Receiver as part of their eligibility criteria.

ASX Collateral performs a mark to market of all collateral at least 4 times per hour during hours of operation, using the latest available pricing (previous business day end of day prices) and taking into account any



changes to reference data or eligibility criteria that have been instructed, to ensure that the collateral allocated to the Collateral Receiver in relation to a contract remains within the excess / deficit tolerance set by the Collateral Receiver in its eligibility criteria.

See [section 8](#) of this Guide on eligibility criteria.

### 7.5.1 Margin Deficits

If the value of the assets held in a Collateral Account falls below the loan/exposure value plus any applicable margin (hair cut), and tolerance levels, there will be a collateral shortfall and top-up collateral will be required.

#### 7.5.1.1 Automatic Margining

The ASX Collateral Batch Asset Optimisation (BAO) process automatically identifies eligible securities in the Collateral Giver's accounts and generate free of payment instructions to deliver the securities to the Collateral Receiver to meet a collateral shortfall. As part of the optimisation process, ASX Collateral delivers assets by ascending order of quality, or 'cheapest to deliver', so that the lowest quality assets are delivered first, as top-up collateral, within the constraints of the Collateral Receiver's eligibility criteria and in line with the allocation preferences set by the Collateral Giver.

Settlement of the delivery of top-up and withdrawal collateral occurs on an FoP basis for same day value.

Settlement of the delivery of opening and closing legs of a TRS transaction occurs on a DvP basis.

Settlement of the delivery and return of a loaned security on a TSL transaction occurs on a DvD basis.

#### 7.5.1.2 Manual Margining

Collateral Givers who have opted for manual allocation of collateral assets are required to monitor their margin requirements via ASXCOL+ and intraday ASX Collateral Reporting and are required to enter instructions to provide top-up collateral to meet any collateral shortfalls.

Via ASXCOL+, a Collateral Giver can select to top up a collateral shortfall by selecting the relevant exposure from the "Exposures Summary" and selecting "Top Up".

ASX Collateral checks that the selected securities meet the Collateral Receiver's eligibility criteria and will also ensure that no concentration limits are breached by the proposed instruction, before creating the FoP settlement instructions that are then sent to the Settlement Systems.

With both automatic and manual margining, Customers can use ASX Collateral reports to manage their exposure and margin positions, with intra-day reports provided through ASX Collateral and Austraclear, and daily exposure reports from ASX Collateral. See [section 10](#) of this Guide for a detailed explanation of the reports that will be available to users of the service.

The Collateral Receiver is able to utilise their own intraday reporting from ASX Collateral and the ASXCOL+ web front end to monitor the status of their counterparty's collateral positions for their agreed exposures and will be able to easily identify if their positions are under-collateralised.

### 7.5.2 Margin Excess

Following the valuation of a collateral position, should the position be over-collateralised, excess assets can be withdrawn from the Collateral Receiver's account and returned to the Collateral Giver's account.

#### 7.5.2.1 Auto-Withdrawal under Autoassign

The ASX Collateral Batch Asset Optimisation (BAO) process identifies the excess securities in the Receiver's Collateral account and generate free of payment instructions to deliver the securities back to the Collateral Giver's Collateral Source Account.

As part of the optimisation process, ASX Collateral will seek to withdraw the collateral by descending order of quality, so that the highest quality assets are returned first, in line with the preferences determined by the Collateral Giver.

It should also be noted that no margin excess withdrawal instructions will be generated if they would cause a breach to the agreed margin levels or existing minimum trading sizes for the selected security.

The free of payment movements of securities are submitted for the requested value date and sent to the ASX settlement systems to be settled.

#### 7.5.2.2 Manual Withdrawal

Customers who have opted to manually manage their collateral assets are required to monitor their margin positions via ASXCOL+ and enter instructions to withdraw any collateral positions that have become over collateralised due to changes in valuation.

Upon submission of the withdrawal transaction by the Customer, the ASX Collateral system ensures the selected securities will not breach the margin requirements or cause any concentration limit breaches, before creating the free of payment settlement instructions that are then sent to the Settlement Systems.

### 7.6. Collateral Re-Use

A reference in this Guide to the re-use (or rehypothecation) of collateral means the use of collateral held in a Collateral Account in relation to one exposure (that is, collateral that has been given to a Collateral Receiver by way of transfer using a Lodge Account structure and therefore a “Transferred Collateral Account in Austraclear”) as collateral in relation to a different exposure.

ASX Collateral’s innovative, cross-product collateral re-use functionality enables a Customer to maximise trading opportunities by using collateral it has received as a Collateral Receiver as collateral in relation to an exposure where it is a Collateral Giver.

ASX Collateral supports re-use by a Customer only with another Customer of ASX Collateral.

Re-use is supported in relation to any collateral held in a Transferred Collateral Account (that is, where a Lodge Account structure has been utilised and therefore a “Transferred Collateral Account” in Austraclear) unless the relevant Collateral Giver and Collateral Receiver have notified ASX Collateral in their eligibility criteria that re-use of the collateral is not permitted. Any change to the restrictions on re-use can be effected by making a change to the eligibility criteria. See [section 5.2.2](#) of this Guide for an explanation of Transferred Collateral Accounts and [section 8](#) for an explanation of eligibility criteria.

Re-use will not be supported by ASX Collateral if the Customer wishing to re-use the collateral has opted out of the ASX Collateral ‘cash as collateral of last resort’ functionality. This is to minimise the risk of settlement failure in a reuse chain in the event of a substitution, which would adversely impact all Customers in the chain.

The normal ASX Collateral functionality applies in relation to re-used collateral.

**Figure 9 – Example of Collateral Reuse**



The diagram above illustrates the re-use by a Collateral Receiver (CR#1) of collateral received from a Collateral Giver (CG#1) to meet a collateral exposure that CR#1 has with CR#2. The diagram assumes that the collateral, 100 securities of type “1” (100SEC1) was given to CR#1 by CG#1 by way of transfer of title (therefore using the Lodge Account structure) and with no restrictions on re-use notified to ASX Collateral.

CR#1 can give the collateral (100SEC1) to CR#2 by way of transfer of title (using the Lodge Account structure) or by way of security interest (using the Pledge Account structure). If the collateral is given to CR#2 by way of transfer of title (using a Lodge Account structure) and with no restrictions on re-use notified to ASX Collateral, then CR#2 will be free to re-use the collateral (100SEC1) in turn with another ASX Collateral Customer. If the collateral is given to CR#2 by way of security interest/pledge (using a Pledge Account structure) then CR#2 will not be free to reuse the collateral (because title has not been transferred by CR#1 to CR#2).

### 7.7. Using Cash as Collateral

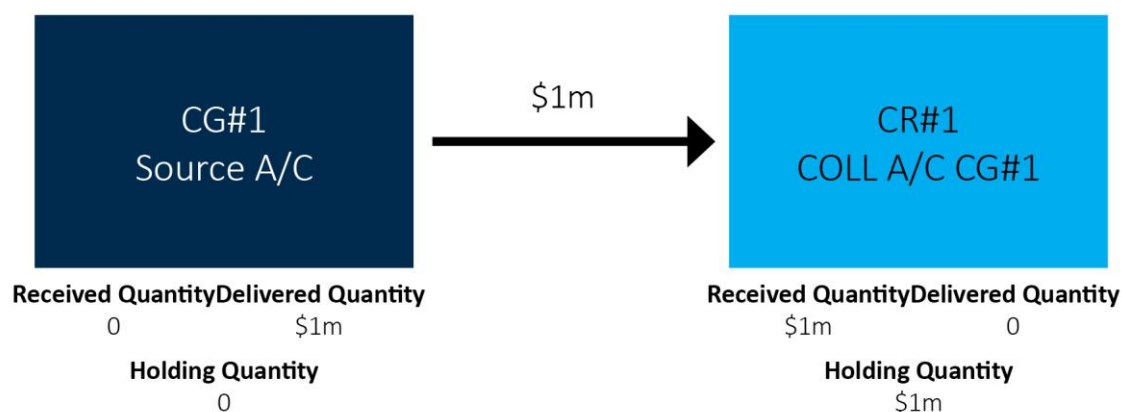
Cash as collateral is supported by default within ASX Collateral. Within the ASX Collateral model, there are a number of key business rules that are applicable regarding the use of cash as collateral:

- Cash can only be sourced from a cash record linked to a nominated Collateral Source Account (a Cash Record linked Collateral Source Account) and must be returned to a cash record linked Collateral Source Account.
- Cash as collateral can never be re-used.
- Users will be required to manage their RITS queues (or have their participating bank do so on their behalf) such that settlement can be confirmed to allow the rest of the substitutions in a re-use chain to settle.
- The ability to re-use collateral will be contingent on the Customer nominating cash as collateral as last resort.
- A cash instruction will be raised via Austraclear into RITS.
- Once cash is authorised and settled in RITS, the asset can be settled within the Settlement Systems and then ASX Collateral.

In the example below, the Collateral Giver has no eligible securities in their Collateral Source Account to meet a collateral obligation with the Collateral Receiver.

Both parties have, as part of their bilateral agreement, authorised the use of cash as collateral. As such, ASX Collateral will raise a cash instruction to transfer the required cash collateral from the Collateral Giver to the Collateral Receiver.

**Figure 10 – Cash as Collateral**



## 7.8. Substitution

Collateral Substitutions occur when collateral that has been lodged or pledged need to be recalled and therefore replaced.

The success of a substitution is conditional upon having eligible securities (or cash) available to replace the securities being recalled.

### 7.8.1 Substitution Triggers

A number of events can trigger a substitution.

#### 7.8.1.1 Withdrawal or Sale Of Asset

When a Customer places assets within the ASX Collateral framework, they are still able to withdraw or dispose of the asset, as long as they are able to substitute it with an asset that meets the eligibility and valuation criteria of their counterpart.

Where an asset is allocated as collateral (regardless of whether lodged or pledged) and the Collateral Giver wants to recall the asset to their Collateral Source Account they can recall the asset through the ASXCOL+ interface. Alternatively, if the Collateral Giver sells an asset that has been placed in the ASX Collateral framework (regardless of whether lodged or pledged), unmatched settlement instructions for the sale in the Settlement System will automatically trigger the delivery of a position update from the Settlement Systems to ASX Collateral which will in turn trigger a substitution process in the next Batch Asset Optimisation (BAO) cycle.

Furthermore, a Customer can simply recall a position through ASXCOL+. This action triggers a substitution request.

#### 7.8.1.2 Collateral Becomes Ineligible

A Collateral Receiver, as part of the bilateral agreement with the Collateral Giver, will determine which assets they are willing to accept as collateral based on a number of criteria. These can include asset type (e.g. Govt. bonds only) and credit rating (e.g. AAA only).

During the life time of the exposure agreement, the Collateral Receiver may need to adjust the acceptable collateral and this will automatically trigger a substitution process as the collateral originally given is now ineligible. Adjustments to eligibility are only effective when accepted and processed by the Collateral Manager.

Acceptance includes matching instructions by the counterparty where required.

An asset may also have its credit rating downgraded by an external credit agency and this too could make the asset given as collateral no longer eligible. Again, a substitution event would be triggered within ASX Collateral system, upon receipt of the amended securities reference data file. An asset can also become ineligible due to an impending maturity, which can either be defined by the Collateral Receiver's eligibility criteria (they may choose not to accept assets with a maturity of less than 30 days for example) or by the maturity date being reached, at which point the asset will be valued at 0 and will generate a substitution.

#### 7.8.1.3 Corporate Actions

As part of the ASX Collateral service, the Collateral Giver retains the economic benefit of the securities allocated as collateral. For further details on how corporate actions will be managed in ASX Collateral, including the mitigating option where substitution is not possible, please refer to [section 9](#) Corporate Actions of this Guide.

#### 7.8.1.4 Concentration Breach

As part of the eligibility criteria that a Collateral Receiver has agreed, bilaterally with the Collateral Giver, a Collateral Receiver can also determine the concentration levels of a particular type of asset they are willing to accept as collateral based on a number of criteria.

For example, the Collateral Receiver may determine that they will only accept 20% of the collateral they receive as being BBB+ rated assets. In the event that this limit is breached by a change in credit rating, valuations or by the Customer amending their concentration levels or as consequence of closing exposures where remaining open exposures contributes to a concentration breach, a substitution event will be triggered.

Upon receipt of trigger event (e.g. asset withdrawal, eligibility criterion etc.), ASX Collateral runs a Batch Asset Optimisation (BAO) process to automatically replace the withdrawn or ineligible asset with assets from the Collateral Giver's Collateral Source Account(s).

#### 7.8.2 Overall Substitution Methodology

ASX Collateral operates on the basis of periodic BAO cycles which determine the optimal allocation of available collateral across collateral accounts that are required to satisfy a set of Customer agreed bilateral obligations.

In order to determine this allocation, it uses the following inputs:

- Collateral and trading accounts (together with holdings)
- Mirrored from settlement systems
- Security Valuations
- Sourced from independent price providers, or Customer provided prices
- Collateral Obligations
- Bilateral collateral obligations are entered directly into ASXCOL+ by Customers or instructed via SWIFTNet
- Acceptable Collateral and Concentration Limits
- Provided by Customers and maintained by ASX Collateral
- Available Collateral
- Maintained within trading accounts
- Collateral Giver's allocation preference (i.e. allocation from Collateral Source Accounts first).

If assets that meet the Collateral Receiver's eligibility requirements are not available within the Collateral Giver's Collateral Source Accounts, ASX Collateral performs a Collateral Swap, whereby assets that are being used as collateral with another party that do meet the Collateral Receiver's requirements, are swapped with freely held assets from the Collateral Giver's Collateral Source Accounts.

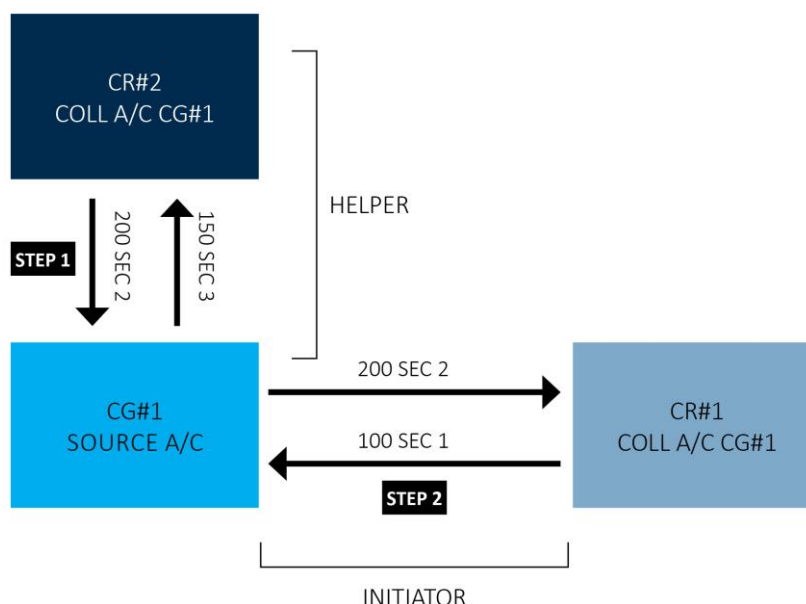
If no such Collateral Swap can be undertaken due to insufficient eligible assets being held, ASX Collateral uses Cash from the Collateral Giver's Collateral Source Account, as collateral of last resort.

At the conclusion of each BAO cycle, ASX Collateral generates a set of settlement instructions and sends them to the Settlement Systems for settlement. The Settlement Systems notifies ASX Collateral of the success (or failure) of these instructions so that the system can update its accounts to mirror the positions held in the settlement systems.

All settlements related to substitution activity will be handled in a delivery versus delivery (DvD) settlement mechanism. That is, the allocation leg is linked to the withdrawal leg and either both settle or both fail, including the scenario where cash is used. Please see [section 7.8.5.2](#) on DvD settlement in this Guide for further details.

### 7.8.3 Collateral Swaps

**Figure 11 – Example of Collateral Swap**



The ASX Collateral system utilises proprietary functionality to support the optimal use of collateral amongst Customers. The Batch Asset Optimisation (BAO) process, running at least 4 times per hour, will monitor collateral held across the user's accounts and automatically executes a Collateral Swap where it identifies a concentration breach or a pending delivery. This will ensure that Customers will always have the right collateral, at the right time, in the right place.

As part of the substitution process, ASX Collateral uses Collateral Swaps when it is unable to source freely held assets that are eligible for the Collateral Receiver in the substitution chain for use as collateral within a user's Collateral Source Account or Collateral Account. In such circumstances, ASX Collateral identifies collateral already placed with another Collateral Receiver, who is not part of the substitution chain and whose eligibility criteria allows another freely held asset to be used as collateral, and swaps these assets.

#### 7.8.4 Sources of Collateral for Collateral Receivers

A Collateral Receiver who is re-using collateral will also have the opportunity to meet substitution requirements from their Collateral Source Account or other Collateral Accounts. It does not need to be sourced from the Collateral Account. This can be determined as part of the Customer's Operational Profile and their allocation preference.

#### 7.8.5 ASX Collateral Substitutions: Transaction Model

##### 7.8.5.1 Transaction Requirements

The transaction model for substitutions needs to adhere to the following requirements:

- Collateralisation requirements are maintained at all times
- No principal risk is introduced at any time.

##### 7.8.5.2 Delivery versus Delivery ("DvD") Settlement

A DvD transaction is the exchange of two or more securities positions (for whatever purpose, including but not limited to, substitutions of collateral and not necessarily involving the transfer of ownership), whereby the execution of any delivery is dependent on the delivery of all other deliveries in the DvD transaction.

That is, all legs of the DvD transaction must deliver successfully or none of the legs will deliver at all (all or nothing). Hence, the understanding of a DvD as two or more linked FoP transactions, each being dependent (contingent) on all other FoP transactions in the DvD transaction, is correct.

After each BAO cycle, ASX Collateral generates a set of settlement instructions which are passed to the Settlement Systems. ASX Collateral provides a transaction ID reference on all the settlement instructions and this allows ASX Collateral to manage settlement of the transaction ID as a single transaction group.

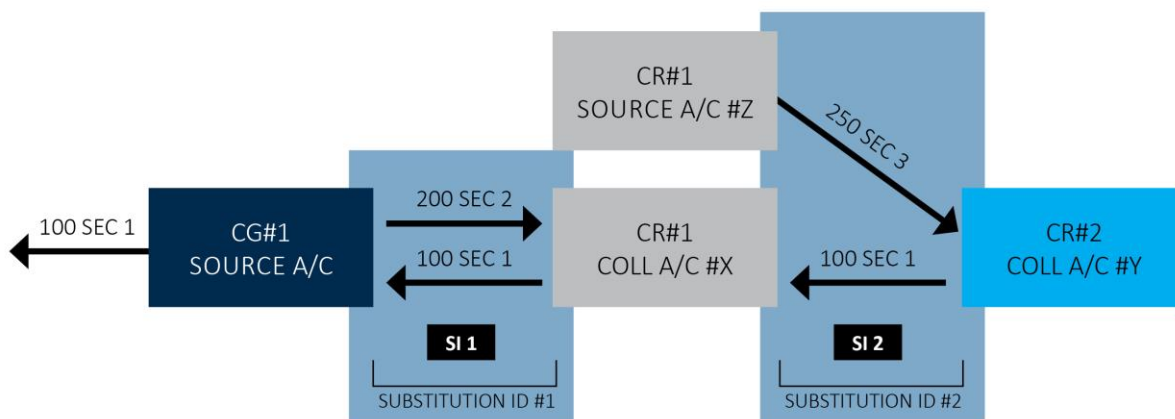
Once all of the legs for transaction ID have been received, they are settled according to the DvD transaction protocol where either all instructions settle or none settle.

In the following substitution example, there are 2 independent DvD transactions:

- The transactions consisting of the two legs associated with Substitution transaction ID #1
- The transactions consisting of the two legs associated with Substitution transaction ID #2

The DvD protocol guarantees that the settlement of all the legs either successfully completes or no legs settle.

**Figure 12 – Substitution Chain**



DvD settlement ensures:

1. The net sum total of the collateral value of each Substitution transaction ID is 0. That is, the allocation legs (the assets that are being proposed to replace the original assets) balance the withdrawal leg(s) (the originally allocated assets that are to be replaced) within a predetermined tolerance. This ensures collateral requirements are maintained on a per Substitution transaction ID basis.
2. At no point is it possible for one settlement within a Substitution transaction ID to succeed while others fail. This ensures no principal risk is introduced during settlement of a Substitution transaction ID.

#### 7.8.5.3 DvD Settlement: Withdrawal Leg Dependencies

There may be dependencies on withdrawal legs across Substitution transaction IDs. This is acceptable and will be managed by ASX Collateral controlling the order of DvD settlement across Substitution transaction IDs.

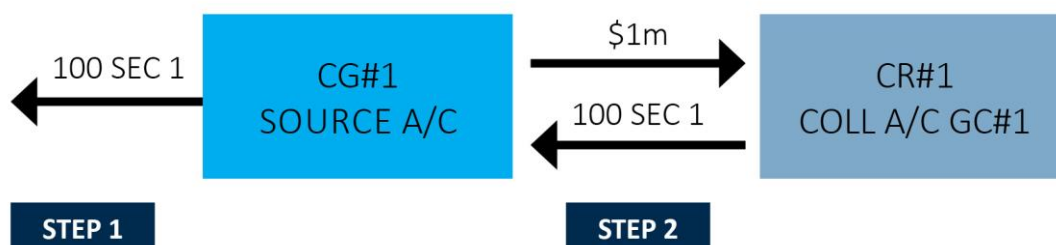
#### 7.8.5.4 DvD Settlement: Cash As Collateral of Last Resort

While most of the discussion is based on securities as collateral, cash as collateral of last resort is a contingent requirement in allowing Customers to re-use collateral. Cash can form the basis of either an allocation or withdrawal (when cash is returned) leg in a substitution.

It should be noted that there will only ever be one cash leg within a Substitution ID. To manage this within the DvD transaction, the securities will be reserved for later settlement and the cash settlement will then be attempted. If it settles, then all securities movements will be settled DvD. If it fails, then the securities will be released (that is, unreserved) and the entire Substitution ID transaction will not settle.



**Figure 13 – Example of Cash as Collateral of Last Resort in Substitution**



#### 7.8.6 Substitution Re-Use Scenario

The following scenario illustrates the settlement process under normal and exceptional circumstances.

The scenario uses the case of a single substitution sourcing assets from a Collateral Source Account to induce a ripple substitution to retrieve re-used assets from a second Collateral Account but the same concepts and outcomes apply equally to substitution chains of arbitrary complexity.

#### 7.8.7 Substitution Re-Use

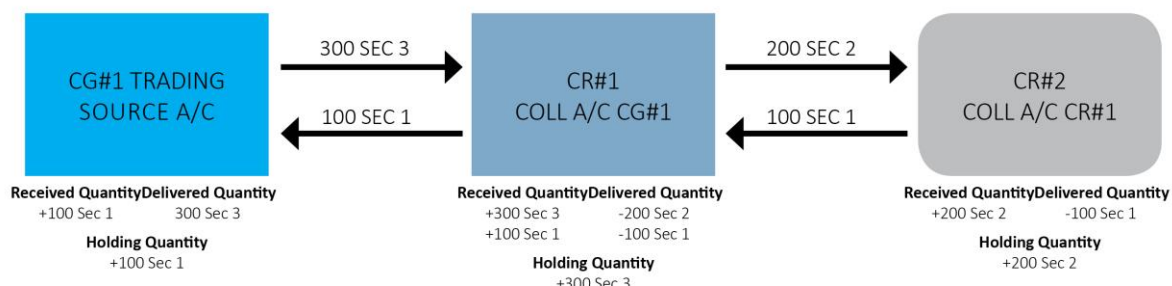
Customers that have agreed to the re-use of lodged collateral retain the right to substitute the original asset should they need to withdraw or dispose of it.

Throughout the business day, the Settlement Systems sends position updates, in near real time, to the ASX Collateral system, advising of any changes in the holdings. Upon receipt of an updated position from the Settlement Systems, at the next BAO cycle, the ASX Collateral system automatically generates proposed substitutions in order to withdraw the required collateral and replace it with eligible collateral throughout the re-use chain.

Only assets that meet the eligibility criteria and concentration limits of the Collateral Receiver will be proposed.

Upon completion of the BAO Cycle, the system generates Free of Payment settlement instructions to allocate a specific asset or assets that will be lodged as the replacement security across all collateral accounts within the re-use chain. At the same time, Free of Payment settlement instructions will be created to recall the withdrawn asset across all collateral accounts within the re-use chain.

**Figure 15 – Example of Substitution Reuse Chain**



## 7.9. Term Adjustments

ASX Collateral offers complete flexibility when it comes to managing open exposures. Customers can, in so far as their bilateral agreements allow them to, re-negotiate the terms of their exposure and then adjust them accordingly via ASXCOL+.

Where Customers have agreed to unilateral instructions, only one of the Customers is required to enter their adjustments via ASXCOL+. If there is no unilateral instruction agreement, both parties will be required to enter the adjustments and these will be matched within agreed tolerances, before any instructions or amendment calculations are made.

This functionality is available to all exposure types, including intraday repos and allows counterparties to quickly and effectively manage any changes to their exposures, be it a change in amount, duration or rate, or any combination of these.

Once the adjustments to the terms are made and (if necessary) matched, ASX Collateral recalculates the collateral requirements and automatically creates any necessary settlement instructions to ensure that the position remains collateralised.

## 7.10. Close Outs

ASX Collateral has been designed to provide Customers with complete control over their collateral exposures for the full lifecycle of the transaction.

For intra-day and 'at call' repos, this means giving the Customers control as to when the closing leg of the trade is created.

All closing instructions must be made in line with ASX Collateral cut off times. Please see the Hours of Operation section in [Appendix A](#) of this Guide for more details.

ASX Collateral Customers should endeavour to have sufficient Principal Cash and Collateral securities on their Proprietary accounts on agreed TRS Exposure Open Date in order to settle the TRS opening instructions.

ASX Collateral Customers should promptly inform ASX Collateral Operations if they encounter any settlement issues on their TRS opening exposure instructions within the ASX business day.

Under normal circumstances, TRS Exposures should not be closed before the opening instructions are settled. Therefore, ASX Collateral Customers are strongly encouraged against setting a close date to unwind problematic opening exposures intraday before the opening instructions settles.

### 7.10.1 Closing Out an Intraday or At Call Repo

Where Customers have agreed to unilateral instructions, to close out the intraday repo position, a user can simply highlight the exposure in ASXCOL+ and set the close date or instruct via SWIFTNet.

This will open the Repo transaction and allow the user to select the Closing Date (today) and the closing amount (Principal + agreed fees).

Where there is no unilateral instruction agreement, both parties to the transaction must enter their close out instructions and these will be matched within the ASX Collateral system prior to instructions being raised.

#### 7.10.2 Closing Out a Term Repo

To close out the Term repo position, the ASX Collateral Customer is not required to perform any actions.

Upon reaching the closing date entered at the opening of the term repo, the ASX Collateral system automatically closes the position, calculates the closing settlement amount, based upon the terms and the rates entered when the position was originally opened and generates the closing leg settlement instructions accordingly.

The ASX Collateral Management Engine generates a Delivery vs. Payment Instruction to transfer the Collateral from the Collateral Receiver's Collateral Account to the Collateral Giver's Collateral Source Account in the appropriate Settlement System (e.g. Austraclear, and later the CHES replacement) whilst simultaneously instructing a Cash Movement from the Collateral Giver's Cash Account to the Collateral Receiver's Cash Account via RITS.

#### 7.10.3 Closing Out an Exposure under TCMS

To close out an exposure under the Collateral Management Service, Customers are simply required to reduce the exposure to zero.

Where there is no unilateral instruction agreement, both parties to the transaction must enter the exposure reduction instructions and these will be matched within the ASX Collateral system prior to instructions being raised.

Once matched, the next BAO cycle revalues the collateral against the zero exposure and propose a Free of Payment instruction to deliver the excess collateral from the Collateral Receiver to the Collateral Giver's account.

#### 7.10.4 Closing Out an Exposure under TSLS

To close out the loaned security transaction (security borrower returning the loaned security to the security lender), the ASX Collateral Customer is not required to perform any actions.

Upon reaching the closing date entered at the opening of the TSLS exposure, the ASX Collateral system automatically closes the position and generates the closing leg settlement instructions accordingly.

A Delivery vs Delivery instruction is then generated to transfer the Collateral from the Collateral Receiver's Collateral Account to the Collateral Giver's Collateral Source Account in the appropriate Settlement System (e.g. Austraclear, and later the CHES replacement) whilst simultaneously instructing the return of the loaned security from the Collateral Giver's nominated principal account to the Collateral Receiver's nominated principal account.

### 8. Eligibility, Price Selection Process, Valuation and Ratings

#### 8.1. Eligibility

The eligibility of collateral is a key component of the Collateral Management process. In order to manage exposures and risks appropriately, both Collateral Givers and Collateral Receivers must have confidence that the collateral they propose or accept meets the requirements of their counterparty as well as their own risk profiles and portfolios.

By providing such surety in the process, ASX Collateral provides Customers with a powerful, yet flexible tool in the risk management of their counterparties and collateral exposures.

The current draft of the Eligibility Criteria Form for ASX Collateral is available on request.

#### 8.1.1 Counterparty Eligibility

Customers within ASX Collateral have complete control over who they are willing to transact with. Customers can add or remove counterparties and services depending on their risk appetite or lending requirements.

Following the execution of a bilateral agreement between the two Customers, both parties can inform ASX Collateral of their intention to utilise the ASX Collateral service to manage their exposures.

ASX Collateral processes this information and creates new collateral accounts within the ASX Collateral system and mirrored in the Settlement Systems to allow Customers to begin executing collateral transactions.

#### 8.1.2 Collateral Eligibility

At the same time as they identify the Collateral Givers they wish to transact with, a Collateral Receiver can also provide ASX Collateral with details of the collateral they are willing to accept from these counterparties.

Collateral eligibility is completely bespoke and the Collateral Receiver can determine eligibility from a general level, such as General Collateral baskets, right down to a granular level, by identifying acceptable assets by individual ISIN.

#### 8.1.3 Collateral Baskets

ASX Collateral has created standard collateral baskets that can be adopted automatically across the ASX Collateral Service by customers who wish to apply standard market collateral eligibility rather than completing bespoke criteria for each counterparty. ASX Collateral will continue to collaborate with the industry to add complexity to these standard baskets, and to add further standard baskets, as required but currently the standard baskets supported are as follows:

##### **“ASXGC1”**

- All Sovereign (Australian)
- Agency – All Australian Semi-Government

##### **“ASXGC2”**

- All Sovereign (Australian)
- All Agency
  - All Australian Semi-Government
  - All Supranational

ASX Collateral also supports the list of RBA eligible securities published on the RBA website and maintain these as the RBA's own eligibility profile.

Standard baskets have been set up for customers who will transact with ASX Clearing Corporation and ASX Clear (Futures). These standard baskets are defined as “ASXCC” and ASXCF” respectively. The composition of the ASXCC and ASXCF standard baskets can be viewed on the ASX website at ([www.asx.com.au/services/clearing.htm](http://www.asx.com.au/services/clearing.htm)). Changes to the ASXCC and ASXCF standard baskets are communicated to customers directly.

#### 8.1.4 Issuer Eligibility

The Collateral Receiver can identify the types of issuer whose assets they will accept as collateral.

For Phase 1 of the ASX Collateral Service, only securities lodged and held in Austraclear will be eligible:

- Sovereign (Australian Government Bonds)
- Agency Bonds (State or Territory Government Bonds and Supranationals)
- Corporate Bonds
- Structured Securities
- Convertible Bonds

#### 8.1.5 Specific Issuers / Issues

A Collateral Receiver can choose to exclude or include specific issuers and issues from the collateral they are willing to accept. They can also specify the particular margin % (hair cut) they wish to apply to specific issues and issuers.

However, ASX Collateral automatically ensures that a Counterparty's own issuance is excluded by default based on issuer name information from recognised securities data vendors, such that a Counterparty would be unable to provide their own issued bonds or equities as collateral.

Collateral Receivers can augment their exclusion list by specifying at an ISIN level what is to be excluded. This is necessary where related party issues are not identifiable by name only.

#### 8.1.6 Security / Issuer Ratings

If security ratings are unavailable, the Collateral Receiver can determine for individual issuer types, to have issuer ratings applied by default.

#### 8.1.7 Security Types

A Collateral Receiver can choose to exclude or include specific security types from their eligibility criteria.

For example:

- Asset Backed Securities
- Bills
- Certificates of Deposit
- Commercial Paper
- Convertible Bonds
- Discount Securities
- Mortgage Backed Securities
- Promissory Notes
- All

##### **Structured Securities**

A Collateral Receiver can choose to exclude or include specific Structured Securities from their eligibility criteria:

- Asset Backed Securities
- Mortgage Backed Securities
- CDO/CLO
- Covered Bonds
- Credit Linked Notes

#### 8.1.8 Denomination Currency

ASX Collateral only supports AUD denominated securities during this phase.

### 8.1.9 Concentration Limits

Collateral Receivers can also apply concentration limits to restrict the percentage of a specific type of security they are willing to hold as collateral against exposures.

These concentration limits are managed and applied at an individual contract level and do not take into account the overall exposures and concentrations between the two counterparties.

Concentration limits can be applied across a range of criteria either across asset classes, or for bonds only (or equities only during a later phase).

In the case of fixed income securities, concentration limits can be applied either per issuer type or across all bonds. In either case, the limits are expressed per eligible credit rating, as follows:

- Total limit – Applies to the category as a whole (combining a specific credit rating band and issuer type);
- Issuer limit – Applies to each issuer of a security per eligible credit rating (therefore more restrictive than a total limit);
- Security limit – Applies to each security per eligible credit rating (therefore more restrictive than an issuer limit);
- Outstanding issue amount – Limits the amount of a security that can be allocated as collateral with respect to the total amount of that asset issued on the market per eligible credit rating (therefore differing from the limits defined above, which are expressed as a function of the total collateral allocated to cover all exposures between two counterparties in the centralised collateral environment).

### 8.1.10 Amendments to Eligibility Criteria

Amendments to Eligibility Criteria (contained in Appendix A) can be changed if:

- ASX Collateral receives an instruction from the Collateral Receiver evidencing that all impacted Collateral Givers have agreed to such amendment. No changes will be made unless ASX Collateral can confirm that all impacted Collateral Givers have agreed. ASX Collateral will confirm this by checking signatures on the amendment instruction against the Authorised Signatory lists provided by the counterparties.
- The Collateral Receiver and Collateral Giver have agreed at the outset that the Collateral Receiver may instruct ASX Collateral unilaterally and communicated this agreement to ASX Collateral by an election in Appendix A that must be matched by ASX Collateral at the outset. In such case ASX Collateral will accept a unilateral instruction from the Collateral Receiver following confirmation by ASX Collateral of the instruction against the Authorised signatory list of the Collateral Receiver only.

## 8.2. Pricing and Valuations

A fundamental component of ASX Collateral is the accurate and timely mark to market of all collateral positions within the system. Customers must have confidence in the pricing and valuation process and the ASX Collateral solution delivers this.

ASX Collateral delivers a sophisticated price selection model to ensure that the most recent and accurate prices are applied to collateral valuations. To this end, prices are weighted according to predetermined quality criteria, tolerance checks are applied and price age is monitored.

ASX Collateral utilises pricing from a number of internationally recognized external information providers as well as allowing Customers to provide their own prices and apply those to nominated contracts.

If market prices are unavailable the Collateral Receiver can determine for individual issuer types, to have evaluated prices applied by default.

### 8.2.1 Valuation Method

The ASX Collateral Service allows the Collateral Receiver to determine whether to use either the US or European valuation method to calculate the margined value of a security, if no preference is expressed, the system will apply the US valuation methodology by default.

### 8.2.2 European Valuations

Bonds

$$\text{Quantity} * \frac{[\text{Market Price} + \text{Accrued Interest}]}{[100 + \text{Margin}]} * \text{Valuation Factor}$$

### 8.2.3 US Valuations

Bonds

$$\text{Quantity} * \frac{[\text{Market Price} + \text{Accrued Interest}]}{100} * \frac{[100 - \text{Margin}]}{100} * \text{Valuation Factor}$$

### 8.2.4 Dirty vs. Clean Pricing

The Collateral Receiver can determine whether they wish to apply dirty or clean prices to the collateral valuation parameters.

The Clean Price is the Bond Price without Accrued Interest.

The Dirty Price is the Clean Price + Accrued Interest.

### 8.2.5 Margins (Hair Cuts)

Incremental margins can be applied per asset class, by credit rating or by price age.

#### 8.2.5.1 Bonds

Margins on bonds can be applied as a function of rating. Additional margins can be applied to bonds with an evaluated price, if such prices are eligible, at issuer type level.

Dynamic margins for bonds can be applied on price quotation age, alongside a price age ceiling. These margins will apply cumulatively, on top of those imposed on rating and evaluated prices.

#### 8.2.5.2 Bond Credit Ratings

The Collateral Receiver can select eligible Credit Ratings and indicate a % margin and minimum time to maturity, if applicable.

#### 8.2.5.3 Dynamic Margin and Price Quotation Age

The Collateral Receiver can also dynamically determine additional margin to be added to a Collateral Valuation based on the age of the price available.

For more information on the ASX Collateral default valuation methodology please contact ASX Collateral Sales.

## 9. Corporate Actions

One of the many innovative services offered by ASX Collateral is the management of Corporate Actions on assets held as collateral and the allocation of entitlements derived from them.

A key principal of a TRS, TSLs or TCMS is that the Collateral Giver retains the economic benefit of the securities allocated as collateral. It is the Collateral Giver, therefore, who is entitled to all income and corporate action proceeds accruing on the collateral securities.

Under current processes in the Australian market, there is a significant operational burden to Customers when it comes to managing corporate actions on assets that have been used as collateral.

Issuers, who are responsible for paying the entitlements, only have visibility via a Record Date Holders Report of who has the asset in their account in Austraclear or CHESS on record date. This current view does not take into account who is entitled to the economic benefits of the assets.

Loaned Securities as principal in a TSLs exposure and Sell Buy Back transactions involving settlement of coupons or other corporate action entitlements at time of exposure close out are not supported by the ASX Collateral service. ASX Collateral will, in all transactions accrue and pay the entitlement on date due to the original Collateral Giver only.

### 9.1. ASX Collateral Corporate Actions Service

ASX Collateral offers Customers a multi-faceted solution that seeks to reduce the operational burdens of reconciling corporate action entitlements and the need to reclaim corporate action payments for both Collateral Givers and Collateral Receivers.

It also seeks to mitigate the impacts on Issuers by ensuring that they are in receipt of the correct information for payment of entitlements on Payment Date.

#### 9.1.1 Manufactured Record Date Holders Report – Austraclear

ASX Collateral uses functionality within the ASX Collateral system to create a Manufactured Record Date Holders Report in Austraclear that is sent to Issuers.

This report takes information from the existing Austraclear Record Date Holders Report and overlays it with information from ASX Collateral to identify the Customer entitled to the economic benefit.

Even where assets have been re-used across a number of bilateral arrangements, the ASX Collateral system is able to identify the Customer entitled to the payment on record date.

The 'Manufactured' report provides the same details as the original Record Date Holders Report but provides the Issuer with the payment details of the Customer who is legally (pursuant to the Principal Agreement in existence between the two parties) entitled to the benefit.

By managing the complexity of corporate actions for collateral assets on behalf of the Customer, ASX Collateral delivers a value added service to tri-party collateral arrangements.

#### 9.1.2 Collateral Substitution due to Corporate Actions

ASX Collateral will monitor assets held in the CHESS replacement (when such functionality becomes available in the later phase) on a daily basis to identify upcoming corporate actions and will seek to exclude the impacted assets from being eligible as collateral.

When certain events are identified, the asset will be flagged as ineligible during the ASX Collateral overnight process and as part of the first BAO cycle the following day, ASX Collateral will substitute out the asset from the Collateral Receiver's Collateral Account and replace it with another asset from the Collateral Giver's Collateral Source Account.



In line with ASX Collateral's substitution methodology, detailed earlier in this guide, any proposed substitutions will always adhere to the Collateral Receiver's eligibility criteria and concentration limits, and where possible, ensure that the Collateral Giver's allocation priorities are respected. It should be noted however, that Collateral Giver's allocation priorities may be set aside in order to ensure a successful substitution.

## 10. Reporting

The reporting suite for ASX Collateral consists of:

1. New collateral specific reports generated via the ASX Collateral system and delivered to Customers via ASX Online or SWIFTNet (MT569 FIN only).
2. Existing Austraclear reports augmented to include the new Collateral Accounts (see [section 10.3](#)).

### 10.1. ASX Online

User Access ASX Collateral Customers are able to access their ASX Collateral reporting via the ASX Online Market Information portal at [www.asxonline.com.au](http://www.asxonline.com.au) or [www.asxonline.com/Marketinfo/Login](http://www.asxonline.com/Marketinfo/Login) using valid login credentials.

Each organisation will have to identify a primary ASX Online user to associate with the ASX Collateral service who will act as the account administrator.

Subsequent to successful subscription, Customers are able to manually download required reports, or automatically download reports using the ASX supported Java application.

Administrator login credentials are provided by ASX, however if additional assistance is required while trying to login, please contact Market Information via the following email: [Marketdata.Admin@asx.com.au](mailto:Marketdata.Admin@asx.com.au).

#### 10.1.1 Manual Browsing Access

Users are able to access reports through the following URL – [www.asxonline.com/Marketinfo/Login](http://www.asxonline.com/Marketinfo/Login)

Once logged on, a folder for each subscribed product will be displayed on the left; this may include a range of market data products as well as the ASX Collateral files. Users can either have the ASX Collateral product added to an existing ASX Online Market Information account or have a dedicated account created for their convenience.

The top level folder contains the file for the current day, and the subfolder entitled “History” contains files for the previous 90 business days. Clicking the files presents the user with a choice to either download the file or open it in an associated application (e.g. Adobe Acrobat Reader for PDF files).

#### 10.1.2 Automatic Data Access (for downloading)

Users of this service can automatically download the ASX Collateral Report files using the java application available on ASX Online. Supporting documentation on how this can be done is available through: [www.asxonline.com/marketinfo/help.shtm#a3](http://www.asxonline.com/marketinfo/help.shtm#a3)

Connection details need to be added to the configuration file, entitled ami.ini.

1. Products to be downloaded, as well as the destination all files are to be downloaded to, need to be added to the file entitled products.ini
2. The java app may then be scheduled to run at any time.

Once a new file becomes available on the site it will be downloaded to the location stipulated in the products.ini file.

By using the ASX Online automatic data access function, ASX Collateral users are able to automate the delivery of intraday exposure updates to their systems, thus reducing the need for manual intervention to update positions. For further technical details, including templates and report formats, please refer to ASX Collateral User Guide, Part 2: Exposure Management and Reporting.

## 10.2. Daily and Intraday Exposure Reports

The Intraday Exposure Reports provide Collateral Receivers and Collateral Givers with details of their outstanding exposures and lists the allocated collateral per exposure throughout the business day.

The reports provide exposure details, including margin deficits / excesses and all allocated collateral broken down by service. These can also be delivered via SWIFTNet using MT569 FIN.

### 10.2.1 Intraday Collateral and Exposure Statements (XML/FIN)

The MT569 Collateral and Exposure Statement provided to both Collateral Givers and Collateral Receivers is based on the SWIFT standard MT569 statement format.

The statement is structured to combine the summary and detailed daily exposure report for Customers in their role as either Collateral Giver or Collateral Receiver.

A statement is produced for each role, so a Customer who acts in the capacity of both a Collateral Giver and Receiver can expect to receive two MT569 statements.

The MT569 statement is produced at hourly intervals throughout the business day and Customers can import the file in XML format from ASX Online to update their Collateral Positions.

The Intraday Collateral and Exposure Statements is available in XML format via ASX Online and in FIN format via SWIFTNet.

### 10.2.2 Daily Summary Exposure Report (PDF)

The Summary Daily Exposure Report is a report available for both Collateral Receivers and Collateral Givers and provides a summary of ASX Collateral activity with a breakdown per service type.

In addition, it provides details of open exposures against all counterparties and the net exposure and collateral allocated against each of them.

The report only considers and shows the exposures with a status “In-flight” or “Closing” in the calculations, exposures with statuses of “Pending” or “Cancelled” will not be included.

The specification below provides details of the fields for this report as well as the PDF format.

The Daily Summary Exposure Report is available at the end of the day in PDF format via ASX Online.

### 10.2.3 Daily Detailed Exposure Report (PDF)

The Detailed Daily Exposure Report is broken down by counterparty and exposure type and provides the user with information regarding their exposures, broken down by counterparty and by service.

The report provides details of the collateral allocated to an exposure at an ISIN level. Providing information on rating, quantity, price and any margins applied.

The report is in similar format for both a Collateral Giver and a Collateral Receiver; however, the source account information for collateral will only be available on the Collateral Giver’s report.

The Daily Detailed Exposure Report is available at the end of the day in PDF format via ASX Online.

**Figure 15 – Example Collateral Receiver Daily Summary Exposure Report**

**Daily Summary Exposure Report**

ASX Clear (Futures) Pty Limited

SFEC20

SFEC20

Collateral Receiver

End of Day

Total Exposure: ALL

Total Exposure Amount: 100,000,000.00

Total Collateral Required: 100,020,547.94

Total Collateral Value: 50,010,533.90

Collateral Balance: -50,010,014.04

No. of Exposures: 2

Average Exposure Amount: 50,000,000.00

Average Duration: 4

Actual Margin: -50.00%

Reporting Currency: AUD

Service Type: TRS

Total Exposure Amount: 100,000,000.00

Total Collateral Required: 100,020,547.94

Total Collateral Value: 50,010,533.90

Collateral Balance: -50,010,014.04

No. of Exposures: 2

Average Exposure Amount: 50,000,000.00

Average Duration: 4

Actual Margin: -50.00%

Reporting Currency: AUD

Collateral Receiver:	SFEC20	Total Exposure Amount:	50,000,000.00	Total Collateral Required:	50,010,273.97	Total Collateral Value:	50,010,533.90
Collateral Giver:	ASXC20	Collateral Balance:	+259.93	Actual Margin:	+0.00%	No. of Exposures:	1
Basket Reference:	ASXCF						

ASX Exposure Reference	Customer Exposure Reference	Opening Date	Closing Date	Currency	Exposure Amount	Collateral Required	Collateral Value	Collateral Balance	Rate	Status	Actual Margin
484091	SFEC20010917B	01 Sep 2017	05 Sep 2017	AUD	50,000,000.00	50,010,273.97	50,010,533.90	+259.93	2.50	In-Flight	+0.00%

Collateral Receiver:	SFEC20	Total Exposure Amount:	50,000,000.00	Total Collateral Required:	50,010,273.97	Total Collateral Value:	0.00
Collateral Giver:	DUMY66	Collateral Balance:	-50,010,273.97	Actual Margin:	-100.00%	No. of Exposures:	1
Basket Reference:	ASXCC						

## 10.2.4 Collateral Shortage Report (PDF)

Where the ASX Collateral system is unable to complete a substitution due to insufficient collateral, either in the form of securities or cash being available in a Customer's Source or Collateral Accounts, the Customer will see an under collateralised position in ASXCOL+. To augment this and aid the Customer in expediently managing any collateral short positions, ASX Collateral produces a 'Collateral Shortage Report' and send it to the Customer.

This report is provided to Collateral Givers on an intra-day basis, every 2 hours, via ASX Online, providing information on collateral activities and positions that have not been fully processed during that day due to a lack of eligible collateral in the Collateral Giver's accounts. This could be due to any number of events, including partially covered trades and substituted positions.

**Figure 16 – Example Collateral Shortage Report**

Collateral Shortage Report  
 AAAA Australia Pty Ltd  
 AAAA20  
 AAAA20  
 Collateral Giver  
 Intraday



**Cash As Collateral**

Contract Id	Currency	Cash
888888	AUD	460.10
888888	AUD	1,297,140.20
888888	AUD	12,730.00
888888	AUD	340.00
888888	AUD	351.60
888888	AUD	11,168,942.70
888888	AUD	5,106,471.90
888888	AUD	458.90

### 10.3. Existing Settlement Systems Reports and User Interfaces

As well as the new reports direct from the ASX Collateral system, Customers are also able to access new and existing reports from Austraclear to support their collateral management business.

Further details, along with report examples, can be found in ASX Collateral User Guide, Part 2: Exposure Management and Reporting.

#### 10.3.1 Austraclear

As part of the overall ASX Collateral service, Austraclear has been enhanced to specifically identify collateral accounts, transactions and movements.

Austraclear users who are utilising the ASX Collateral service are able to run queries and reports in Austraclear to identify and return data specific to their collateral transactions.

Customers can also elect to receive SWIFT MT54x (settlement confirmation) messages on settlement instructions initiated by ASX Collateral (see [section 10.3.1.5](#)).

##### 10.3.1.1 Swift Mt535 Holdings Message

The SWIFT MT535 Statement of Holdings is available to ASX Collateral Customers on an intraday, interim and end of day basis and provides users with details of all collateral holdings across their sub accounts.

Tag 97A contains the sub Customer and Sub Account details which allow users, as Collateral Receivers to identify the collateral holdings they have.

It also allows Collateral Givers to identify any pledged assets they have in designated pledge sub-accounts held under their sub-participant code.

For more details regarding the SWIFT MT535 format please refer to the ASX Austraclear SWIFT Message Protocols available here: [www.ASX.com.au/documents/professionals/austraclear\\_system\\_swift\\_message\\_protocols.pdf](http://www.ASX.com.au/documents/professionals/austraclear_system_swift_message_protocols.pdf)

#### 10.3.1.2 Austraclear GUI Enquiry Functionality

Austraclear already has extensive GUI functionality that allows users to search for trades and holdings using a number of different attributes. These interfaces include attributes specific to ASX Collateral, to allow users to isolate and query on transactions and holding that have been generated from the ASX Collateral system.

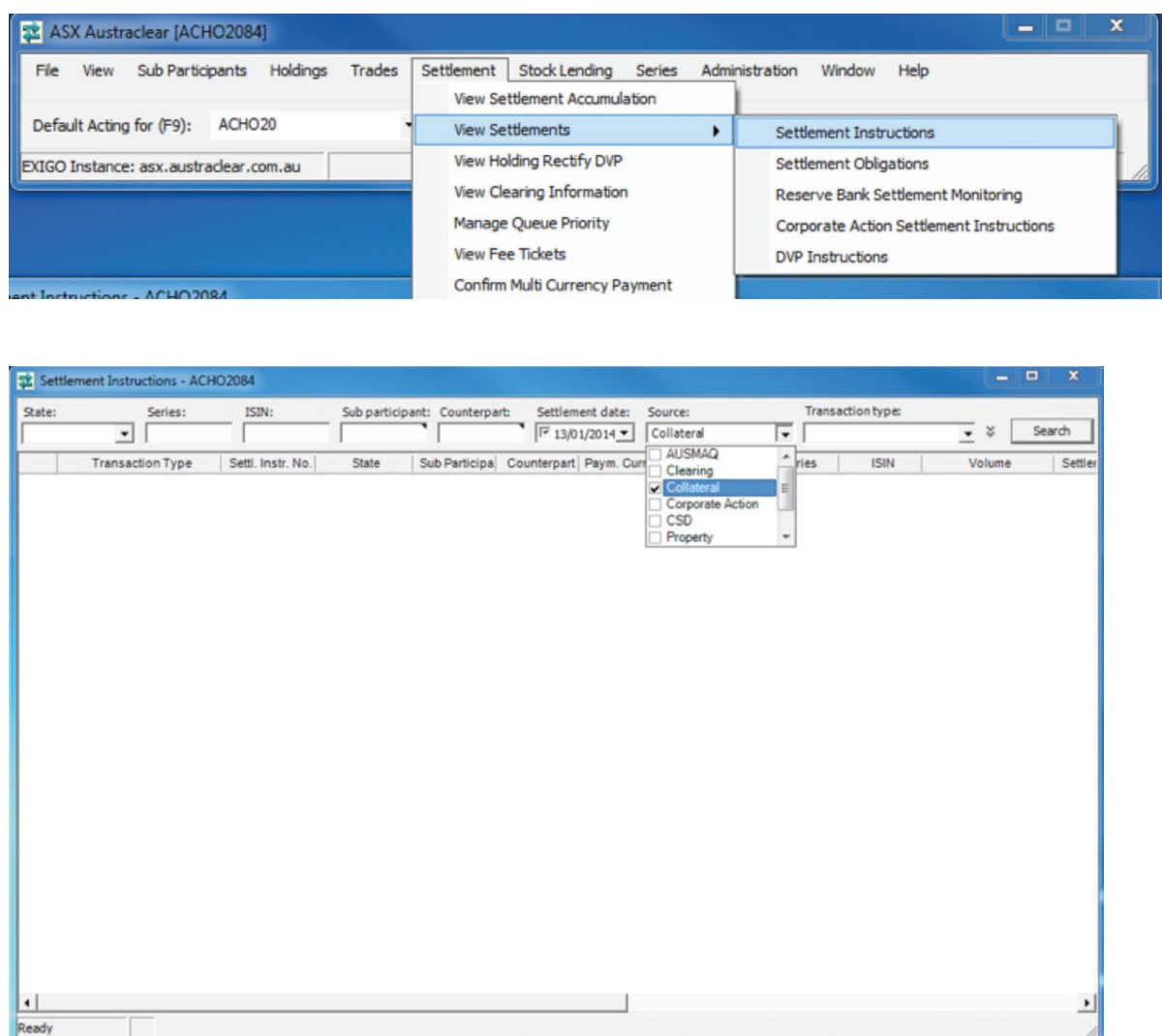
This section of the guide provides an overview of how users can use the Austraclear screens to manage their collateral transactions, settlements and holdings. As with all Austraclear GUI enquiries, the returned data can be exported to excel via CSV, by right clicking on the screen and selecting 'Export to Excel'.

#### 10.3.1.3 Settlement Instructions

Users are able to monitor collateral transactions via Austraclear using the Austraclear View Settlement Instructions GUI.

By filtering on the Collateral transaction types (see below), users can view the transactions for given settlement dates or by Counterparty.

**Figure 17 – Austraclear View Settlement Instructions GUI**



#### 10.3.1.4 Settlements Instructions

As part of the ASX Collateral service, the ASX Collateral system will automatically create and generate security and cash instructions to Austraclear. These may be in relation to such events as automatically assigned collateral, top ups, withdrawals or substitutions that have been proposed by an automated Batch Asset Optimisation cycle.

ASX Collateral immediately sends the instructions to Austraclear upon completion of the Batch Asset Optimisation cycle. The settlement instructions will be in MT54x format for security instructions and MT202 for Cash instructions and will contain information required to create corresponding settlement instructions in Austraclear. e.g. Customer, Accounts, Securities/Cash movements and Transaction types.

Austraclear will create Settlement Instructions based on the security/cash movements specified in the request.

Settlement Instructions created by ASX Collateral are created as authorised in the Settlement System.

### 10.3.1.5 Identifying New Settlement Instructions

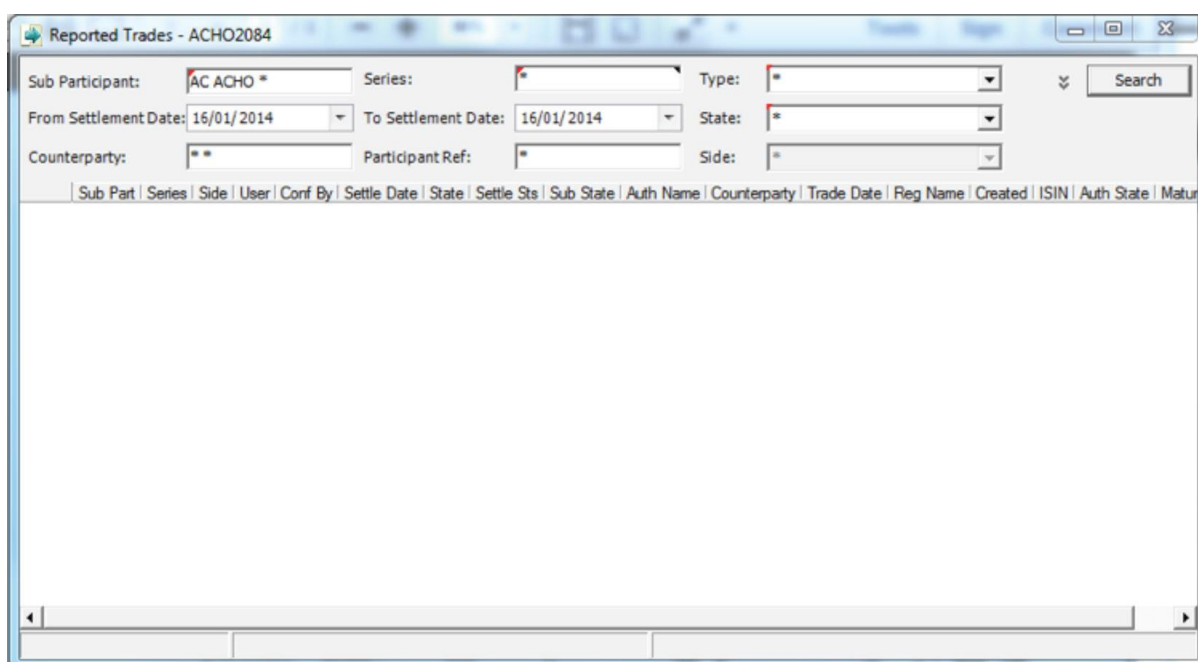
In order to ensure that settlement instructions created and generated by the ASX Collateral system can be distinguished from settlement instructions raised directly by the Customer, a new source and new transaction types have been created.

All automatically created settlement instructions originating from the ASX Collateral system will have the source set to “Collateral”, with the following transaction types:

- Collateral Security Transfer (these also denote both the opening and closing of a TSLS exposure)
- Collateral Cash transfer
- Collateral Repo 1st leg
- Collateral Repo 2nd leg
- Collateral Intraday Repo 1st leg
- Collateral Intraday Repo 2nd leg

The Transaction types have been added in the Austraclear GUI grids and in dropdowns using Transaction Type as search criteria in View Settlement Instruction.

**Figure 18 – Austraclear View Settlement Instructions GUI**

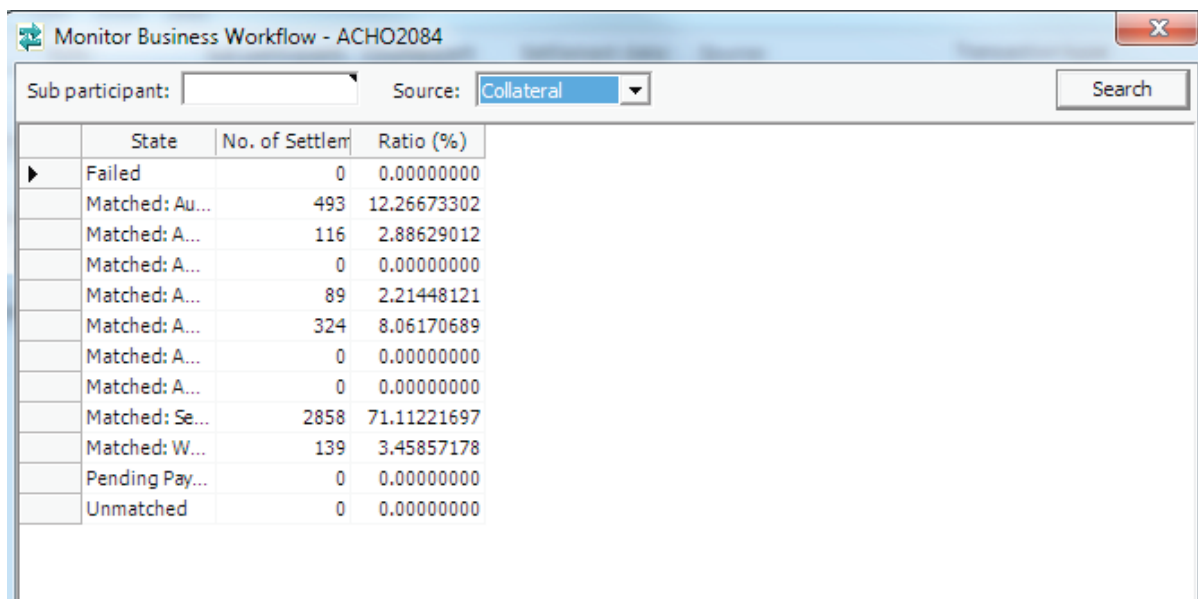


### 10.3.1.6 Customer Monitoring of Austraclear Settlement Instructions

Settlement Instructions from the ASX Collateral system can also be monitored in the Monitor Business Workflow with Source ‘Collateral’ as search criteria.



**Figure 19 – Austraclear Monitor Workflow GUI**



	State	No. of Settlements	Ratio (%)
▶	Failed	0	0.00000000
	Matched: Au...	493	12.26673302
	Matched: A...	116	2.88629012
	Matched: A...	0	0.00000000
	Matched: A...	89	2.21448121
	Matched: A...	324	8.06170689
	Matched: A...	0	0.00000000
	Matched: A...	0	0.00000000
	Matched: Se...	2858	71.11221697
	Matched: W...	139	3.45857178
	Pending Pay...	0	0.00000000
	Unmatched	0	0.00000000

#### 10.3.1.7 Viewing Collateral Giver's Collateralised Holdings

A Collateralised Holdings view has been created in Austraclear. In this view, Customers will be able to query data regarding the volume of securities received from Collateral Source Accounts, delivered to Collateral Accounts and pending security movements.

#### 10.3.1.8 Corporate Actions Issuer Representative's Collateralised Holdings Report

This report is similar to the existing Issuer Representative's Holding report.

The ASX Collateral system provides Austraclear with ISIN, Sub Participant and Volume. Austraclear then sources the remaining required data from the Austraclear system.

The Issuer Representative's Collateralised Holdings is generated in the batch DayEnd and AfterBusiness, in line with current holding reports from Austraclear.

The Issuer Representatives Collateralised Holdings report is created in PDF format only in line with current holding reports from Austraclear.

## 11. Events of Default

A Collateral Giver or Collateral Receiver may notify the Collateral Manager that its counterparty is in default under the principal agreement between them. This notification must be made using the form provided as Appendix D of the Collateral Management Services Agreement.

The Collateral Manager is entitled to take a notice of default at face value and to take action in response to the notice without verifying its contents (other than validating the authorised signatories who have signed the notice).

### 11.1. Notification of a Default under the Principal Agreement

A notice of default will only be accepted by the Collateral Manager in the approved template. This notification must be made using the form provided as Appendix D of the Collateral Management Services Agreement.

A notice of default can be given to the Collateral Manager by:

- Delivery
- Post
- Email
- Fax

The CMSA sets out the rules that apply to the giving of notices, including default notices.

### 11.2. Collateral Giver in Default

If a Collateral Receiver gives notice to the Collateral Manager that the Collateral Giver is in default under the principal agreement, then:

- To the extent permitted by law, the Collateral Manager will act on any instructions in the default notice from the Collateral Receiver to move the relevant collateral from the Collateral Account to an account of the Collateral Receiver.
- Otherwise, activity in respect of the collateral obligations for the impacted exposure(s) including intraday collateral movements will be suspended as soon as possible
- The Collateral Manager will seek to notify the Collateral Giver and Collateral Receiver that this action has been taken.
- The Collateral Manager will otherwise act consistently with the relevant terms of the CMSA, which provide in general terms that it will act consistently with instructions given under the CMSA if it considers that it is in a position to do so; it will act on matched instructions from the Collateral Giver and Collateral Receiver; and it will act on a court order.

### 11.3. Collateral Receiver in Default

If a Collateral Giver gives notice to the Collateral Manager that the Collateral Receiver is in default under the principal agreement, then:

- Activity in respect of the collateral obligations for the impacted exposure(s) including intraday collateral movements will be suspended as soon as possible.
- The Collateral Manager will seek to notify the Collateral Giver and Collateral Receiver that this action has been taken.
- The Collateral Manager will otherwise act consistently with the relevant terms of the CMSA, which provide in general terms that it will act consistently with instructions given under the CMSA if it considers that it is in a position to do so; it will act on matched instructions from the Collateral Giver and Collateral Receiver; and it will act on a court order.

#### **11.4. Collateral Giver or Collateral Receiver in Breach of the Operating Rules**

ASX Collateral may only be used by a Customer whose Participant status is not resigned, suspended or terminated, or subject to a condition restricting such use. One circumstance, in which a Customer's Participant status may be suspended or terminated, is where the Customer is in breach of the operating rules. This may be associated with a default under the principal agreement. In this event, the consequences can include:

- Termination of the CMSA by the Collateral Manager.
- A requirement that all collateral be removed from Collateral Accounts into ordinary trading accounts.

## Appendix A – Hours of Operation

The ASX Collateral hours of operation are designed to meet the needs of Customers whilst ensuring that market regulations and existing cut off times are adhered to.

In order to maximise the utility of the ASX Collateral Batch Asset Optimisation process for Customers using ASX Collateral, ASX ensures sufficient processing time is allowed between the latest times it will accept a notification from a user and the closure off the Settlement Systems.

The ASX Collateral Hours of Operation are detailed below and broken down by product to provide clarity as to how Customers can manage their repo and collateral obligations effectively.

### Overall Hours of Operation

Customers who are identified as a 'Bank' in Austraclear for cash settlement purposes will be able to actively manage their collateral positions and repo exposures between the hours of 07:00 and 18:00 (during Australian Eastern Standard time AEST) or 20:00 (during Australian Daylight Savings Time ADST) every business day. As with Austraclear, the timing is based on the time of year and the application of Australian Daylight Saving Time (ADST).

In order to utilise the 'Bank' cut off times both parties to the exposure must be identified as Banks in Austraclear, therefore, an exposure between a 'Bank' and a 'Non-Bank' will be subject to 'Non-Bank' cut off times.

Note that 'Non-Bank' includes 'Banks' that are non-evening approved. Customers who are identified as a 'Non-Bank' in Austraclear for cash settlement purposes will be able to actively manage their repo exposures between the hours of 07:00 and 16:00 every business day. For the collateral positions that are free of payment, users will be able to transact on their collateral accounts until 20:00 during Australian Daylight Saving Time and 18:00 throughout the rest of the year.

Users of ASX Collateral will be responsible for ensuring that all instructions relating to their collateral are received by ASX prior to these cut off times, in order to achieve settlement and ensure that their obligations are met.

Customers will also have the ability to connect to the ASX Collateral system via the Web Front End at any time between Monday 07:00 through until Saturday 16:00 to view and query their positions.

New Customers should allow a minimum of up to ten Business Days between the submission of their Customer Profile and the commencement of creating exposures in the ASX Collateral Management System. If an Austraclear Full Participant accounts needs to be established, this may impact on the time the service can be activated.

Customers should allow up to 4 Business Days between the submission of a new or amended contract and should be aware that no new contract can be created by ASX Collateral unless completed forms are received from both counterparts, where applicable.

Customers who wish to amend their Eligibility profiles should allow up to 72 hours for updates to their profiles to take effect.

### Summary of Operating Hours – ASX Collateral Service

Table 1 – Overall Hours of Operation for Banks

ACTION	VIA	FROM	TO
System Access	ASXCOL+	Mon 07:00	Sat 16:00
<b>New repo instructions (DvP)</b> involving 'Bank' to 'Bank' Counterparties	ASXCOL+	07:00 (Mon-Fri)	<b>AEST</b> 18:00 (Mon-Fri) <b>ADST</b> 20:00 (Mon-Fri)
<b>New repo instructions (DvP)</b> involving 'Non-Bank' Counterpart	ASXCOL+	07:00 (Mon-Fri)	16:00 (Mon-Fri) best effort after this time

<b>New TCMS instructions (FoP)</b> All Counterparty Types	ASXCOL+	07:00 (Mon-Fri)	<b>AEST</b> 18:00 (Mon-Fri) <b>ADST</b> 20:00 (Mon-Fri)
<b>Bank to Bank</b> Settlements Optimisation Withdrawals Substitutions	ASXCOL+, ASX Collateral, Austraclear, CHES	07:15 (Mon-Fri)	<b>AEST</b> 18:00 (Mon-Fri) <b>ADST</b> 20:00 (Mon-Fri)
<b>Non-Bank</b> Settlements Optimisation Withdrawals Substitutions	ASXCOL+, ASX Collateral, Austraclear, CHES	09:15 (Mon-Fri)	16:00 (Mon-Fri) best effort after this time
<b>New Customer Set up</b>	Email	09:00 (T-10)	16:00 (T-10)
<b>New or Amended Contracts</b>	Email	08:00 (T-4)	16:00 (T-4)
<b>Change to Eligibility:</b> <b>Concentration limits</b> <b>ISIN exclusions</b> <b>Basket Changes</b> <b>Margins</b> <b>Haircuts</b>	Email	09:00 (T-3)	16:00 (T-3)
<b>ASX Collateral Support</b>	Phone / Email	08:30 (Mon-Fri)	17:00 (Mon-Fri)

### Intra-Day TRS Cut Off Times

For intra-day repos, Customers can enter exposures from 07:00 each day; however, whilst the instructions can be confirmed and matched, any proposed settlement instructions will be queued until the Settlement Systems open at 07:15.

Once the Settlement Systems are open, ASX Collateral will propose delivery vs. payment settlement instructions based on agreed collateral eligibility for auto-assign and for specific securities for manual assign.

For exposures involving Bank to Bank settlement, a Customer can choose to close out their intraday position at any time up until 18:00 during AEST and 20:00 during ADST for Banks.

Any renegotiation of terms for the intra-day repo must be submitted by 18:00/20:00 on Trade Date.

For exposures involving a Non-Bank settlement, a Customer can choose to close out their intraday position at any time up until 16:00. After this time it will be on a best efforts basis to allow matched settlement instructions to exist in Austraclear at 4:27pm for settlement to occur in Austraclear before the day session end at 5:15pm.

Any renegotiation of terms for the intra-day repo must be submitted by 16:00 on Trade Date.

## Intra-Day TRS Cut Off Times – Bank To Bank

Table 2 – Intraday Repos – ASX Collateral Cut Off Times – Bank to Bank

ACTION	VIA	CUT OFF TIMES
New Exposure <sup>2</sup>	ASXCOL+ SWIFTNet	AEST 18:00 ADST 20:00
Exposure increase / Decrease	ASXCOL+ SWIFTNet	AEST 18:00 ADST 20:00
Close out – intra Day repos	ASXCOL+ SWIFTNet	AEST 18:00 ADST 20:00
Change Close Date (roll) – intra Day repos	ASXCOL+ SWIFTNet	AEST 18:00 ADST 20:00
Rate Change	ASXCOL+ SWIFTNet	AEST 18:00 ADST 20:00
Recall of Collateral for same day settlement (via ASXCol+)	ASXCOL+ SWIFTNet	AEST 18:00 ADST 20:00
Authorise Cash Settlements	RITS	AEST 18:28 ADST 20:28

## Intra-Day TRS Cut Off Times – Non-Bank

Table 3 – Intraday Repos – ASX Collateral Cut Off Times – Non-Bank

ACTION	VIA	CUT OFF TIME
New Exposure <sup>3</sup>	ASXCOL+/SWIFTNet	16:00
Exposure increase / Decrease	ASXCOL+/SWIFTNet	16:00
Close out – intra Day repos	ASXCOL+/SWIFTNet	16:00
Authorise Cash Settlements	RITS	17:15
Change Close Date (roll) – intra Day repos	ASXCOL+/SWIFTNet	16:00
Rate Change	ASXCOL+/SWIFTNet	16:00
Recall of Collateral for same day settlement (via ASXCol+)	ASXCOL+/SWIFTNet and Austraclear unmatched	16:00

## At Call (Market) TRS Cut Off Times

For At Call repos, Customers can enter exposures from 07:00 each day; however, whilst the instructions can be confirmed and matched, any proposed settlement instructions will be queued until the Settlement Systems open at 07:15.

<sup>2</sup> It is incumbent on Users to ensure they have sufficient time to open and close an intra-day repo in-line with Cut Off Times

<sup>3</sup> It is incumbent on Users to ensure they have sufficient time to open and close an intra-day repo in-line with Cut Off Times.

Once the Settlement Systems are open, ASX Collateral will propose delivery vs. payment settlement instructions based on agreed collateral eligibility for auto-assign and for specific securities for manual assign.

For exposures involving Bank to Bank settlement, a Customer can choose to close out their at call position at any time up until 18:00 during AEST and 20:00 during ADST for Banks.

Any renegotiation of terms for the 'at call' repo must be submitted via ASXCOL+ by 18:00/20:00.

For exposures involving a Non-Bank settlement, a Customer can choose to close out their at call position at any time up until 16:00.

Any renegotiation of terms for the 'at call' repo must be submitted via ASXCOL+ by 16:00 on Trade Date.

It should be noted that if users wish to set the close date of their at call repo for the next business day, any changes the wish to make to the exposure subsequent to this must be made in-line with the Cut Off Times for Term Repos (see below).

#### At Call TRS Cut Off Times – Bank To Bank

Table 4 – At Call Repos – ASX Collateral Cut Off Times – Bank to Bank

ACTION	VIA	CUT OFF TIMES
New Exposure	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Exposure increase / Decrease	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Close out – At Call repos	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Set Close Date (roll) – At Call repos	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Rate Change	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Recall of Collateral for same day settlement (via ASXCol+)	ASXCOL+ SWIFTNet Austraclear unmatched	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Authorise Cash Settlements	RITS	<b>AEST</b> 18:28 <b>ADST</b> 20:28

#### At Call TRS Cut Off Times – Non-Bank

Table 5 – At Call Repos – ASX Collateral Cut Off Times – Non-Bank

ACTION	VIA	CUT OFF TIME
New Exposure	ASXCOL+/SWIFTNet	16:00 Best effort only after this time
Exposure increase / Decrease	ASXCOL+/SWIFTNet	16:00
Close out	ASXCOL+/SWIFTNet	16:00

Authorise Cash Settlements	RITS	16:28
Set Close Date	ASXCOL+/SWIFTNet	16:00
Rate Change	ASXCOL+/SWIFTNet	16:00
Recall of Collateral for same day settlement (via ASXCol+)	ASXCOL+/SWIFTNet and Austraclear unmatched	16:00

### Term TRS Cut Off Times

For term repos, Customers can enter exposures from 07:00 each day; however these instructions will be queued by the system until the Settlement Systems open at 07:15.

Once the Settlement Systems are open, ASX Collateral will propose delivery vs., payment settlement instructions based on agreed collateral eligibility for auto-assign and for specific securities for manual assign.

For all term repo exposures involving Bank to Bank settlement, a Customer can choose to amend the terms of the repo including changing the close out date of their position to the current business day, at any time prior to Settlement Date (SD) up until 18:00 during AEST and 20:00 during ADST on SD-1.

For all term repo exposures involving Non-Bank settlement, a Customer can choose to amend the terms of the repo at any time prior to Settlement Date (SD) up until 18:00 during AEST and 20:00 during ADST on SD-1.

NB. For Non-Bank Term Repos, if a user wishes to change the close out date of the position to the current business day, this must be received by 16:00.

Authorisation of the cash settlement must be received in RITs by 16:28 on SD to ensure settlement.

### Term TRS Cut Off Times – Bank To Bank

Table 6 – Term Repos – ASX Collateral Cut Off Times – Bank to Bank

ACTION	VIA	CUT OFF TIMES
New Exposure	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Exposure increase / Decrease	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 (SD-1) <b>ADST</b> 20:00 (SD-1)
Change Close out Date to Current Day	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Rate Change	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 (SD-1) <b>ADST</b> 20:00 (SD-1)
Recall of Collateral for same day settlement (via ASXCol+)	ASXCOL+ SWIFTNet and Austraclear	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Authorise Cash Settlements	RITS	<b>AEST</b> 18:28 (SD) <b>ADST</b> 20:28 (SD)



## Term TRS Cut Off Times – Non-Bank

Table 7 – Term Repos Cut Off Times – Non Banks

ACTION	VIA	CUT OFF TIME
New Exposure	ASXCOL+/SWIFTNet	16:00
Exposure increase / Decrease	ASXCOL+/SWIFTNet	16:00
Change Close out Date to Current Day	ASXCOL+/SWIFTNet	16:00
Rate Change	ASXCOL+/SWIFTNet	16:00 (SD-1)
Recall of Collateral for same day settlement (via ASXCol+)	ASXCOL+/SWIFTNet and Austraclear unmatched	16:00
Authorise Cash Settlements	RITS	16:28 (SD)

## TCMS & TSLS Cut Off Times

For Triparty Collateral Management Services (TCMS) and Triparty Securities Lending Service (TSLS), Customers can enter exposures from 07:00 each day; however, whilst the instructions can be confirmed and matched, any proposed settlement instructions will be queued until the Settlement Systems open at 07:15.

Once the Settlement Systems are open, ASX Collateral will propose free of payment settlement instructions based on agreed collateral eligibility for auto-assign and for specific securities for manual assign.

For all TCMS & TSLS exposures, a Customer can choose to close out their position at any time up until 18:00 during AEST and 20:00 during ADST for all Customers.

Any renegotiation of terms must be submitted via ASXCOL+ by 18:00/20:00 on Trade Date.

NB. Any instructions requiring the transfer of Cash must be received in line with the cash settlement capabilities of either party.

## TCMS & TSLS Cut Off Times – All

Table 8 – TCMS & TSLS Cut Off Times – All users

ACTION	VIA	CUT OFF TIMES
New Exposure	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Exposure increase / Decrease (TCMS only)	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Close out	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Change Close Date	ASXCOL+ SWIFTNet	<b>AEST</b> 18:00 <b>ADST</b> 20:00
Recall of Collateral for same day settlement (via ASXCol+)	ASXCOL+ SWIFTNet and Austraclear	<b>AEST</b> 18:00 <b>ADST</b> 20:00

### **ASX Collateral Cut-Off Times and Austraclear Settlement Sessions**

It should be noted that all ASX Collateral cut-off times are influenced by the relevant settlement sessions available in Austraclear by Participant types, Banks (RITS evening agreed) and Non-Banks (RITS non evening agreed) in Austraclear.

Austraclear's deadline for settlement instructions is 4:28pm for settlements to occur in Austraclear before the Austraclear day session end at 5:15pm. ASX Collateral correspondingly requests that, for same day instructions from customers where at least one party to a transaction is a Non-Bank and the transaction includes a payment leg through a delivery versus payment (DvP) trade or clean cash payment instruction, these instructions must be with ASX Collateral by 4pm. Instructions received between 4pm and 4:28pm will be dealt with on a best efforts basis.

Similarly, Bank to Bank instructions and all free of payment instructions involving Non-Banks must be submitted by 6pm (Winter time) or 8pm Summer time, must be submitted and accepted by ASX Collateral. Instructions received after this time will be on a best efforts basis.

Where instruction received late or because of delays associated with any ASX Collateral service or system outages, Austraclear settlement extension requests can be initiated by either Participants or ASX Collateral will request settlement extensions on behalf of Customers. ASX Collateral will, in requesting settlement extensions, do so in accordance with the RBA procedures and criteria.