

Attachment A

ASX CLEAR OPERATING RULES

SCHEDULE 1 RISK BASED CAPITAL REQUIREMENTS

This schedule sets out the Risk Based Capital Requirements for the purposes of Rule 5.1. A Participant subject to the Risk Based Capital Requirements must comply with this schedule.

S1.1 DEFINITIONS AND INTERPRETATION

S1.1.1 Definitions and Interpretation

In Rule S1, unless the context otherwise requires:

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“Base ~~Core Capital~~ Requirement” means the amount specified in Rule S1.2.1(2)(~~ab~~)(i) (Table A or Table B), as applicable.

Introduced 15/12/17

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“Core Requirement” means the sum of the Base Requirement and the amounts specified in Rules S1.2.1(2)(b), (c) and (d) as applicable.

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“Dual Capital Participant” means a Participant that has been approved by ASX Clear as a Dual Capital Participant under Rule S1.1A.1 and the approval has not been revoked by ASX Clear under Rule S1.1A.4.

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“Excluded Asset” means:

- (a) a fixed asset;
- (b) an intangible asset;
- (c) a future income tax benefit;
- (d) a non current asset;
- (e) a deposit with or loan to a person other than:
 - (i) a deposit or loan with an Approved Deposit Taking Institution;

- (ii) a deposit or loan to the extent the balance is secured by collateral which is Liquid, evidenced in writing and valued at the mark to market value or at another value approved by ASX Clear; or
 - (iii) a deposit of funds as a margin or deposit with a person licensed to trade and/or clear Futures or Options to the extent that those funds relate to an open position;
 - (iv) funds deposited with ASX Clear as margin or as Excess Cash; or
 - (v) funds deposited with ASX Clear (Futures) Pty Limited as margin or excess deposits;
- (f) a deposit with a third party clearing organisation, unless approved otherwise by ASX Clear;
 - (g) a Related/Associated Persons Balance to the extent the balance is not secured by collateral which is Liquid, evidenced in writing and valued at the mark to market value or at another value approved by ASX Clear;
 - (h) a debt which was reported or created more than ~~30~~31 days previously other than a debt which is secured by collateral which is Liquid, evidenced in writing and valued at the mark to market value or at another value approved by ASX Clear;
 - (i) a prepayment which is not Liquid;
 - (j) an asset which is not Liquid;
 - (k) an asset which is Liquid but which has a charge against it (in whole or in part) where the purpose of the charge is to raise funds for use outside the ordinary course of the Participant's securities or derivatives business; and
 - (l) an asset prescribed as such by ASX Clear.

Amended 07/06/13

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“Government Debt Instrument” means any form of government financial instrument including a bond, treasury note or other short term instrument, and a Debt Derivative of any of those instruments where:

- (a) it is issued by, fully guaranteed by, or fully collateralised by a Debt Instrument issued by:
 - (i) the Australian Commonwealth or; sState (including tTerritories) governments; or
 - (ii) a central government or central bank within the OECD; or
- (b) it is issued by, or fully guaranteed by, a non-OECD country central government or central bank, has a residual maturity of one year or less and is denominated in local currency and funded by liabilities in the same currency.

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“Liquid Capital” means:

(a) the sum of:

- (ia) Core Capital;
- (iib) cumulative Preference Shares;
- (iiie) Approved Subordinated Debt, subject to paragraph (b) below; and
- (ivd) revaluation reserves other than Financial Asset and Liability Revaluation Reserves;

less the sum of:

- (ve) Excluded Assets;
- (vif) Excluded Liabilities.

(b) The maximum amount of Approved Subordinated Debt that can be included in a Participant’s Liquid Capital under paragraph (a)(iii) above is limited to the amount specified in Rule 5.2.4(8), unless the Participant is a Dual Capital Participant.

“Liquid Capital Requirement” means the Core Requirement or the Total Risk Requirement, whichever is the greater.

“Liquid Margin” means the amount calculated by deducting:

(a) the Liquid Capital Requirement amount from the amount of Liquid Capital, for a Participant that is not a Dual Capital Participant; or

(b) the amount calculated by deducting the Total Risk Requirement amount from the amount of Liquid Capital, for a Participant that is a Dual Capital Participant.

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“Qualifying Debt Instruments” means Debt Instruments that are:

- (a) rated investment grade by at least two of the credit rating agencies recognised by the Australian Prudential Regulation Authority and specified in Table 1.5, Annexure 5;
- (b) rated investment grade by one credit rating agency recognised by the Australian Prudential Regulation Authority and specified in Table 1.5, Annexure 5, and the issuer has its ordinary shares included in a Recognised Market Index;

- (c) ~~unrated but the Issuer of the Debt Instrument has its ordinary shares included in a Recognised Market Index and, in accordance with a policy agreed between ASX Clear and the Participant, the Debt Instruments are reasonably deemed by the Participant to be of comparable investment quality to one or more of the categories of Qualifying Debt Instrument as described in this definition~~[Deleted];
- (d) issued by, or guaranteed by, Australian local governments and Australian public sector entities other than those which have corporate status or operate on a commercial basis;
- (e) issued by, or fully guaranteed by, a non-OECD country's central government and central bank and which have a residual maturity of over one year and are denominated in local currency and funded by liabilities in the same currency;
- (f) issued by, or ~~fully collateralised~~ collateralised by claims on, an international agency or regional development bank including the International Monetary Fund, the International Bank for Reconstruction and Development, the Bank for International Settlements and the Asian Development Bank;
- (g) issued, guaranteed, first endorsed or accepted by an Australian ADI or a bank incorporated within the OECD or a non OECD bank accorded the same credit risk weight as an OECD bank by the Australian Prudential Regulation Authority provided that such instruments do not qualify as capital of the issuing institution;
- (h) issued, guaranteed, endorsed or accepted by a non-OECD bank and which have a residual maturity of one year or less provided that such instruments do not qualify as capital of the issuing institution; or
- (i) issued by or guaranteed by OECD country, ~~s~~State and regional governments and OECD public sector entities.

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“Related/Associated Person Balance” is an amount owing to the Participant by a person who is a Related/Associated Person of the Participant excluding an amount owing as a result of:

- (a) the deposit with, loans to or other amounts owing from an Approved Deposit Taking Institution;
- (b) the deposit of funds as a margin or deposit with a person licensed to trade ~~and/or clear~~ Futures or Options to the extent that those funds relate to an open position; or
- (c) a transaction in a Financial Instrument under Annexure 1 which is made on terms no more favourable to the Related/Associated Person than those on which it would be reasonable to expect the Participant to make if it had entered into the transaction on an arms length basis, but not including sundry fees, interest or similar amounts owing on such transactions; or

- (d) brokerage or similar amounts owing that were reported or created less than ~~30~~³¹ days previously and which arose as a result of a third party clearing arrangement entered in to with another Participant,

unless ASX Clear considers that an amount owing under paragraph (a), (b), (c) or (d) is to be included as a Related/Associated Person Balance.

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S1.1A DUAL CAPITAL PARTICIPANTS

S1.1A.1 Application and approval

- (1) A Participant may apply to ASX Clear to be approved as a Dual Capital Participant for the purposes of the Risk Based Capital Requirements set out in this Schedule 1.
- (2) ASX Clear may approve a Participant as a Dual Capital Participant if the Participant satisfies the criteria set out in Rule S1.1A.2.
- (3) An approval by ASX Clear under this Rule S1.1A.1 will be:
- (a) effective from the date determined by ASX Clear in connection with the approval; and
 - (b) subject to any conditions and limitations that ASX Clear may specify in connection with the approval (including in connection with the effective date for the approval).

S1.1A.2 Criteria

- (1) To be eligible to be approved as a Dual Capital Participant, the Participant must meet the following criteria:
- (a) the rolling 12 month average of the Participant's month-end Total Risk Requirement is less than 5% of its Core Requirement;
 - (b) the Participant has been a Participant of ASX Clear for at least three consecutive years;
 - (c) the Participant is a Direct Participant; and
 - (d) during the past three years, no matter or matters have arisen which, in isolation or in aggregate, cause ASX Clear to consider, at its absolute discretion, that it is not appropriate for the Participant to be a Dual Capital Participant for the purpose of the Risk Based Capital Requirements set out in this Schedule 1.

S1.1A.3 Applicable Risk Based Capital Requirements

- (1) Where a Participant is a Dual Capital Participant, then the Risk Based Capital Requirements set out in this Schedule 1 that are specified to:
- (a) not apply to Dual Capital Participants, will not apply to that Participant; or

(b) apply to Dual Capital Participants, will apply to that Participant.

(2) Other than as set out in Rule S1.1A.3(1) above, the Risk Based Capital Requirements set out in this Schedule 1 will apply to a Participant that is a Dual Capital Participant in the same way as they apply to a Participant that is not a Dual Capital Participant.

S1.1A.4 Cessation of approval

(1) In the event that:

(a) the rolling 12 month average of the Participant's month-end Total Risk Requirement is 5% or more of its Core Requirement;

(b) the Participant becomes a General Participant;

(c) the Participant's Core Requirement has increased (as identified through the quarterly assessment referred to in Rule S1.2.1(3)(b)) to an amount above the Core Requirement applicable at the time ASX Clear approved the Participant as a Dual Capital Participant; or

(d) any matter or matters have arisen which, in isolation or in aggregate, cause ASX Clear to consider, at its absolute discretion, that it is no longer appropriate for the Participant to be a Dual Capital Participant for the purpose of the Risk Based Capital Requirements set out in this Schedule 1,

ASX Clear may revoke the approval of the Participant as a Dual Capital Participant.

(2) A revocation of approval by ASX Clear under this Rule S1.1A.4 will be:

(a) effective from the date determined by ASX Clear in connection with the revocation; and

(b) subject to any conditions and limitations that ASX Clear may specify in connection with the revocation (including in connection with the effective date for the revocation).

(3) In determining the effective date for the revocation, ASX Clear may allow a transitional period as ASX Clear considers appropriate for the Participant to comply with the Risk Based Capital Requirements as they apply to Participants that are not Dual Capital Participants.

(4) ASX Clear will, as soon as practicable, notify the Participant of the revocation of its approval as a Dual Capital Participant and the effective date of that revocation.

S1.2 OBLIGATIONS OF PARTICIPANTS

S1.2.1 Core Capital, Liquid Capital, ~~and~~ Total Risk Requirement and Liquid Capital Requirement

(1) Unless ~~the~~ Participant is a Dual Capital Participant, ~~obtains a prior waiver from ASX Clear under Rule 1.6,~~ it must ensure that its:

(a) Liquid Capital is at all times greater than its ~~Total Risk~~ Liquid Capital Requirement, ~~;~~ and

~~(b) Core Capital is at all times not less than the sum of the amounts specified in Rules 5.2.1(1)(b)(i) (Table A or Table B), (ii), (iii) and (iv) below as applicable:~~

~~(1A) A Participant that is a Dual Capital Participant must ensure that its:~~

~~(a) Liquid Capital is at all times greater than its Total Risk Requirement; and~~

~~(b) Core Capital is at all times not less than its Core Requirement.~~

~~(2) For the purpose of determining a Participant's Core Requirement:~~

~~(a)~~

Table A – Direct Participants – Base Core Capital Requirement	
	\$5,000,000

Table B – General Participants – Base Core Capital Requirement		
Tier 1	\$5,000,000	Clearing for itself or up to one External.
Tier 2	\$10,000,000	Clearing for: <ul style="list-style-type: none">• itself and one External, or• two Externals.
Tier 3	\$15,000,000	Clearing for: <ul style="list-style-type: none">• itself and two Externals, or• three Externals.
Tier 4	\$20,000,000	Clearing for: <ul style="list-style-type: none">• itself and three or more Externals, or• four or more Externals.

In Table B above, "External" means another Participant or a Market Participant.

~~(bii)~~ for a Participant undertaking client written options clearing other than for which specific Cover is lodged, as described in the Procedures, which ASX Clear has determined:

~~A.(i)~~ to be de minimis - \$0;

~~B.(ii)~~ not to be de minimis or material - \$2,500,000;

~~C.(iii)~~ to be material - \$5,000,000.

~~(ciii)~~ for a Participant undertaking own account business, as described in the Procedures, which ASX Clear has determined:

~~A.(i)~~ to be de minimis - \$0;

~~B.(ii)~~ not to be de minimis or material - \$2,500,000;

~~C.(iii)~~ to be material - \$5,000,000.

~~(d)(iv)~~ for a Participant undertaking non-ASX client activity, as described in the Procedures, which ASX Clear has determined:

~~A.(i)~~ to be de minimis - \$0;

~~B.(ii)~~ not to be de minimis or material - \$2,500,000;

~~C.(iii)~~ to be material - \$5,000,000.

~~(3a)~~ For the purpose of Rules S1.2.1~~(1)(b)(ii), (iii) and (iv)(2)(b), (c) and (d):~~

(a) the amounts under those Rules will not apply to Participants determined by ASX Clear to be inactive;

(b) the ~~amount of Core Capital required amounts~~ in respect of a Participant's Core Requirement under those Rules will be assessed quarterly by ASX Clear (or at such other time at ASX Clear's discretion);

(c) where:

~~(i) the Participant is not a Dual Capital Participant;~~

~~(ii) the Participant's Liquid Capital Requirement is the Core Requirement (or becomes the Core Requirement as a result of an assessment referred to in paragraph (b) above); and~~

~~(iii) as a result of an assessment referred to in paragraph (b) above, ASX Clear determines that additional Core Capital is required an increase in the Core Requirement in respect of the Participant under those Rules,~~

~~the Participant will have until the date specified in the notice provided to the Participant of the additional Core Capital required increase in the Core Requirement to ensure that its Core Liquid Capital complies with such additional requirement increase. Subject to paragraph (ed) below, ASX Clear will give not less than 6 months' notice of such additional requirement increase;~~

~~(d) where:~~

~~(i) the Participant is a Dual Capital Participant; and~~

~~(ii) as a result of an assessment referred to in paragraph (b) above, ASX Clear determines an increase in the Core Requirement in respect of the Dual Capital Participant under those Rules.~~

~~the Dual Capital Participant will have until the date specified in the notice provided to the Dual Capital Participant of the increase in the Core Requirement to ensure that its Core Capital complies with such increase. Subject to paragraph (e) below, ASX Clear will give not less than 6 months' notice of such increase;~~

(ed) in the event a Participant fails to lodge, in accordance with Rule S1.2.10(2), a return relevant to the assessment referred to in paragraph (b) above, ASX Clear may give less than 6 months' notice of any ~~additional Core Capital required~~ increase in the Core Requirement.

(43) For the purpose of making a determination on materiality pursuant to Rule S1.2.1 ~~(1)(b)(iii)(C)(2)(c)(iii)~~ and Rule S1.2.1 ~~(1)(b)(iv)(C)(2)(d)(iii)~~, ASX Clear may rely on any self-declaration of materiality provided by the Participant.

Introduced 11/03/04 Amended 01/01/09, 01/01/10, 01/01/12, 01/08/14, 13/11/17, 15/12/17

S1.2.2 Notifying ASX Clear

(1) ~~Unless the~~ A Participant is a Dual Capital Participant, it must notify ASX Clear immediately if its ~~Liquid Capital divided by its Liquid Capital Requirement is equal to or falls below 1.2.~~

(1A) A Participant that is a Dual Capital Participant must notify ASX Clear immediately if its:

(a) Core Capital is at any time less than its Core Requirement; ~~the minimum amount required by Rule S1.2.1(1)(b);~~ or

(b) Liquid Capital divided by its Total Risk Requirement is equal to or falls below 1.2.

(2) A Participant must provide ASX Clear with a return in the form prescribed by ASX Clear disclosing the amount of its Liquid Margin:

(a) no later than one Business Day after notifying ASX Clear under Rule S1.2.2(1) or Rule S1.2.2(1A) (as applicable); and

(b) from then on, either:

(i) weekly, for so long as the amount referred to in Rule S1.2.2(1) or Rule S1.2.2(1A)(b) (as applicable) is equal to or less than 1.2 but greater than 1.1; and

(ii) daily, for so long as the amount referred to in Rule S1.2.2(1) or Rule S1.2.2(1A)(b) (as applicable) is 1.1 or less.

Introduced 11/03/04 Amended 01/01/10

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S1.2.4 Approved Subordinated Debt

(1) A Participant entering into a subordination arrangement may only include an amount owing under such an arrangement in its Liquid Capital if:

(a) the subordination arrangement has the prior approval of ASX Clear under Rules S1.2.4(2) and (3); and

(b) the amount is notified to and approved by ASX Clear prior to being drawn down under the subordination arrangement ~~and complies with Rule S1.2.4(4) where relevant~~.

- (2) ASX Clear will not approve a subordination arrangement unless in the opinion of ASX Clear:
- (a) subject to Rule S1.2.4(6), the amount owing to the lender under the subordination arrangement will not be repaid until all other debts which the Participant owes to any other persons are repaid in full; and
 - (b) the obligation to pay any amount owing under the subordination arrangement is suspended if Rule S1.2.1(1) is no longer complied with.
- (3) ASX Clear will not approve a subordination arrangement unless the Participant has executed an Approved Subordinated Loan Deed in respect of the subordination arrangement.
- (4) [Deleted]
- (5) A Participant must comply with the terms of the Approved Subordinated Loan Deed and any associated agreement to which it, ASX Clear, and the lender are parties and must ensure the lender's compliance with these documents.
- (6) Prior to its Bankruptcy, a Participant may repay an amount owing under an approved subordination arrangement only with the prior approval of ASX Clear.
- (7) ASX Clear will not withhold its approval under Rule S1.2.4(6) if, in the opinion of ASX Clear, the Participant's Liquid Capital divided by its:
- (a) ~~Total Risk Requirement~~Liquid Capital Requirement is capable of continuing to be greater than 1.2 on repayment, for a Participant that is not a Dual Capital Participant; or-
 - (b) Total Risk Requirement is capable of continuing to be greater than 1.2 on repayment, for a Participant that is a Dual Capital Participant.
- (8) The maximum amount of Approved Subordinated Debt that can be included by a Participant in its Liquid Capital is the higher of:
- (a) the amount applicable to the Participant as set out in the Procedures; and
 - (b) if applicable, the amount approved by ASX Clear for the Participant to include in its Liquid Capital under Rule S1.2.4(9).
- (9) For the purpose of Rule S1.2.4(8)(b), if an increase in a Participant's Total Risk Requirement may cause or has caused the Participant to not hold sufficient Liquid Capital under Rule S1.2.1(1), then ASX Clear may give approval for the Participant to include in its Liquid Capital a higher amount of Approved Subordinated Debt than the amount specified in Rule S1.2.4(8)(a).
- (10) For the purpose of Rule S1.2.4(8)(b), an approval by ASX Clear under Rule S1.2.4(9):
- (a) will be effective from the time specified by ASX Clear in connection with the approval, or where no time is specified, from the time of the grant of the approval by ASX Clear;
 - (b) will cease to apply from the time specified by ASX Clear in connection with the approval; and

(c) will be subject to any conditions and limitations that ASX Clear may specify in connection with the approval (including in connection with the effective date for the approval).

(ii) Rules S1.2.4(8), S1.2.4(9) and S1.2.4(10) do not apply to a Dual Capital Participant.

Introduced 11/03/04 Amended 01/01/10, 15/06/15, 13/11/17

S1.2.5 Redeemable Preference Shares

(1) A Participant must not redeem any redeemable Preference Shares issued by it in whole or in part without the prior approval of ASX Clear.

(2) ASX Clear will not withhold its approval under Rule S1.2.5(1) if in the opinion of ASX Clear the Participant's:

(a) Liquid Capital divided by its ~~Total Risk~~Liquid Capital Requirement is capable of continuing to be greater than 1.2 on redemption, for a Participant that is not a Dual Capital Participant; or-

(b) Liquid Capital divided by its Total Risk Requirement is capable of continuing to be greater than 1.2 on redemption, for a Participant that is a Dual Capital Participant.

Introduced 11/03/04

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ANNEXURE 2 LARGE EXPOSURE RISK REQUIREMENT

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2. ISSUER LARGE EXPOSURE RISK REQUIREMENT

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2.2 Overview

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(c) The methods referred to in clause 2.2(b) are summarised in the Tables below:

Table 2

	Equity Method				Risk amount
	Compared to Liquid Capital		Compared to Issue		
Equity Net Position from transaction date	If E equity Net Position is $\leq 25\%$, is a risk amount required?	If E equity Net Position is $> 25\%$, is a risk amount required?	If E equity Net Position is $\leq 5\%$, is a risk amount required?	If E equity Net Position is $> 5\%$, is a risk amount required?	Take the greater of (a) and (b)
	No	Yes (a)	No	Yes (b)	

Table 3

	Debt Method				Risk amount
	Compared to Liquid Capital		Compared to Issue		
Debt Net Position from transaction date	If D ebt Net Position is $\leq 25\%$, is a risk amount required?	If D ebt Net Position is $> 25\%$, is a risk amount required?	If D ebt Net Position is $\leq 10\%$, is a risk amount required?	If D ebt Net Position is $> 10\%$, is a risk amount required?	Take the greater of (a) and (b)
	No	Yes (a)	No	Yes (b)	

Table 4

	Equity and Debt Method		Risk amount
	Compared to Liquid Capital only		
Equity Net Position and Debt Net Position from transaction date	If E equity N et P osition and D ebt N et P osition is $\leq 25\%$, is a risk amount required? No	If E equity N et P osition and D ebt N et P osition is $> 25\%$, is a risk amount required? Yes (c), but only if a zero amount has been calculated in Table 2 or Table 3	Take (c)

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ANNEXURE 3 POSITION RISK REQUIREMENT

PART 1: EQUITY POSITION RISK

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1. EQUITY POSITION RISK AMOUNT

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1.2 Overview of methods

- (a) The standard method and building block method are the two main methods for measuring the equity position risk amount. They are supplemented by other methods, the use of which largely depends on the Financial Instruments in which principal positions are taken.
- (b) In calculating the equity position risk amount, the following methods must be used:

Nature of Positions	Standard Method	Building Block Method	Contingent Loss Matrix Method	Margin-Method	Basic Method	Arbitrage-Method
Physical (not equity derivatives)	Yes.	Yes.	Yes, in conjunction with positions in options.	No.	No.	Yes, subject to certain conditions.
Non-option equity derivatives	Yes, if converted to equity equivalent positions.	Yes, if converted to equity equivalent positions.	Yes, in conjunction with positions in options.	Yes, if exchange-traded and margined and not calculated under any	No.	Yes, if arising as a result of futures-arbitrage-strategy.

				other method.		
Equity Options	Yes, if satisfy relevant criteria and not permitted to use contingent loss matrix method.	Yes, if satisfy relevant criteria and not permitted to use contingent loss matrix method.	Yes. Pricing model must be approved by ASX Clear.	Yes, if exchange-traded and margined, and not calculated under any other method.	Yes, if not permitted to use contingent loss matrix method.	No.

- (c) For the purposes of Part 1 of this Annexure 3, a right over an equity must be treated as an Option position.

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2. STANDARD METHOD

2.1 Application

- (a) Physical Equity positions may be included in the standard method.
- (b) Equity Derivative positions other than Options may be included in the standard method if the positions are converted to Equity Equivalents according to clause 8.
- (c) Equity Derivative positions which are Options may be included in the standard method only if they are purchased positions or if they are written positions which are exchange traded and subject to daily margin requirements and the purchased or written positions are:
- (i) In the Money by at least the relevant standard method Position Risk Factor for the underlying position specified in Table 1.1, Annexure 5; and
 - (ii) converted to Equity Equivalents according to clause 8.

If the above criteria are not met, the Options must be treated under one of the option methods set out in clauses ~~4,5~~ and 6.

Introduced 11/03/04

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3. BUILDING BLOCK METHOD

3.1 Application

- (a) Physical Equity and Equity Derivative positions may be included in the building block method if there are at least 5 long or 5 short Equity Net

Positions in the one country and which are included in Recognised Market Indexes.

- (b) Equity Derivative positions other than Options may be included in the building block method if the positions are converted to Equity Equivalents according to clause 8.
- (c) Equity Derivative positions which are Options may be included in the building block method only if they are purchased positions or if they are written positions which are exchange traded and subject to daily margin requirements and the purchased or written positions are:
 - (i) In the Money by at least the relevant standard method Position Risk Factor for the underlying position specified in Table 1.1, Annexure 5; and
 - (ii) converted to Equity Equivalents according to clause 8.

If the above criteria are not met, the Options must be treated under one of the option methods set out in clauses 4, 5 and 6.

Introduced 11/03/04

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5. MARGIN METHOD ~~[DELETED]~~

5.1 Application ~~[Deleted]~~

~~Equity Derivative positions which are exchange traded and have a positive Primary Margin Requirement must be included in the margin method if the Participant:~~

~~(a) has not been approved by ASX Clear to use the contingent loss matrix method; and~~

~~(b) is not permitted to use any of the other Methods set out in clause 1.2 of this Annexure 3.~~

Introduced 11/03/04

5.2 Method ~~[Deleted]~~

~~(a) The position risk amount for Equity Derivative positions under the margin method is 100% of the Primary Margin Requirement for those Equity Derivative positions as determined by the relevant exchange or clearing house multiplied by 4.~~

~~(b) Deleted~~

Introduced 11/03/04

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7. **ARBITRAGE METHOD [DELETED]**

7.1 **Application [Deleted]**

~~Equity Derivative positions arising as a result of Futures arbitrage strategies may be included in the arbitrage method if the Participant has a position in:~~

- ~~(a) two Futures over similar indexes; or~~
- ~~(b) a Future over a broadly based index and a position in a matching physical basket;~~

~~and if the requirements set out below are satisfied.~~

Introduced 11/03/04

7.2 **Method - similar indexes [Deleted]**

~~A Participant's position risk amount for a position in two Futures over similar indexes is 2% of the Equity Equivalent of one of the Futures over an index position at the mark to market value but only if the Participant:~~

- ~~(a) has an opposite position in a Future over the same index at a different date or in a different market; or~~
- ~~(b) has an opposite position in a Future at the same date in a different but similar index (where two indexes are similar if they contain sufficient common components that account for at least 70% of each index.~~

~~The position risk amount for the opposite Future position is nil.~~

Introduced 11/03/04

7.3 **Method - a broadly based index and a matching basket of the stocks from that index [Deleted]**

~~A Participant may calculate the position risk amount for a Future over an index and a position in a matching physical basket under one of two possible methodologies:~~

- ~~(a) the position in the Future over an index may be disaggregated into the notional physical positions and the position risk amount for these notional positions and the physical basket may then be calculated in accordance with the standard method or building block method for equity positions; or~~
- ~~(b) 2% of the mark to market value of the Future over the index if:
 - ~~(i) the arbitrage trades have been specifically entered into and are separately monitored over the life of the arbitrage;~~
 - ~~(ii) the mark to market value of the physical basket is greater than 80% and less than 120% of the mark to market value of the notional position in the Future over the index; and~~~~

~~(iii) — the sum of the index weights of the individual positions in the required physical basket is greater than 70% of the Future over the index, where the required physical basket is calculated by:~~

~~A. — ranking all mark to market positions in the physical basket in ascending dollar value;~~

~~B. — converting each dollar value position to a percentage of the total dollar value of the physical basket; and~~

~~C. — adding the percentages in ascending order until the total of these percentages exceeds 70%.~~

Introduced 11/03/04

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9. CALCULATION OF EQUITY NET POSITIONS

The Equity Net Positions are either the long or short positions resulting from offsetting equity positions and Equity Equivalents calculated in the following way:

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PART 2 - DEBT POSITION RISK

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10. DEBT POSITION RISK AMOUNT

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10.2 Overview of methods

- (a) The standard method and building block method are the two main methods for measuring the debt position risk amount. They are supplemented by other methods, the use of which largely depends on the Financial Instruments in which principal positions are taken.
- (b) In calculating the debt position risk amount, the following methods must be used:

Nature of Positions	Standard Method	Building Block Method	Contingent Loss Matrix Method	Margin Method	Basic Method
Physical (not debt derivatives)	Yes.	Yes.	Yes, in conjunction with positions in options.	No.	No.
Non-option debt derivative	No.	Yes, if converted to debt equivalent positions.	Yes, in conjunction with positions in options.	Yes, if exchange traded and margined and not calculated under any other method.	No.
Debt Options	No.	Yes, if satisfy relevant criteria and not permitted to use contingent loss matrix method.	Yes. Pricing model must be approved by ASX Clear.	Yes, if exchange traded and margined and not calculated under any other method.	Yes, if not permitted to use contingent loss matrix method.

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12. BUILDING BLOCK METHOD

12.1 Application

- (a) Physical Debt Instrument positions may be included in the building block method.
- (b) Debt Derivative positions other than Options may be included in the building block method if the positions are converted to Debt Equivalents according to clause 16.
- (c) Debt Derivative positions which are Options may be included in the building block method only if they are purchased positions or if they are written positions which are exchange traded and subject to daily margin requirements and the purchased or written positions are:
 - (i) In the Money by at least the relevant standard method Position Risk Factor for the underlying position specified in Table 1.2, Annexure 5; and
 - (ii) converted to Debt Equivalents according to clause 16.

If the above criteria are not met, the Options must be treated under one of the option methods referred to in clauses 13, ~~14~~ and 15.

Introduced 11/03/04

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14. **MARGIN METHOD ~~[DELETED]~~**

14.1 **Application ~~[Deleted]~~**

~~Debt Derivative positions which are exchange traded and have a positive Primary Margin Requirement must be included in the margin method if the Participant:~~

~~(a) has not been approved by ASX Clear to use the contingent loss matrix method; and~~

~~(b) is not permitted to use any of the other methods referred to in clause 10.2 of this Annexure 3.~~

Introduced 11/03/04

14.2 **Method ~~[Deleted]~~**

~~(a) The position risk amount for Debt Derivative positions under the margin method is 100% of the Primary Margin Requirement for those Debt Derivative positions as determined by the relevant exchange or clearing house in respect of each position multiplied by 4.~~

~~(b) Deleted~~

Introduced 11/03/04

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17. **CALCULATION OF DEBT NET POSITIONS**

The ~~D~~ebt ~~N~~et ~~P~~osition is either the long or short position resulting from offsetting positions in Debt Instruments and Debt Derivatives in the following way:

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ANNEXURE 5 TABLES

1. POSITION RISK

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Table 1.5

Rated Investment Grades		
	Minimum Ratings	
	<u>Securities Long Term</u>	<u>Money Market Obligations Short Term</u>
For all issuers		
Moody's Investors Services	Baa3	P-3
S&P Global Ratings Standard & Poors Corporation	BBB-	A-3
Fitch Ratings IBCA Ltd	BBB-	F-3
For all banks, building societies and subsidiaries of banks (not otherwise eligible as Qualifying Debt Instruments)		
Thomson Financial Bank Watch	BBB-	TBW-3
For Canadian Issuers		
Canadian Bond Rating Service	B++low	A-3
Dominion Bond Rating Service	BBB low	R-2
For Japanese Issuers		
Japan Credit Rating Agency Ltd	BBB-	J-2
Nippon Investor Services Inc	BBB-	a-3
The Japan Bond Research Institute	BBB-	A-2
Mikuni & Co	BBB	M-3
Fitch Investors Services Inc	BBB-	F-3
For United States Issuers		
Duff & Phelps Inc	BBB-	3
Fitch Investors Services Inc	BBB-	F-3

Table 1.6

Recognised Market Indexes			
Country	Index	Country	Index
Australia	S&P/ASX 200	Netherlands	EOE 25 AEX
Austria	ATX	<u>Singapore</u>	<u>Straits Times Index</u>
Belgium	BEL 20	Spain	IBEX 35
Canada	S&P/TSX 60 TSE 35	Sweden	OMXS30
France	CAC 40	Switzerland	SMI
Germany	DAX	UK	FTSE 100, FTSE mid-250
Hong Kong	Hang Seng	USA	S&P 500
Italy	FTSE MIB MIB 30		
Japan	Nikkei 225		

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2. COUNTERPARTY RISK

Table 2.1

Risk Weightings	
	Counterparty
Central b Bank	0%
Central and s State g Government	10%
Banks Local g Governments Approved Deposit Taking Institutions (other than b Banks) <u>ASX Clear Participants that comply with the Risk Based Capital Requirements</u> — ASX Clear Participants — ASX Market Participants <u>Market participants that comply with the Risk-Based Capital Requirements as defined in the ASIC Market Integrity Rules (Capital) 2021 (as amended from time to time)</u>	20%
Approved Institutions NTA Requirements — ASX Clear Participants — ASX Market Participants <u>Participants of ASX Clear (Futures) Pty Limited that are not banks</u>	50%
Other	100%

In Table 2.1, references to ~~c~~Central ~~b~~Banks and ~~g~~Governments are references to OECD ~~c~~Central ~~b~~Banks and ~~g~~Governments. Non-OECD ~~c~~Central ~~b~~Banks and ~~g~~Governments are within the 'other' category of risk weighting.

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3. OTHER

Table 3.1

Recognised Non European Regulator	
Country	Regulator
Australia	Australian Securities Exchange Limited
Canada	Investment Industry Regulatory Organization of Canada Alberta Stock Exchange Montreal Exchange Toronto Stock Exchange Vancouver Stock Exchange Investment Dealers Association of Canada
Hong Kong	Hong Kong Monetary Authority Hong Kong Securities and Futures Commission
Japan	Financial Services Agency
New Zealand	New Zealand Stock Exchange
Singapore	Monetary Authority of Singapore Singapore Exchange Securities Trading Limited* The Central Depository (Pte) Limited* Singapore Exchange Derivatives Trading Limited* Singapore Exchange Derivatives Clearing Limited* <i>* Regulatory functions for SGX group undertaken by Singapore Exchange Regulation Pte Ltd (SGX RegCo)</i> Stock Exchange of Singapore
South Africa	Bond Exchange of South Africa Johannesburg Stock Exchange South African Futures Exchange
United States	Securities and Exchange Commission Commodity and Futures Trading Commission Financial and Industry Regulatory Authority

Table 3.2

Recognised European Regulator	
Country	Regulator
Austria	Bundesministerium für Finanzen (Federal Ministry of Finance, Banking, Stock Exchange and Capital Market Supervision) Bundes-Wertpapieraufsicht (Austrian Securities Authority) <u>Financial Market Authority</u>
Belgium	Commission Bancaire et Financière <u>Financial Services and Markets Authority</u>
Finland	Financial Supervisory <u>Supervision</u> Authority
France	Autorité des marchés financiers (AMF) Comité des établissements de crédit et des entreprises d'investissements
Germany	Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority)
Greece	The Bank of Greece The <u>Hellenic</u> Capital Market Commission
Iceland	Central Bank of Iceland
Ireland	Central Bank of Ireland
Italy	Banca d'Italia Commissione Nazionale per le Società e la Borsa (CONSOB)
Liechtenstein	Financial Market Authority <u>Dienststelle für Bankenaufsicht</u>
Luxembourg	Commission de Surveillance du Secteur Financier <u>Institute Monétaire Luxembourgeois</u>
Netherlands	Autoriteit Financiële Markten (AFM) (The Netherlands Authority for the Financial Markets) Securities Board of the Netherlands
Norway	Finanstilsynet (Financial Supervisory Authority of Norway) Kredittilsynet (the Banking, Insurance and Securities Commission of Norway)
Portugal	Banco de Portugal (Central Bank)
Spain	Banco de Espana (for Banks and Credit Institutions). <u>Comision Nacional del Mercado de Valores (National Securities Market Commission)</u>

<u>Switzerland</u>	<u>Swiss Financial Market Supervisory Authority</u>
United Kingdom	<u>Prudential Regulation Authority (a division of the Bank of England)</u> <u>Financial Services Authority</u>

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Attachment B

ASX CLEAR OPERATING RULES PROCEDURES

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SCHEDULES TO ASX CLEAR OPERATING RULES

PROCEDURE S1.2.1 CORE CAPITAL, LIQUID CAPITAL, ~~AND~~ TOTAL RISK REQUIREMENT AND LIQUID CAPITAL REQUIREMENT

1. For the purposes of Rule S1.2.1-~~(i)(b)(ii)(2)(b)~~:
 - (a) client written options clearing is activity undertaken by a Participant which involves clearing of a written Options Market Contract registered in a Client Account of the Participant;
 - (b) specific Cover is lodged for a written Call Option if, in accordance with paragraph 2.2.1(iii) of Annexure 1 to the Procedures, the outcome of such lodgement is that ASX Clear does not call margins in respect of such Call Option.
2. For the purposes of Rule S1.2.1-~~(i)(b)(iii)(2)(c)~~, own account business is activity undertaken by a Participant which involves:
 - (a) dealing in, or Underwriting, a financial product on its own behalf; or
 - (b) dealing in a financial product on behalf of a Related Body Corporate where the Participant has funded such dealing.
3. For the purposes of Rule S1.2.1-~~(i)(b)(iv)(2)(d)~~, non-ASX client activity is activity undertaken by a Participant which involves:
 - (a) dealing in a financial product on behalf of a client, where the transaction or contract under such dealing is not cleared by ASX Clear or ASX Clear (Futures) Pty Limited;
 - (b) issuing a financial product to a client;
 - (c) providing a credit facility to a client; or
 - (d) disposing of a financial product to a client as part of a securities lending service.
4. ASX Clear may, at its discretion, exclude activities which fall within the descriptions of own account business or non-ASX client activity in paragraphs (2) or (3) above, from its assessment of own account business or non-ASX client activity undertaken by a Participant for the purposes of Rules S1.2.1-~~(i)(b)(iii)(2)(c)~~ or S1.2.1-~~(i)(b)(iv)(2)(d)~~.
5. Where activity undertaken by a Participant falls within both the descriptions of own account business and non-ASX client activity in paragraphs (2) and (3) above, ASX Clear will choose, at its discretion, whether such activity should be included in its assessment of:

- (a) own account business undertaken by the Participant for the purposes of Rule S1.2.1-~~(1)(b)(iii)(2)(c)~~; or
- (b) non-ASX client activity undertaken by the Participant for the purposes of Rule S1.2.1-~~(1)(b)(iv)(2)(d)~~,

so that the same activity is not assessed under both of those Rules.

PROCEDURE S1.2.4 APPROVED SUBORDINATED DEBT

For the purpose of Rule S1.2.4(8)(a), the amount of Approved Subordinated Debt that can be included by a Participant in its Liquid Capital is limited to the amount applicable to the Participant under the table below, based on the Participant’s Core Capital at the relevant time:

<u>Participant’s Core Capital</u>	<u>Approved Subordinated Debt limit</u>
<u>Up to and including \$5 million</u>	<u>Zero</u>
<u>Over \$5 million and up to and including \$20 million</u>	<u>100% of (Core Capital minus \$5 million)</u>
<u>Over \$20 million and up to and including \$40 million</u>	<u>\$15 million plus 300% of (Core Capital minus \$20 million)</u>
<u>Over \$40 million</u>	<u>\$75 million plus 500% of (Core Capital minus \$40 million)</u>

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