

LINKED SETTLEMENT AND MARKET REPO ENHANCEMENTS
AMENDMENTS TO AUSTRACLEAR REGULATIONS

1. Replace Regulation 12.5 (Entering of Non-Paper Security and Euroentitlement Transactions (in the Fixed Interest sub-system) with the following:

12.5 Entering of Non-Paper Security Transactions, Dematerialised Security Transactions and Euroentitlement Transactions

- (a) **(Entering Transaction)** Participants may effect a Value Transaction affecting a Non-Paper Security, Euroentitlement or Dematerialised Security by Entering matching entries.
- (b) **(Automatic Settlement)** On the Settlement Date, if there is no current instruction to process the Value Transaction in accordance with the deferred settlement arrangements or the linked settlement arrangements pursuant to Regulation 12.5(c) or Regulation 12.5(d) (as applicable), the System will automatically process the Value Transaction in accordance with Regulation 14 without further action required by the relevant Participants.
- (c) **(Deferred Settlement)** A Participant that is the seller for the Value Transaction may Enter an instruction for the System to process the Value Transaction in accordance with the deferred settlement arrangements in this Regulation 12.5(c). The Participant may Enter this instruction at the time it Enters the Value Transaction or at any time prior to the Value Transaction being matched in the System. Where the System receives such an instruction, and the Value Transaction is matched in the System, the System will hold the Value Transaction in a matched status until the earlier of the following events:
- (i) the Participant that is the seller for the Value Transaction cancels the instruction for the System to process the Value Transaction in accordance with deferred settlement arrangements in this Regulation 12.5(c), following which the System will process the Value Transaction in accordance with the automatic settlement arrangements in Regulation 12.5(b) without further action required by the Participants; or
 - (ii) both Participants that are a party to the Value Transaction provide an instruction pursuant to Regulation 12.5(d) for the System to process the Value Transaction in accordance with the linked settlement arrangements, following which the System will automatically cancel the instruction to process the Value Transaction in accordance with the deferred settlement arrangements and will process the Value Transaction in accordance with the linked settlement arrangements in Regulation 14.6; or
 - (iii) the prescribed time on the Settlement Date for the Value Transaction (being a time after EOD for that day), at which time the arrangements in Regulation 14.4 shall apply.
- (d) **(Linked Settlement)** On the Settlement Date, a Participant that is a party to an eligible Value Transaction (as defined in Regulation 14.6) may Enter an instruction for the System to process the Value Transaction in a nominated linked settlement group in accordance with the linked settlement arrangements in Regulation 14.6. The System

must not process a Value Transaction in accordance with the linked settlement arrangements unless it receives an instruction to do so from both Participants that are a party to the Value Transaction.

2. Insert new Regulation 14.6 (Linked Settlement) as follows:

14.6 Linked Settlement

- (a) A Value Transaction is eligible to be processed by the System in a nominated linked settlement group in accordance with the linked settlement arrangements in this Regulation 14.6 where:
- (i) it is a Value Transaction affecting a Non-Paper Security, Dematerialised Security or Euroentitlement;
 - (ii) the parties to the Value Transaction are the same as the parties to each other Value Transaction in the nominated linked settlement group;
 - (iii) the Settlement Date for the Value Transaction is the same as the Settlement Date for each other Value Transaction in the nominated linked settlement group and is the current Settlement Date;
 - (iv) the Security Element of the Value Transaction relates to a Security that has the same characteristics as the Security that relates to the Security Element of each other Value Transaction in the nominated linked settlement group;
 - (v) the Cash Record and Security Record for each party to the Value Transaction is the same as the Cash Record and Security Record for that party in each other Value Transaction in the nominated linked settlement group; and
 - (vi) the Cash Element of the Value Transaction is to be settled in Australian currency and the simultaneous settlement of the Cash Elements of all Value Transactions in the nominated linked settlement group will result in an amendment to the Cash Records of the Participants that are a party to the Value Transactions that is not an amount of zero Australian dollars (AUD 0.00).
- (b) If the Participants that are a party to an eligible Value Transaction have Entered matching Entries, and both Participants have Entered an instruction for the System to process the Value Transaction in the same nominated linked settlement group in accordance with the linked settlement arrangements, then on the Settlement Date:
- (i) the System will test for simultaneous settlement all Value Transactions in the linked settlement group by testing for the net amount of Cash and Securities required to simultaneously Settle the Cash Elements and Security Elements of all Value Transactions in the linked settlement group (as determined by the System and confirmed by the Participants that are a party to the Value Transactions); and
 - (ii) if all Value Transactions in the linked settlement group pass testing for simultaneous settlement, then the System will simultaneously Settle all Value Transactions in the linked settlement group by:

- (A) simultaneous settlement of the Cash Elements of all Value Transactions in the linked settlement group together in accordance with Regulation 14.1 (and Regulation 15 or Regulation 16 as applicable) with the resulting amendments to the Cash Records of the Participants that are a party to the Value Transactions reflecting the net amount of Cash required to Settle all Value Transactions in the linked settlement group (as determined by the System and confirmed by the Participants that are a party to the Value Transactions); and
- (B) simultaneous settlement of the Security Elements of all Value Transactions in the linked settlement group together in accordance with Regulation 14.3 with the resulting amendment to the Security Records of the Participants that are a party to Value Transactions reflecting the net amount of Securities required to Settle all Value Transactions in the linked settlement group (as determined by the System and confirmed by the Participants that are a party to the Value Transactions). Where that net amount of Securities is zero, the relevant Security Records will be amended by recording an adjustment of “zero”,

and the applicable Regulations will be interpreted to give effect to this paragraph (b), including by giving notices and sending messages pursuant to Regulation 15 or Regulation 16 in respect of the net amounts of Cash and Securities required to simultaneously Settle the Cash Elements and Security Elements of all Value Transactions in the linked settlement group.

- (c) If the System is unable to simultaneously Settle any Element of all Value Transactions in the linked settlement group by the prescribed time on Settlement Date (being a time after EOD for that day), then each Element of each Value Transaction in the linked settlement group will not Settle and the arrangements in Regulation 14.4 will apply with respect to each Value Transaction in the linked settlement group.
- (d) A Participant may cancel a linked settlement instruction for a Value Transaction at any time prior to Settlement. If a Participant cancels a linked settlement instruction, the cancellation has effect with respect to all Value Transactions in the linked settlement group. The System will then process each Value Transaction in the linked settlement group in accordance with the settlement arrangements (deferred or automatic) applicable to the Value Transaction immediately prior to receiving the linked settlement instruction for that Value Transaction.
- (e) Each Value Transaction in a linked settlement group will be retained in the System at all times during the settlement process. The linked settlement arrangements will not result in the termination by the System of each Value Transactions in a linked settlement group and the subsequent creation of a new Value Transaction to be processed by the System. On Settlement, each Element of each Value Transaction in the linked settlement group is Settled on a gross basis and is not subject to bilateral netting.

3. Amend Regulation 15 (Order of Processing for Settlement) as follows:

15.2 Order of Processing for Settlement

The Cash Elements of Value Transactions of which a Participant is the Paying Participant are to be processed on the Settlement Date in the order:

- (a) nominated by the Participant by Entry; or
- (b) if no order is Entered in relation to a Value Transaction, in the order determined in the manner notified by Austraclear to Participants².

provided that if the Value Transaction also includes a Security Element, the Cash Elements of the Value Transaction will not be processed on the Settlement Date unless the seller has sufficient eligible Securities available in the System to Settle the Security Element of the Value Transaction.

4. Amend Regulation 25 (Market Repos) as follows:

25.4 Settlement of Present Component

(a) The Present Component of a Market Repo is to be Settled as a Value Transaction having the same characteristics as the Present Component without regard to the Future Component of that Market Repo.

(b) A Present Component of a Market Repo that is to be Settled as a Value Transaction affecting a Non-Paper Security, Euroentitlement or Dematerialised Security will be processed by the System in accordance with Regulation 12.5(b)-(d).

25.5 Conversion of Future Component

At the same time as the Present Component of a Market Repo is Settled the Future Component automatically becomes a Forward Delivery Transaction on the same terms as the Future Component.

25.6 ~~Unwind~~ Settlement of Future Component

(a) The Future Component of a Market Repo may only be Settled where:

- (i) the Present Component of that Market Repo has already Settled (whereupon the Future Component automatically becomes a Forward Delivery Transaction in accordance with Regulation 25.5); and
- (ii) A Participant that is a party to a Market Repo, the Present Component of which has already Settled, may make an Entry has been made to unwind that Transaction by or on behalf of each Participant that is a party to the Market Repo,

whereupon the Forward Delivery Transaction automatically becomes and is to be Settled as a Value Transaction on the same terms as the Future Component of that Market Repo.

(b) For the purposes of Regulation 25.6(a)(ii):

(i) a Participant that is a party to a Market Repo may make an Entry to unwind that Transaction either before or after the Present Component of the Market Repo has Settled; and

(ii) a Participant may make an election in the System with the effect that on the Settlement Date for the Future Component of a Market Repo to which it is party, the System will automatically make an Entry on its behalf to unwind that Transaction unless the Participant has already made an Entry to unwind that Transaction in accordance with Regulation 25.6(b)(i).

Explanatory note: The effect of a Participant making an Entry to unwind a Market Repo Transaction before the Present Component of the Market Repo has Settled is that at the time the Present Component is Settled the Future Component will automatically become a Forward Delivery Transaction in accordance with Regulation 25.5 and then immediately automatically become a Value Transaction in accordance with Regulation 25.6(a).

(c) A Future Component of a Market Repo that is to be Settled as a Value Transaction affecting a Non-Paper Security, Euroentitlement or Dematerialised Security will be processed by the System in accordance with Regulation 12.5(b)-(d).

(d) A Participant that is the seller for a Future Component of a Market Repo affecting a Non-Paper Security, Euroentitlement or Dematerialised Security may make an Entry for the System to process that Future Component in accordance with the deferred settlement arrangements in Regulation 12.5(c) upon it automatically becoming a Value Transaction in accordance with Regulation 25.6(a). The Participant may make this Entry at the time it makes the relevant Entry to unwind the Market Repo or at any time prior to the Future Component being matched in the System.

(e) A Participant may make an election in the System with the effect that where the System automatically makes an Entry on its behalf to unwind a Market Repo affecting a Non-Paper Security, Euroentitlement or Dematerialised Security in accordance with Regulation 25.6(b)(ii), and the Participant is the seller for the Future Component of that Market Repo, the System will process that Future Component in accordance with the deferred settlement arrangements in Regulation 12.5(c) upon it automatically becoming a Value Transaction in accordance with Regulation 25.6(a).

AMENDMENTS TO AUSTRACLEAR REGULATIONS PROCEDURES

1. Insert new Procedure 12.5 (Entering of Non-Paper Security transactions, Dematerialised Security transactions and Euroentitlement transactions) as follows:

12.5 Entering of Non-Paper Security transactions, Dematerialised Security transactions and Euroentitlement transactions

For the purposes of Regulation 12.5(c)(iii), the prescribed time on the Settlement Date is the same time as that prescribed in Paragraph 14.4.

2. Amend Procedure 12.12 (Entering of Market Repos) as follows:

12.12 Entering of Market Repos

For the purposes of Regulation 12.12 (Entering Market Repos), in relation to the Entering of a Market Repo a Participant must Enter the following details for particular Securities the subject of the Market Repo:

- (a) Issuer;
- (b) Series;
- (c) Counterparty;
- (d) Face Value;
- (e) Deal Date;
- (f) 1st Transaction Date;
- (g) 2nd Transaction Date;
- (h) Cash Rate (contract rate);
- (i) Margin Ratio;
- (j) Yield;
- (k) Consideration;
- (l) Unwind Consideration; ~~and~~
- (m) Cash Record (Bank Account); ~~and-~~
- (n) any other information required by the System.

3. Amend Procedure 14.4 as follows:

14.4 Unsettled Value Transactions (Australian Currency)

For the purposes of Regulation [12.5\(c\)\(iii\)](#), 14.4, [14.6](#), 15.5, 15.6, 15.7, 16.4 and 16.5 the time on any Business Day is 5.17 pm or any subsequent time notified by the Reserve Bank.

4. Insert new Procedure 14.6 (Linked Settlement) as follows:

14.6 Linked Settlement

For the purposes of Regulation 14.6(c), the prescribed time on the Settlement Date is the same time as that prescribed in Paragraph 14.4.