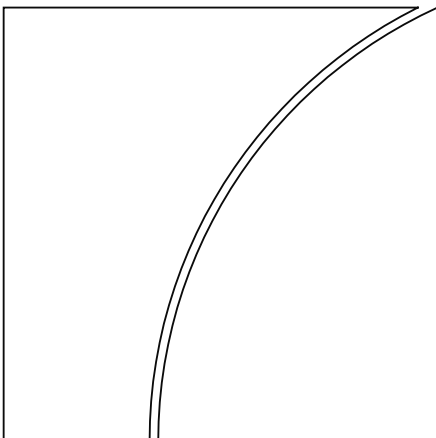


Committee on  
Payments and Market  
Infrastructures

Board of the International  
Organization of Securities  
Commissions



Implementation  
monitoring of PFMI:  
Level 2 assessment  
report for Australia

December 2015



BANK FOR INTERNATIONAL SETTLEMENTS



**OICU-IOSCO**

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## 1. Executive summary

In April 2012, the Committee on Payments and Market Infrastructures (CPMI<sup>1</sup>) and the International Organization of Securities Commissions (IOSCO) issued the *Principles for financial market infrastructures* (PFMI).<sup>2</sup> The principles within the PFMI (the Principles) set expectations for the design and operation of key financial market infrastructures (FMIs) to enhance their safety and efficiency and, more broadly, to limit systemic risk and foster transparency and financial stability. The Principles apply to all systemically important payment systems (PSs), central securities depositories (CSDs), securities settlement systems (SSSs), central counterparties (CCPs) and trade repositories (TRs) (collectively FMIs). These FMIs collectively clear, settle and record transactions in financial markets. In line with the G20's expectations, CPMI and IOSCO members have committed to implement and apply the PFMI in their respective jurisdictions.

Following the publication of the PFMI, the CPMI and IOSCO agreed to monitor their implementation in 28 jurisdictions that are members of the Financial Stability Board (FSB), the CPMI or IOSCO.<sup>3</sup> To this end, the CPMI-IOSCO Steering Group<sup>4</sup> established a standing working-level group (the Implementation Monitoring Standing Group (IMSG)) to design, organise and carry out the implementation monitoring assessments.<sup>5</sup>

The implementation monitoring programme is proceeding at three levels: a Level 1 assessment of the status of the implementation process; a Level 2 assessment of the completeness of the implemented framework and its consistency with the PFMI; and a Level 3 assessment of the consistency in outcomes of such frameworks.<sup>6</sup> While in the case of the Principles, Level 2 and Level 3 assessments have proceeded separately, in the case of the Responsibilities the IMSG considered it more appropriate and more efficient to carry out a combined Level 2 and Level 3 assessment.<sup>7</sup>

This report presents the CPMI and IOSCO conclusions of a Level 2 assessment of whether, and to what degree, the content of the legal, regulatory and oversight frameworks, including rules and

<sup>1</sup> The Committee on Payment and Settlement Systems (CPSS) changed its name to the Committee on Payments and Market Infrastructures (CPMI) on 1 September 2014. Please note that references to reports published before that date use the Committee's old name.

<sup>2</sup> The April 2012 CPSS-IOSCO *Principles for financial market infrastructures* can be found on the websites of the BIS at <http://www.bis.org/cpmi/publ/d101.htm> and International Organization of Securities Commissions (IOSCO) at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD377.pdf>.

<sup>3</sup> The 28 jurisdictions that are participating in the PFMI implementation monitoring exercise are: Argentina, Australia, Belgium, Brazil, Canada, Chile, China, the European Union, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

<sup>4</sup> The Steering Group comprises a subset of the members of the CPMI and the IOSCO Board, and is responsible for providing operational guidance on behalf of the parent committees on joint CPMI-IOSCO work.

<sup>5</sup> The IMSG comprises representatives from 18 jurisdictions that reflect a balance of CPMI and IOSCO members and geographical dispersion, as well as a range of domestic and global FMIs' supervisors and overseers.

<sup>6</sup> To date, the IMSG has completed Level 1 assessments of all 28 jurisdictions' implementation of both the Principles and the Responsibilities, across all FMI types, as well as Level 2 assessments of the implementation of the Principles in respect of CCPs and TRs in the European Union, Japan and the United States. The CPMI and IOSCO recently announced the commencement of the first Level 3 assessment of the implementation of the Principles; this review will focus on a subset of Principles in the PFMI that relate to financial risk management by CCPs, including certain practices related to governance, stress testing, margin, liquidity, collateral and recovery. This first review will consider outcomes achieved in this area by examining a number of globally and locally active CCPs that clear derivative products (both exchange-traded and over-the-counter (OTC)). More information is available at [http://www.bis.org/cpmi/info\\_mios.htm?m=3%7C16%7C599](http://www.bis.org/cpmi/info_mios.htm?m=3%7C16%7C599).

<sup>7</sup> CPMI-IOSCO, *Assessment and review of application of Responsibilities for authorities*, November 2015, <http://www.bis.org/cpmi/publ/d139.htm>.

regulations, any relevant policy statements, or other forms of implementation applied to systemically important payment systems, CSDs/SSSs, CCPs and TRs in Australia, are complete and consistent with the Principles. It should be noted that Level 2 assessments do not evaluate whether FMIs are in observance with these measures, nor does it assess the effectiveness of the application of the legal and regulatory or oversight framework to FMIs by authorities (for example, through supervisory practices).

The work on the Level 2 assessment was carried out as a peer review during 2015. The assessment reflects the status of the Australian legal, regulatory and oversight framework as of 15 May 2015. Accordingly, assessment ratings reflect the implementation measures in place as of 15 May; other measures that were introduced after this date, or other material developments, are noted where relevant but were not considered in assigning ratings of consistency.

## 1.1 Legal and regulatory framework

The authorities responsible for regulation, supervision and oversight of FMIs in Australia are the Reserve Bank of Australia (RBA) and the Australian Securities and Investments Commission (ASIC).

The RBA has sole responsibility for PSs, while ASIC has sole responsibility for TRs. ASIC and the RBA have co-regulatory responsibilities for CCPs and CSDs/SSSs based on the legal framework of the Corporations Act.<sup>8</sup> The RBA is responsible for ensuring compliance with the Financial Stability Standards and reduction of systemic risk, while ASIC is responsible for ensuring compliance with the remaining obligations under the Corporations Act. With regard to CCPs and CSDs/SSSs, licensing authority rests ultimately with the responsible Minister within the Treasury portfolio.

The RBA's role in relation to the regulation and oversight of payment systems is clearly set out in the Reserve Bank Act. This grants the Payments System Board (PSB) the power to set the RBA's payments system policy. It also gives the PSB governance over the RBA's role in the supervision of CCPs and CSDs/SSSs.

The Corporations Act establishes a licensing regime for TRs. ASIC is responsible for administering this regime and supervising any TRs licensed under this regime.

## 1.2 Key findings of the assessment

### *Payment systems*

The Assessment Team (AT) concluded that the Principles have been implemented in a complete and consistent manner through a policy statement which sets out, amongst other things, that the RBA will assess Australia's systemically important payment system against the Principles on an annual basis. As the only systemically important payment system in Australia is operated by the RBA, some elements/key considerations of the Principles are not applied. This approach is consistent with paragraph 1.23 of the PFMI, as elaborated in the CPMI-IOSCO guidance note *Application of the Principles for financial market infrastructures to central bank FMIs*.

### *Central counterparties*

The AT concluded that the implementation measures are consistent or broadly consistent with the Principles.

<sup>8</sup> Corporations Act 2001, <https://www.comlaw.gov.au/Details/C2015C00336>.

The AT observed some gaps between the Australian regulatory framework and the Principles. As elaborated in Section 4.1.3, these gaps relate to the implementation of Principles 15 (general business risk), 21 (efficiency and effectiveness) and 22 (communication procedures and standards).

#### *Central securities depositories / securities settlement systems*

The AT concluded that the regulations are consistent or broadly consistent with the Principles.

The AT observed some gaps between the Australian regulatory framework and the Principles. As elaborated in Section 4.1.5, these gaps relate to the implementation of Principles 15 (general business risk), 21 (efficiency and effectiveness) and 22 (communication procedures and standards).

#### *Trade repositories*

The AT concluded that the regulations are consistent or broadly consistent with the Principles.

The AT observed some gaps between the Australian regulatory framework and the Principles. As elaborated in Section 4.1.6, these gaps relate to the implementation of Principles 1 (legal risk), 2 (governance), 15 (general business risk), 17 (operational risk) and 20 (FMI links).

### 1.3 Summary response from the assessed jurisdiction's authorities

The RBA and ASIC welcome the assessment of the CPMI-IOSCO Implementation Monitoring Standing Group and thank the AT for their diligent work. The RBA and ASIC will consider the AT's findings and recommendations in any future reviews of their respective regulatory frameworks.

As acknowledged in this report, in implementing the PFMI within the Australian regulatory framework, the Australian regulators have sought to achieve a high level of consistency with the Principles. This is increasingly important, given the cross-border nature of FMIs' activities.

In applying the Principles, the Australian regulators have found these standards to be a sound basis for assessing the resilience of FMIs and promoting enhancements to their design and operations.

In respect of TRs, the AT has identified some areas in which it believes that differences between the Australian regulatory regime and PFMI mean that the Australian regulatory regime for TRs is not considered to be fully consistent with the PFMI. In developing rules for TRs, ASIC closely modelled its rules on the PFMI. ASIC believes any divergence between the Australian regulatory regime for TRs and PFMI resulted from the need to draft rules consistent with ASIC style and the Australian approach to legislative drafting. ASIC will consider the recommendations made by the AT. However, ASIC believes that the regulatory framework for TRs in Australia does in practice achieve the objectives of the PFMI.

## 2. Introduction

This report presents the CPMI and IOSCO conclusions of the Level 2 assessment of the Principles for Australia across all FMI types. The assessment reflects the status of the Australian legal, regulatory and oversight framework as of 15 May 2015. This assessment was conducted as a peer review from June to October 2015.<sup>9</sup> Accordingly, assessment ratings reflect the implementation measures in place as of 15 May; other measures that were introduced after this date, or other material developments, are noted where relevant but were not considered in assigning ratings of consistency.

This assessment is part of the Level 2 assessments that focus on the legal, regulatory and oversight frameworks implementing the Principles applicable to all FMI types in the 28 jurisdictions that are participating in the PFMI implementation monitoring exercise. For practical reasons, the Level 2 assessments are being carried out sequentially for groups of jurisdictions that have reported that final implementation measures for the Principles are in force, corresponding to the maximum rating in the Level 1 assessments.<sup>10</sup>

The counterparts for the assessment were the RBA and ASIC, as these are the two authorities responsible for the regulation, supervision and oversight of FMIs in Australia.

### 2.1 Broader context of the Level 2 assessment

In line with the G20's expectations, CPMI and IOSCO members have undertaken to incorporate the Principles and the Responsibilities included in the PFMI in their legal and regulatory frameworks. The CPMI and IOSCO regard full, timely and consistent implementation of the PFMI as fundamental to ensuring the safety and soundness of FMIs, avoiding regulatory arbitrage, and supporting the resilience of the global financial system.

To that end, the CPMI and IOSCO have been actively monitoring the implementation of the PFMI based on a monitoring framework that involves assessment at three levels:

- (1) Level 1, to assess whether jurisdictions have completed the process of adopting the legislation, regulations and other policies that will enable them to implement the Principles and Responsibilities;
- (2) Level 2, to assess whether the content of legislation, regulations and policies (the regulatory framework) is complete and consistent with the Principles and the Responsibilities; and
- (3) Level 3, to assess whether there is consistency in the outcomes of implementation of the Principles and Responsibilities.

The Level 1 exercise covered jurisdictions' adoption of both the Principles and Responsibilities, across all FMI types, and was based on a self-assessment by the jurisdictions. The Level 2 and Level 3 assessments of the Principles and the Responsibilities, by contrast, have been conducted as peer reviews across jurisdictions and in much greater detail.

The Principles assessments are ongoing, and are being considered separately at Level 2 and Level 3. For the Responsibilities, the IMSG has combined the Level 2 and Level 3 assessments into a

<sup>9</sup> The CPMI and IOSCO thank the Assessment Team, which was led by Andy Sturm (Swiss National Bank) with the participation of Sophie Lefebvre (Bank of Canada), Patricia Saenz De Maturana (European Commission), Clement Martin (Bank of France), Shashi Kumar Valsakumar (Securities and Exchange Board of India), Sarah Parkinson (Bank of England) and Kathy Wang (Federal Reserve Board) as well as Tze Hon Lau (CPMI Secretariat), Manabu Kishimoto (IOSCO Secretariat) and Vijayakumar Kandiyil (CPMI Secretariat) as supporting members.

<sup>10</sup> CPMI-IOSCO, *Implementation monitoring of PFMI: Second update to Level 1 assessment report*, June 2015, <http://www.bis.org/cpmi/publ/d129.htm>.



single exercise. The IMSG focused therefore on both the measures taken by the relevant authority to fulfil the Responsibilities, including its powers and the framework and processes in place to meet the requirements under the Responsibilities (Level 2), and how these measures translated into observed outcomes (Level 3).

The CPMI and IOSCO have conducted three Level 1 assessments since the publication of the PFMI. The initial assessment was published in August 2013<sup>11</sup> and the first update was published in May 2014,<sup>12</sup> followed by the second update in June 2015<sup>13</sup>. Overall, the second update shows that good progress has been made by the 28 participating jurisdictions since the previous update in completing the process of adopting legislation, regulations and/or policies to support implementation of the PFMI. The Level 1 assessments also showed that jurisdictions have implemented, or are in the process of implementing, the PFMI in different ways. Depending on the national legal and regulatory or oversight framework, some jurisdictions use a policy-based approach (ie rely on a policy statement as the primary tool for adopting the PFMI), some use a rules-based approach (ie rely on rules and/or regulations corresponding to the PFMI) and others combine these two approaches.

In this respect, both the RBA and ASIC can be described as having adopted a mixture of policy-based and/or rules-based approaches for implementing the Principles for the different FMI types.<sup>14</sup>

The CPMI and IOSCO will continue to monitor jurisdictions' progress in implementing the Principles and Responsibilities in future assessments.

## 2.2 Objective and rating

The aim of the Level 2 assessment is to determine whether, and to what degree, the content of the legal and regulatory or oversight framework, including any relevant policy statements or other forms of implementation, applied in Australia is complete and consistent with the Principles. The focus of the Level 2 assessment is on the relevant framework itself, not on the application of this framework by authorities, nor on the FMIs' observance.

Any planned regulatory changes that Australia has for improving the degree of consistency with the Principles are also discussed in the assessment but were not considered in assigning ratings of consistency.

In conducting the assessment, the CPMI and IOSCO assessed whether there are gaps or shortcomings between implementation measures and the Principles and, if so, evaluated the materiality of the potential impact of those gaps. Ratings were then assigned based on these determinations to reflect the degree of completeness and consistency between an implementation measure and a particular Principle.

The rating framework used in Level 2 assessments (Table 1) is an adaptation of the approach described in the PFMI Assessment Methodology (AM).<sup>15</sup> In order to reflect the fact that the purpose of

<sup>11</sup> CPSS-IOSCO, *Implementation monitoring of PFMI – Level 1 assessment report*, August 2013, <http://www.bis.org/cpmi/publ/d111.htm>.

<sup>12</sup> CPSS-IOSCO, *Implementation monitoring of PFMI: first update to Level 1 assessment report*, May 2014, <http://www.bis.org/cpmi/publ/d117.htm>.

<sup>13</sup> CPMI-IOSCO, *Implementation monitoring of PFMI: Second update to Level 1 assessment report*, June 2015, <http://www.bis.org/cpmi/publ/d129.htm>.

<sup>14</sup> Refer to Section 3 for the overview of the regulatory, supervisory and oversight framework in Australia.

<sup>15</sup> CPSS-IOSCO, *Principles for financial market infrastructures: Disclosure framework and assessment methodology*, December 2012, <http://www.bis.org/cpmi/publ/d106.htm>.

the Level 2 assessment is to evaluate the completeness and consistency of a jurisdiction's implementation measures, rather than whether FMIs in the jurisdiction are in observance of the Principles, the rating levels are: "Consistent", "Broadly consistent", "Partly consistent", "Not consistent" and "Not applicable".

Status rating of the Level 2 assessment		Table 1
<b>Consistent</b>	The jurisdiction's regulatory framework is consistent with the Principle. The assessment has identified no gaps or shortcomings, or only a few gaps and/or shortcomings that have no material impact on completeness and/or consistency.	
<b>Broadly consistent</b>	The jurisdiction's regulatory framework is broadly consistent with the Principle. The assessment has identified gaps and/or shortcomings that have a minor impact on completeness and/or consistency.	
<b>Partly consistent</b>	The jurisdiction's regulatory framework is partly consistent with the Principle. The assessment has identified gaps and/or shortcomings that have a significant impact on completeness and/or consistency.	
<b>Not consistent</b>	The jurisdiction's regulatory framework is not consistent with the Principle. The assessment has identified gaps and/or shortcomings that have a major impact on completeness and/or consistency.	
<b>NA – No implementation measures needed (ie not applicable)</b>	This status corresponds to the case where no relevant FMI exists that is within the scope of the Principles. A rating of "NA" will be indicated only if no relevant regulatory measures are being taken and no such FMI is expected to develop within the jurisdiction.	

## 2.3 Scope

This report covers implementation measures in Australia for CCPs, PSs, CSDs/SSSs, and TRs. The main implementation measures assessed for Australia comprise: the RBA's and ASIC's *Joint Statement on Implementing the CPSS-IOSCO PFMI in Australia*; the RBA's *Financial Stability Standards for Central Counterparties* and *Financial Stability Standards for Securities Settlement Facilities*; and ASIC's *Regulatory Guide (RG) 211* for clearing and settlement facilities and *RG 249* for derivative trade repositories. These policy statements or regulations build on a number of relevant acts, most notably the Corporations Act 2001; the ASIC Act 2001; the Reserve Bank Act 1959; the Payment Systems (Regulation) Act 1998; the Payment Systems and Netting Act 1998; and the Cheques Act 1986.

The assessed legal, regulatory and oversight frameworks are further described in Section 3.

## 2.4 Process

This Level 2 assessment was carried out in three stages over the course of six months, and the methodology used was the same as the one used for previous Level 2 assessments. In developing its methodology, the IMSG drew heavily on the AM, published in December 2012. The assessment proceeded as follows:

- (i) Collection of information based on the Australian authorities' responses to questionnaires;
- (ii) Off-site review and follow-up exchange of information and discussions with the Australian authorities and other members of the IMSG;
- (iii) Review of ratings by and contributions from the Australian authorities.

The aim was to gain insight into the regulatory, supervisory and oversight framework as well as the content of existing and proposed legislation, regulations and policies used in the implementation of the Principles for all FMI types established in Australia.

The AT conducted a peer review based on the information provided by the relevant authorities as noted above. The assessment process was designed to be iterative in nature. Interactions between the AT members and Australian authorities helped ensure that the AT understood the content and intent of the Australian framework and allowed the assessed jurisdiction an opportunity to provide feedback to the AT. In addition, discussions with other members of the IMSG helped ensure that a consistent approach was applied across all assessed FMI types and that the approach was consistent with that applied in previous assessments.

The report also reflects input from the Australian authorities that reviewed the findings and recommendations and provided a jurisdictional response. A concise summary of the views of the Australian authorities is included in the executive summary section of the report.

### 3. Overview of the regulatory, supervisory and oversight framework

The authorities responsible for regulation, supervision and oversight of FMIs in Australia are the RBA and ASIC. Responsibilities are allocated between the two authorities by type of FMI.

The RBA has sole responsibility for PSs, while ASIC has sole responsibility for TRs. The RBA and ASIC, however, have joint responsibility for regulating, supervising and overseeing CCPs and CSDs/SSSs – with responsibility for individual Principles clearly allocated to both or just one of the authorities.<sup>16</sup> Licensing authority for CCPs and CSDs/SSSs, including powers to issue or revoke exemptions, rests ultimately with the responsible Minister.

#### 3.1 Payment systems

In Australia, payment systems, including systemically important payment systems, are regulated, supervised and overseen by the RBA. The RBA's regulatory role is set out in four separate acts: the Reserve Bank Act 1959; the Payment Systems (Regulation) Act 1998; the Payment Systems and Netting Act 1998; and the Cheques Act 1986.

The Reserve Bank Act 1959 requires that the PSB determine the RBA's payment system policy in a way that best contributes to: controlling risk in the financial system; promoting safety and efficiency in payment systems; and promoting competition in the market of payment services, consistent with the overall stability of the financial system. The Payment Systems (Regulation) Act 1998 gives the RBA powers to regulate payment systems and purchased payment facilities.<sup>17</sup> This act allows the RBA to obtain information from payment system operators and participants, to designate a payment system and to set access regimes and standards for designated payment systems.<sup>18</sup> Further, under the Payment Systems and Netting Act 1998, the RBA is able to ensure legal certainty in settlement finality in approved real-time gross settlement (RTGS) systems and netting arrangements.

The RBA considers that the only domestic payment system that meets the criteria for systemic importance is the Reserve Bank Information and Transfer System (RITS), Australia's RTGS payment system operated by the central bank.<sup>19</sup> Because the RBA has determined that effective oversight can be assured by internal governance arrangements within the RBA that separate operational and oversight functions, the RBA has concluded that powers under the Payment Systems (Regulation) Act 1998 are not needed to underpin the PSB's oversight of RITS.

<sup>16</sup> For more information on the allocation of responsibilities between the regulators in implementing and overseeing the CPSS-IOSCO Principles, see Appendix 2 of RG 211 Clearing and settlement facilities: Australian and overseas operators. ASIC RG 211, Clearing and settlement facilities: Australian and overseas operators, 18 December 2012, <http://www.asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-211-clearing-and-settlement-facilities-australian-and-overseas-operators/>.

<sup>17</sup> Purchased payment facilities are facilities that consumers pre-purchase and then use to make various payments (eg stored value cards).

<sup>18</sup> To date, these powers have been used solely in the retail space.

<sup>19</sup> Note that Continuous Link Settlement Bank (CLS Bank) has been identified as systemically important by the RBA. Since CLS Bank is not a domestic payment system, the RBA relies on the cooperative oversight approach coordinated by the US Federal Reserve.

In February 2013, the RBA and ASIC published a Joint Statement<sup>20</sup> explaining how the PFMI had been implemented in Australia. In the Joint Statement, the RBA committed to applying the PFMI in its ongoing oversight of RITS and publishing annual assessments of RITS against the PFMI.

### 3.2 Central counterparties, central securities depositories and securities settlement systems

The RBA and ASIC have co-regulatory responsibilities for CCPs and CSDs/SSSs under the Corporations Act 2001 (Corporations Act). In Australia, a facility offering either CSD or SSS services is called a securities settlement facility (SSF). Collectively, CCPs and SSFs are defined as clearing and settlement (CS) facilities in the Corporations Act. The legally binding requirements in Australia for CS facilities are contained in the Corporations Act, the Corporations Regulations 2001 (Corporations Regulations) and the RBA's Financial Stability Standards (FSS), which together establish the legal framework for CS facilities. The RBA and ASIC work closely together in regulating CS facilities and advising the responsible Minister on applications for CS facility licences and changes to operating rules, which are both submitted to ASIC in the first instance. The RBA and ASIC's respective regulatory responsibilities determine how responsibility for individual Principles is allocated to one or both of the authorities, with this allocation clearly set out in a number of published documents.<sup>21</sup>

The RBA and ASIC are responsible for assessing the extent to which CS facility licensees comply with their licence obligations under Pt 7.3 of the Corporations Act. The authorities' respective roles are defined as follows:

- Under s827D of the Corporations Act, the RBA is empowered to set financial stability standards for licensed CS facilities and is charged with monitoring the CS facilities' compliance with these standards and with the legislative obligation to reduce systemic risk. To that end, the RBA has established a set of FSS each for CCPs and for SSFs, based on the Principles for which it has either dual responsibility with ASIC or sole responsibility.
- ASIC is responsible for ensuring the facilities' compliance with other obligations under s821A of the Corporations Act, including: provision of fair and effective services by the facility to the extent reasonably practicable; compliance with licence conditions; and maintenance of sufficient resources and adequate arrangements for supervising and operating the facility. ASIC provides regulatory guidance to regulated entities to explain specific issues already covered by legislation. ASIC's RG 211 Clearing and settlement facilities: Australian and overseas operators states how ASIC takes into account those Principles relevant to its regulatory remit in discharging its regulatory responsibilities and for the Principles under its regulatory remit.

Because both ASIC and the RBA are responsible for overseeing CS facility licensees under the Corporations Act, implementing the Principles in Australia involves coordination between the regulators. The RBA and ASIC have adopted a joint policy statement<sup>22</sup> on the implementation of the PFMI (the Joint Statement), according to which they have committed to exercise their powers over CS facilities, including the adoption of any related rules or guidance, in line with the PFMI.

<sup>20</sup> *Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia*, February 2013, <http://www.rba.gov.au/payments-and-infrastructure/financial-market-infrastructure/principles/implementation-of-principles.html>.

<sup>21</sup> Refer to Annex D for the allocation of responsibilities between ASIC and the RBA.

<sup>22</sup> *Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia*, February 2013, <http://www.rba.gov.au/payments-and-infrastructure/financial-market-infrastructure/principles/implementation-of-principles.html>.

The actions taken by the regulators to implement the Principles were set out in their Joint Statement and in a media release issued in December 2012<sup>23</sup> and are as follows:

- The RBA's PSB approved the determination of the new FSS in November 2012. These standards, effective from 29 March 2013, incorporate the requirements in the Principles relevant to financial stability. The new standards:
  - mirror the language and structure of the Principles and associated key considerations, with some amendments to reflect the type of CS facility, the Australian regulatory and institutional context, and other relevant factors;
  - comprise 21 standards for CCPs and 19 standards for SSFs, each with one or more accompanying sub-standards; and
  - are accompanied by guidance, based on the Explanatory Notes to the Principles. The guidance, while not creating new binding obligations, is intended to assist in the interpretation of the FSS.
- In conjunction with the release of the new FSS, the RBA:
  - released a paper on its approach to assessing CS facility licensees; and
  - updated its guidance on assessing when an overseas regulatory regime is sufficiently equivalent for the purposes of an application for an Australian CS facility licence by an overseas CS facility operator.
- ASIC has revised its regulatory guidance on licensing and oversight of CS facility licensees in RG 211. Updated RG 211 incorporates the Principles that are relevant to ASIC's regulatory remit as matters it will consider in:
  - framing its advice to the responsible Minister about a CS facility licence application; and
  - annually assessing a CS facility licensee's compliance with its ongoing obligations under the Corporations Act.

### 3.3 Trade repositories

On the basis of the Joint Statement, ASIC has committed to observing the PFMI when exercising its powers on trade repositories, including the adoption of any related rules or guidance.

The Corporations Act establishes a licensing regime for TRs, which is largely modelled on existing licensing regimes for market operators and CS facilities.<sup>24</sup> ASIC is responsible for administering this regime and supervising any TRs licensed under the regime, as well as making Derivative Trade Repository Rules under s903A dealing with certain matters in relation to those repositories. Under this regime, TRs that wish to accept derivative trade data reported under mandatory reporting obligations must be licensed under the Corporations Act or prescribed under the Corporations Regulations.<sup>25</sup> These rules have a legally binding effect on regulated entities. In addition, ASIC issued the RG 249 Derivative

<sup>23</sup> <http://www.rba.gov.au/media-releases/2012/mr-12-37.html>.

<sup>24</sup> DTCC Data Repository Singapore Pte Ltd (DDRS) is not incorporated in Australia but has been granted an Australian derivative trade repository (ADTR) licence.

<sup>25</sup> Relative to the FSS for CCPs and CSDs/SSSs, the Trade Repository Rules do not so closely mirror the language used in the PFMI Principles and associated key considerations.

Trade Repositories<sup>26</sup> to assist in the interpretation of the Act or the Rules and to explain specific issues covered by them.

Ongoing obligations for Australian derivative trade repository (ADTR) licensees are specified under Division 5 of Pt 7.5A of the Corporations Act, which include requirements to comply with licence conditions, notify ASIC of certain matters and provide reasonable assistance to Australian regulators as required. Licensees are further subject to requirements relating to derivative trade data, including obligations relating to disclosure and requests from regulators (s905B).

Compliance with these obligations, including any supplementary licence conditions, is overseen by ASIC as part of its mandate to ensure the fairness and efficiencies of markets. Should TRs fail to comply with the requisite obligations, ASIC has powers to vary, revoke or impose conditions on licences (s905F).

<sup>26</sup> ASIC has indicated that while the regulatory guide is in itself not a legal instrument, ASIC and the courts would take into account any guidance provided in the Regulatory Guide.

## 4. Assessment and recommendations

### 4.1 Summary assessment of completeness and consistency with the Principles

This section provides a high-level summary of how consistent and complete the PS, CSD/SSS, CCP and TR regimes in Australia are with regard to the Principles. A more detailed assessment, including citations of the relevant legislation, policy and guidance, and notes explaining the assigned ratings is provided in tabular form in Section 4.2.

#### 4.1.1 Overview

The AT found that Australia has consistently adopted most of the Principles across FMI types. The RBA and ASIC took differing approaches to the adoption of the PFMI, which reflect their different approaches to policy and rule-making. For PSs, the RBA's adoption of the Principles through a policy statement was assessed to be consistent and complete. For CCPs and CSDs/SSSs, the RBA and ASIC have largely adopted the Principles consistently, with three areas that were found to be broadly consistent. While the RBA has adopted rules that closely align with the Principles, ASIC has incorporated the Principles via a policy statement in its regulatory guide which states that ASIC considers whether the entity complies with the Principles relevant to its regulatory remit. The consideration of the PFMI does not, however, provide certainty of their implementation. The RBA's FSS, combined with evidence of ASIC having used the Principles as part of its supervision, was sufficient for the IMSG to assess that the implementation for CCPs and SSFs was largely consistent and complete. For TRs, while ASIC's rules do not always mirror the language and structure of the Principles, the relevant requirements were found generally to have been implemented in a consistent or broadly consistent way – with five areas of broad consistency. Tables 2–5 summarise the assessment ratings by Principle for each FMI type.

#### 4.1.2 General observations

In conducting the assessment, the AT considered all of the RBA's and ASIC's implementation measures.

#### 4.1.3 Payment systems

Ratings summary <sup>27</sup> for PSs		Table 2
Assessment category	Principle	
<i>Consistent</i>	<i>Principles 1, 2, 3, 4, 5, 7, 8, 9, 12, 13, 15, 16, 17, 18, 19, 21, 22, 23</i>	
<i>Broadly consistent</i>	<i>None</i>	
<i>Partly consistent</i>	<i>None</i>	
<i>Not consistent</i>	<i>None</i>	
<i>Not applicable</i>	<i>None</i>	

The RBA has fully incorporated the Principles into its policy framework for the oversight and supervision of payment systems. The AT notes two areas where the RBA can, based on the Joint Statement, require a PS to observe the Principles or KCs, but does not do so for RITS.

First, since RITS is owned and operated by a central bank, the RBA does not assess RITS against a number of KCs (ie Principle 3 KC 4 and Principle 15 KCs 2–5). This approach is consistent with

<sup>27</sup> The rating summary only lists those Principles that are applicable to the given type as defined in paragraphs 1.10–1.14 and shown in Table 1 of the PFMI.



paragraph 1.23 of the PFMI, as elaborated in the CPMI-IOSCO *Guidance note on Application of the Principles for financial market infrastructures to central bank FMIs*.<sup>28</sup>

Second, Principle 12 does not currently apply to PSs in Australia as RITS is not an exchange-of-value settlement system. However, if an exchange-of-value settlement system PS were established in Australia and that PS were deemed systemically important by the RBA, the RBA would, as per the Joint Statement, assess that PS against Principle 12.

#### 4.1.4 Central counterparties

Ratings summary <sup>29</sup> for CCPs		Table 3
Assessment category	Principle	
<i>Consistent</i>	<i>Principles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 13, 14, 16, 17, 18, 19, 20, 23</i>	
<i>Broadly consistent</i>	<i>Principles 15, 21, 22</i>	
<i>Partly consistent</i>	<i>None</i>	
<i>Not consistent</i>	<i>None</i>	
<i>Not applicable</i>	<i>None</i>	

#### 4.1.5 Central securities depositories / securities settlement systems

Ratings summary <sup>30</sup> for CSDs/SSSs		Table 4
Assessment category	Principle	
<i>Consistent</i>	<i>Principles 1, 2, 3, 4, 5, 7, 8, 9, 11, 12, 13, 16, 17, 18, 19, 20, 23</i>	
<i>Broadly consistent</i>	<i>Principles 15, 21, 22</i>	
<i>Partly consistent</i>	<i>None</i>	
<i>Not consistent</i>	<i>None</i>	
<i>Not applicable</i>	<i>Principle 10</i>	

The assessment findings for CCPs and CSDs/SSSs are similar due to the same regulatory framework governing CCPs and CSDs/SSSs.

The RBA and ASIC have incorporated the Principles into their policy frameworks for the supervision and oversight of CCPs or SSFs and have generally done so in a complete and consistent way. When reviewing the RBA's FSS for CCPs or SSFs (and associated guidance) and ASIC's RG 211, the AT nevertheless identified some gaps and inconsistencies between those documents and the PFMI. Below are the key areas in which the AT identified gaps that have impacted the overall Principle rating. Some minor comments were also made for consideration by the RBA and ASIC in any future reviews of their frameworks.

- General business risk (Principle 15) – The RBA's FSS relating to holding liquid net assets funded by equity against general business risk allows the required assets to be held by an

<sup>28</sup> CPMI-IOSCO, *Application of the Principles for financial market infrastructures to central bank FMIs*, August 2015, <http://www.bis.org/cpmi/publ/d130.htm>.

<sup>29</sup> The rating summary only lists those Principles that are applicable to the given type of FMI as defined in paragraphs 1.10–1.14 and shown in Table 1 of the PFMI.

<sup>30</sup> The rating summary only lists those Principles that are applicable to the given type of FMI as defined in paragraphs 1.10–1.14 and shown in Table 1 of the PFMI.

affiliate/group entity of the FMI rather than by the FMI itself. The RBA modified the Principle to address a concern that, given the Australian legal regime, assets held by an FMI are not bankruptcy remote and therefore would be at risk of being drawn upon in the event that a participant default exhausted pre-funded default resources.

The RBA has issued guidance clarifying that any such arrangement is subject to approval by the RBA and describing the safeguards necessary for the RBA to approve these alternative arrangements. Nevertheless, in the IMSG's view, there remains a risk that the liquid assets would not be accessible when needed. The Australian government has recently consulted on legislation that would provide the RBA with directive powers over related entities that provide critical services/funding to a CCP or SSF. Such powers, while intended to have broader application, would allow the RBA to direct a parent to disburse funds held on behalf of the CCP or SSF and thereby strengthen such an arrangement in an effort to make it functionally equivalent to the CCP or SSF itself holding the assets.

- Efficiency and effectiveness (Principle 21) – ASIC is solely responsible for this Principle as well as some elements of the other Principles relating to efficiency. ASIC's pre-existing domestic requirements include a requirement that the licensed CCP or SSF provide services in a "fair and effective" way. ASIC informed the AT that it considers the "efficiency" of a CCP or SSF within the concept of "effective". While "fair and effective" may be interpreted as encompassing efficiency, it is not clear or explicit that this is the case; further, the Principle pertains to both efficiency and effectiveness. Principle 21 is also addressed by ASIC's overarching adoption of the PFMI by means of a policy statement (as discussed in Section 4.1.1) that ASIC *considers* whether the entity complies with the Principles relevant to its regulatory remit. As noted earlier, however, the consideration of the PFMI does not provide certainty of their implementation.
- Communication procedures and standards (Principle 22) – ASIC, which is solely responsible for this Principle, does not have a specific domestic requirement addressing it. And as noted above, the ASIC regime has adopted the Principles on the basis that, in advising the responsible Minister on licensing and in assessing a licensee's compliance with its regulatory obligations, ASIC considers whether the entity complies with the Principles relevant to its regulatory remit. As discussed in Section 4.1.1, this approach does not provide certainty of implementation; however, because the IMSG found evidence of ASIC having actively applied the Principles, the assessment rating was broadly consistent.<sup>31</sup>

#### 4.1.6 Trade repositories

Ratings summary <sup>32</sup> for TRs		Table 5
Assessment category	Principle	
<i>Consistent</i>	<i>Principles 3, 18, 19, 21, 22, 23, 24</i>	
<i>Broadly consistent</i>	<i>Principles 1, 2, 15, 17, 20</i>	
<i>Partly consistent</i>	<i>None</i>	
<i>Not consistent</i>	<i>None</i>	
<i>Not applicable</i>	<i>None</i>	

<sup>31</sup> *Assessment of ASX Clearing and Settlement Facilities against the Principles for Financial Market Infrastructures (Principles)*, <http://www.rba.gov.au/payments-and-infrastructure/financial-market-infrastructure/principles/assessments/asx/2014/index.html>.

<sup>32</sup> The rating summary only lists those Principles that are applicable to the given type of FMI as defined in paragraphs 1.10–1.14 and shown in Table 1 of the PFMI.

ASIC has incorporated the Principles into its policy framework for the supervision and oversight of TRs. When reviewing ASIC's Derivative Trade Repository Rules and associated Regulatory Guide 249, the AT nevertheless identified some gaps and inconsistencies between those documents and the PFMI. Below are the key areas in which the AT identified gaps that have affected the overall Principle rating.

- Legal basis (Principle 1) – ASIC's rules and related guidance do not explicitly require that TRs have a well founded legal basis "in all relevant jurisdictions". Although ASIC has explained that there is nothing in its rules that would limit this requirement to the home jurisdiction (and therefore it would cover all relevant jurisdictions), the absence of a limitation cannot be taken as the presence of a specific requirement. An important aspect of the Principle is to ensure that the FMI establishes that its legal basis is sound and enforceable not only in its home jurisdiction, but also in any other jurisdictions in which it operates. As further assurance of its sound legal basis, an FMI is required under the Principle to be able to articulate (ie explain or demonstrate) its legal basis to relevant parties. This is another aspect of the Principle that ASIC has not explicitly adopted in its rules or related guidance.
- Governance (Principle 2) – ASIC's rules and related guidance provide very broad requirements with respect to governance arrangements. In general, ASIC requires that a TR have established governance arrangements with clear lines of responsibility. However, the relevant rule and guidance texts do not specifically place the onus on the board of directors to carry out the responsibilities required in this Principle. Rather, the respective roles of the board members and management are left to the TR to decide. As such, ASIC's rules are not fully consistent with many of the key considerations of the Principle.
- General business risk (Principle 15) – ASIC's rules and related guidance do not require liquid net assets funded by equity to be determined by the TR's general business risk profile and the length of time required to achieve recovery or orderly wind-down (though the rule requires the minimum six months of current operating expenses).
- Operational risk (Principle 17) – ASIC's rules and related guidance do not explicitly require a TR to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. Further, the rules do not explicitly require a TR to have clearly defined operational reliability objectives or have policies and procedures in place to meet these objectives.
- FMI links (Principle 20) – ASIC's rules do not require a licensed TR (ie one side of the link) to consider the design and the effects of any link arrangement holistically (ie both sides of the link). Specifically, a licensed TR is not required to ensure that there is no limitation within any linked arrangement that would prevent linked FMIs in other jurisdictions from complying with the Principles. Further, ASIC's rules do not require the TR to ensure that the link has a well founded legal basis "in all relevant jurisdictions", an issue also identified for Principle 1. As such, ASIC's rules do not fully meet the intent of the Principle.

## 4.2 Australia's completeness and consistency with the Principles – Review and recommendations

### 4.2.1 Payment Systems

Implementation of the principles			
1. Text of applicable Principles and Key considerations (KCs) <sup>33</sup>	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
<p><b>Principle 1: Legal basis</b></p> <p><b>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</b></p>	<p>The RBA published <i>Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia</i> (the Joint Statement) on 15 February 2013. The measure came to force the same day.</p>	<p><b>Consistent</b></p>	
<p>1. <i>The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>2. <i>An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>3. <i>An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

<sup>33</sup> Only the relevant principles for PSs (as set forth in the annex E of the PFMI) are included.

4. <i>An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
5. <i>An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
<p><b>Principle 2: Governance</b></p> <p><b>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</b></p>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)	<b>Consistent</b>	
1. <i>An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
2. <i>An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		

<p><i>arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.</i></p>			
<p>3. <i>The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest. The board should review both its overall performance and the performance of its individual board members regularly.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>4. <i>The board should contain suitable members with the appropriate skills and incentives to fulfil its multiple roles. This typically requires the inclusion of non-executive board member(s).</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>5. <i>The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>6. <i>The board should establish a clear, documented risk-management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

<p><i>making in crises and emergencies. Governance arrangements should ensure that the risk-management and internal control functions have sufficient authority, independence, resources, and access to the board.</i></p>			
<p>7. <i>The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p><b>Principle 3: Framework for the comprehensive management of risks</b></p> <p><b>An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.</b></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>2. <i>An FMI should provide incentives to participants and, where relevant, their</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the</p>		

<p><i>customers to manage and contain the risks they pose to the FMI.</i></p>	<p>Joint Statement)</p>		
<p>3. <i>An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>4. <i>An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.</i></p>	<p>It is the Bank's view that expectations around recovery planning and the organisation of operational arrangements to support resolution actions will not typically apply in the case of a central bank-owned system. Accordingly, to date the Bank has not assessed RITS against Key Consideration 3.4.</p>	<p>The approach taken by the RBA for a central bank operated RTGS payment system is consistent with paragraph 1.23 of the PFMI, as elaborated in the CPMI-IOSCO Guidance note <i>Application of the Principles for financial market infrastructures to central bank FMIs</i>.</p>	
<p><b>Principle 4: Credit risk</b></p> <p><b>An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each</b></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>	<p><b>Consistent</b></p>	



<p><b>participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions.</b></p>			
<p>1. <i>An FMI should establish a robust framework to manage its credit exposures to its participants and the credit risks arising from its payment, clearing, and settlement processes. Credit exposure may arise from current exposures, potential future exposures, or both.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>2. <i>An FMI should identify sources of credit risk, routinely measure and monitor credit exposures, and use appropriate</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

<p><i>risk-management tools to control these risks.</i></p>			
<p>3. <i>A payment system or SSS should cover its current and, where they exist, potential future exposures to each participant fully with a high degree of confidence using collateral and other equivalent financial resources (see Principle 5 on collateral). In the case of a DNS payment system or DNS SSS in which there is no settlement guarantee but where its participants face credit exposures arising from its payment, clearing, and settlement processes, such an FMI should maintain, at a minimum, sufficient resources to cover the exposures of the two participants and their affiliates that would create the largest aggregate credit exposure in the system.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>7. <i>An FMI should establish explicit rules and procedures that address fully any credit losses it may face as a result of any individual or combined default among its participants with respect to any of their obligations to the FMI. These rules and procedures should address how potentially uncovered credit losses would be allocated, including the repayment of any funds an FMI may borrow from liquidity providers. These rules and procedures should also indicate the FMI's process to replenish any financial resources that the FMI may employ during a stress event, so that the FMI can</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

<i>continue to operate in a safe and sound manner.</i>			
<p><b>Principle 5: Collateral</b></p> <p><b>An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.</b></p>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)	<b>Consistent</b>	
1. <i>An FMI should generally limit the assets it (routinely) accepts as collateral to those with low credit, liquidity, and market risks.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
2. <i>An FMI should establish prudent valuation practices and develop haircuts that are regularly tested and take into account stressed market conditions.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
3. <i>In order to reduce the need for procyclical adjustments, an FMI should establish stable and conservative haircuts that are calibrated to include periods of stressed market conditions, to the extent practicable and prudent.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
4. <i>An FMI should avoid concentrated holdings of certain assets where this would significantly impair the ability to liquidate such assets quickly without significant adverse price effects.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		

5. <i>An FMI that accepts cross-border collateral should mitigate the risks associated with its use and ensure that the collateral can be used in a timely manner.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
6. <i>An FMI should use a collateral management system that is well-designed and operationally flexible.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
<p><b>Principle 7: Liquidity risk</b></p> <p><b>An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.</b></p>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)	<b>Consistent</b>	
1. <i>An FMI should have a robust framework to manage its liquidity risks from its participants, settlement banks, nostro agents, custodian banks, liquidity providers, and other entities.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		

<p>2. <i>An FMI should have effective operational and analytical tools to identify, measure, and monitor its settlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>3. <i>A payment system or SSS, including one employing a DNS mechanism, should maintain sufficient liquid resources in all relevant currencies to effect same-day settlement, and where appropriate intraday or multiday settlement, of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation in extreme but plausible market conditions.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>5. <i>For the purpose of meeting its minimum liquid resource requirement, an FMI's qualifying liquid resources in each currency include cash at the central bank of issue and at creditworthy commercial banks, committed lines of credit, committed foreign exchange swaps, and committed repos, as well as highly marketable collateral held in custody and investments that are readily available and convertible into cash with prearranged and highly reliable funding arrangements, even in</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

<p><i>extreme but plausible market conditions. If an FMI has access to routine credit at the central bank of issue, the FMI may count such access as part of the minimum requirement to the extent it has collateral that is eligible for pledging to (or for conducting other appropriate forms of transactions with) the relevant central bank. All such resources should be available when needed.</i></p>			
<p>6. <i>An FMI may supplement its qualifying liquid resources with other forms of liquid resources. If the FMI does so, then these liquid resources should be in the form of assets that are likely to be saleable or acceptable as collateral for lines of credit, swaps, or repos on an ad hoc basis following a default, even if this cannot be reliably prearranged or guaranteed in extreme market conditions. Even if an FMI does not have access to routine central bank credit, it should still take account of what collateral is typically accepted by the relevant central bank, as such assets may be more likely to be liquid in stressed circumstances. An FMI should not assume the availability of emergency central bank credit as a part of its liquidity plan.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>7. <i>An FMI should obtain a high degree of confidence, through rigorous due diligence, that each provider of its minimum required qualifying liquid resources, whether a participant of the</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

<p><i>FMI or an external party, has sufficient information to understand and to manage its associated liquidity risks, and that it has the capacity to perform as required under its commitment. Where relevant to assessing a liquidity provider's performance reliability with respect to a particular currency, a liquidity provider's potential access to credit from the central bank of issue may be taken into account. An FMI should regularly test its procedures for accessing its liquid resources at a liquidity provider.</i></p>			
<p>8. <i>An FMI with access to central bank accounts, payment services, or securities services should use these services, where practical, to enhance its management of liquidity risk.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>9. <i>An FMI should determine the amount and regularly test the sufficiency of its liquid resources through rigorous stress testing. An FMI should have clear procedures to report the results of its stress tests to appropriate decision makers at the FMI and to use these results to evaluate the adequacy of and adjust its liquidity risk-management framework. In conducting stress testing, an FMI should consider a wide range of relevant scenarios. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

<p><i>various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions. Scenarios should also take into account the design and operation of the FMI, include all entities that might pose material liquidity risks to the FMI (such as settlement banks, nostro agents, custodian banks, liquidity providers, and linked FMIs), and where appropriate, cover a multiday period. In all cases, an FMI should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount and form of total liquid resources it maintains.</i></p>			
<p>10. An FMI should establish explicit rules and procedures that enable the FMI to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations on time following any individual or combined default among its participants. These rules and procedures should address unforeseen and potentially uncovered liquidity shortfalls and should aim to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations. These rules and procedures should also indicate the FMI's process to replenish any liquidity resources it may employ during a</p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		



<p><i>stress event, so that it can continue to operate in a safe and sound manner.</i></p>			
<p><b>Principle 8: Settlement finality</b>  <b>An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.</b></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI's rules and procedures should clearly define the point at which settlement is final.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>2. <i>An FMI should complete final settlement no later than the end of the value date, and preferably intraday or in real time, to reduce settlement risk. An LVPS or SSS should consider adopting RTGS or multiple-batch processing during the settlement day.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>3. <i>An FMI should clearly define the point after which unsettled payments, transfer instructions, or other obligations may not be revoked by a participant.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

<p><b>Principle 9: Money settlements</b></p> <p><b>An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.</b></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should conduct its money settlements in central bank money, where practical and available, to avoid credit and liquidity risks.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>2. <i>If central bank money is not used, an FMI should conduct its money settlements using a settlement asset with little or no credit or liquidity risk.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>3. <i>If an FMI settles in commercial bank money, it should monitor, manage, and limit its credit and liquidity risks arising from the commercial settlement banks. In particular, an FMI should establish and monitor adherence to strict criteria for its settlement banks that take account of, among other things, their regulation and supervision, creditworthiness, capitalisation, access to liquidity, and operational reliability. An FMI should also monitor and manage the concentration of credit and liquidity exposures to its commercial settlement banks.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

<p>4. <i>If an FMI conducts money settlements on its own books, it should minimise and strictly control its credit and liquidity risks.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>5. <i>An FMI's legal agreements with any settlement banks should state clearly when transfers on the books of individual settlement banks are expected to occur, that transfers are to be final when effected, and that funds received should be transferable as soon as possible, at a minimum by the end of the day and ideally intraday, in order to enable the FMI and its participants to manage credit and liquidity risks.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p><b>Principle 12: Exchange-of-value settlement systems</b></p> <p><b>If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.</b></p>	<p>This Principle is not applicable to RITS as it is not an exchange-of value settlement system. It does not perform the settlement of foreign exchange transactions or securities transactions.</p> <p>In accordance with the Joint Statement, if a Payment System that was an exchange-of-value settlement system was established in Australia and was deemed by the Bank to be systemically important, it would be assessed against Principle 12. In determining whether a particular system should be subject to ongoing oversight as a systemically important payment system and assessed against the Principles, the Bank takes into account whether the system:</p> <ul style="list-style-type: none"> <li>• is the sole payment system in the country or the principal system in terms of the</li> </ul>	<p><b>Consistent</b></p>	

	<p>aggregate value of payments</p> <ul style="list-style-type: none"> <li>mainly handles time-critical, high-value payments</li> <li>is used to effect settlement in other systemically important FMIs.</li> </ul>		
<p>1. <i>An FMI that is an exchange-of-value settlement system should eliminate principal risk by ensuring that the final settlement of one obligation occurs if and only if the final settlement of the linked obligation also occurs, regardless of whether the FMI settles on a gross or net basis and when finality occurs.</i></p>			
<p><b>Principle 13: Participant-default rules and procedures</b></p> <p><b>An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.</b></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should have default rules and procedures that enable the FMI to continue to meet its obligations in the event of a participant default and that address the replenishment of resources following a default.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

2. <i>An FMI should be well prepared to implement its default rules and procedures, including any appropriate discretionary procedures provided for in its rules.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
3. <i>An FMI should publicly disclose key aspects of its default rules and procedures.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
4. <i>An FMI should involve its participants and other stakeholders in the testing and review of the FMI's default procedures, including any close-out procedures. Such testing and review should be conducted at least annually or following material changes to the rules and procedures to ensure that they are practical and effective.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
<p><b>Principle 15: General business risk</b></p> <p><b>An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</b></p>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)	<b>Consistent</b>	

<p>1. <i>An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>2. <i>An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves, or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.</i></p>	<p>Since RITS is a central bank-owned system, it is not assessed against the requirement to hold liquid net assets funded by equity to cover business risk and support a recovery or wind-down plan (Key considerations 15.2–15.4). This recognises central banks' inherent ability to supply liquidity to support continuity of operations, should liquidity be required for this purpose.</p>	<p>The approach taken by the RBA for a central bank operated RTGS payment system is consistent with paragraph 1.23 of the PFMI, as elaborated in the CPMI-IOSCO Guidance note <i>Application of the Principles for financial market infrastructures to central bank FMIs</i>.</p>	
<p>3. <i>An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included</i></p>	<p>Since RITS is a central bank-owned system, it is not assessed against the requirement to hold liquid net assets funded by equity to cover business risk and support a recovery or wind-down plan (Key considerations 15.2–15.4). This recognises central banks' inherent ability to supply liquidity to support continuity of operations, should liquidity be required for this purpose.</p>	<p>The approach taken by the RBA for a central bank operated RTGS payment system is consistent with paragraph 1.23 of the PFMI, as elaborated in the CPMI-IOSCO Guidance note <i>Application of the Principles for financial market infrastructures to central bank FMIs</i>.</p>	

<p><i>where relevant and appropriate to avoid duplicate capital requirements.</i></p>			
<p>4. <i>Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.</i></p>	<p>Since RITS is a central bank-owned system, it is not assessed against the requirement to hold liquid net assets funded by equity to cover business risk and support a recovery or wind-down plan (Key considerations 15.2–15.4). This recognises central banks’ inherent ability to supply liquidity to support continuity of operations, should liquidity be required for this purpose.</p>	<p>The approach taken by the RBA for a central bank operated RTGS payment system is consistent with paragraph 1.23 of the PFMI, as elaborated in the CPMI-IOSCO Guidance note <i>Application of the Principles for financial market infrastructures to central bank FMIs</i>.</p>	
<p>5. <i>An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.</i></p>	<p>Similar to 15.2-15.4, RITS is not assessed against the requirement to maintain a plan to raise additional equity.</p>	<p>The approach taken by the RBA for a central bank operated RTGS payment system is consistent with paragraph 1.23 of the PFMI, as elaborated in the CPMI-IOSCO Guidance note <i>Application of the Principles for financial market infrastructures to central bank FMIs</i>.</p>	
<p><b>Principle 16: Custody and investment risks</b></p> <p><b>An FMI should safeguard its own and its participants’ assets and minimise the risk of loss on and delay in access to these assets. An FMI’s investments should be in instruments with minimal credit, market, and liquidity risks.</b></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>	<p><b>Consistent</b></p>	

<p>1. <i>An FMI should hold its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>2. <i>An FMI should have prompt access to its assets and the assets provided by participants, when required.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>3. <i>An FMI should evaluate and understand its exposures to its custodian banks, taking into account the full scope of its relationships with each.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>4. <i>An FMI's investment strategy should be consistent with its overall risk-management strategy and fully disclosed to its participants, and investments should be secured by, or be claims on, high-quality obligors. These investments should allow for quick liquidation with little, if any, adverse price effect.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p><b>Principle 17: Operational risk</b> <b>An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational</b></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>	<p><b>Consistent</b></p>	



<p><b>reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.</b></p>			
<p>1. <i>An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>2. <i>An FMI's board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI's operational risk-management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>3. <i>An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>4. <i>An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

<p>5. <i>An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>6. <i>An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>7. <i>An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p><b>Principle 18: Access and participation requirements</b> <b>An FMI should have objective, risk-</b></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>	<p><b>Consistent</b></p>	

<p><b>based, and publicly disclosed criteria for participation, which permit fair and open access.</b></p>			
<p>1. <i>An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>2. <i>An FMI's participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI's specific risks, and be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavour to set requirements that have the least-restrictive impact on access that circumstances permit.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>3. <i>An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p><b>Principle 19: Tiered participation arrangements</b> <b>An FMI should identify, monitor, and</b></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>	<p><b>Consistent</b></p>	

<b>manage the material risks to the FMI arising from tiered participation arrangements.</b>			
1. <i>An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
2. <i>An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
3. <i>An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
4. <i>An FMI should regularly review risks arising from tiered participation arrangements and should take mitigating action when appropriate.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		

<p><b>Principle 21: Efficiency and effectiveness</b></p> <p><b>An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.</b></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>2. <i>An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk-management expectations, and business priorities.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>3. <i>An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p><b>Principle 22: Communication procedures and standards</b></p> <p><b>An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate</b></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>	<p><b>Consistent</b></p>	

<b>efficient payment, clearing, settlement, and recording.</b>			
1. <i>An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
<b>Principle 23: Disclosure of rules, key procedures, and market data</b> <b>An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.</b>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)	<b>Consistent</b>	
1. <i>An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
2. <i>An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.</i>	RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)		
3. <i>An FMI should provide all necessary</i>	RBA – Implementing the CPSS-IOSCO Principles		

<p><i>and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.</i></p>	<p>for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>4. <i>An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		
<p>5. <i>An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO Disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.</i></p>	<p>RBA – Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia (the Joint Statement)</p>		

## 4.2.2 Central Counterparties

Implementation of the principles			
1. Text of applicable Principles and Key considerations (KCs) <sup>34</sup>	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
<p><b>Principle 1: Legal basis</b></p> <p><b>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</b></p>	<p>The standards set forth in Principle 1 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 1.</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3 and 211.239</p> <p>Corporations Act: Section 820A</p> <p>Payment System and Netting Act</p>	<b>Consistent</b>	
<p>1. <i>The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.</i></p>	RBA's Financial Stability Standards for Central Counterparties: Standard 1.2		
<p>2. <i>An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.</i></p>	RBA's Financial Stability Standards for Central Counterparties: Standard 1.3		
<p>3. <i>An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.</i></p>	RBA's Financial Stability Standards for Central Counterparties: Standard 1.4		

<sup>34</sup> Only the relevant principles for CCPs (as set forth in the annex E of the PFMI) are included.



<p>4. <i>An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 1.5</p>		
<p>5. <i>An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 1.6</p>		

<p><b>Principle 2: Governance</b></p> <p><b>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</b></p>	<p>The standards set forth in Principle 2 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 2.</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239, 211.4 and 211.226</p> <p>Corporations Act: Section 821A</p>	<p><b>Consistent</b></p> <p>RBA CCP Standard 2 does not explicitly address the efficiency of the CCP since ASIC's responsibilities include ensuring a licensed CCP provides services in a "fair and effective" way. In practice, ASIC considers the "efficiency" of a CCP within the CCP's general licence obligation to provide its service in a fair and effective way.</p>	<p>Where there are inconsistencies in language or requirements between the Corporations Act or RG211 and the PFMI, ASIC should provide clarity to CCPs with respect to minimum standards.</p>
<p>1. <i>An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 2.1</p>	<p>As with the headline standard, the efficiency of the CCP is not mentioned in Principle 2 KC1.</p>	
<p>2. <i>An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 2.2</p>		

<p><i>arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.</i></p>			
<p>3. <i>The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest. The board should review both its overall performance and the performance of its individual board members regularly.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 2.3</p>		
<p>4. <i>The board should contain suitable members with the appropriate skills and incentives to fulfil its multiple roles. This typically requires the inclusion of non-executive board member(s).</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 2.4</p>		
<p>5. <i>The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 2.5</p>		
<p>6. <i>The board should establish a clear, documented risk-management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 2.6</p>		

<p><i>making in crises and emergencies. Governance arrangements should ensure that the risk-management and internal control functions have sufficient authority, independence, resources, and access to the board.</i></p>			
<p>7. <i>The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 2.8</p>		
<p><b>Principle 3: Framework for the comprehensive management of risks</b> <b>An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.</b></p>	<p>The standards set forth in Principle 3 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 3.</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 3.1.</p>		
<p>2. <i>An FMI should provide incentives to participants and, where relevant, their</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 3.3</p>		

<p><i>customers to manage and contain the risks they pose to the FMI.</i></p>			
<p>3. <i>An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 3.4</p>		
<p>4. <i>An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 3.5</p>		
<p><b>Principle 4: Credit risk</b></p> <p><b>An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each</b></p>	<p>The standards set forth in Principle 4 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 4.</p>	<p><b>Consistent</b></p>	

<p><b>participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions.</b></p>			
<p>1. <i>An FMI should establish a robust framework to manage its credit exposures to its participants and the credit risks arising from its payment, clearing, and settlement processes. Credit exposure may arise from current exposures, potential future exposures, or both.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 4.1</p>		

<p>2. <i>An FMI should identify sources of credit risk, routinely measure and monitor credit exposures, and use appropriate risk-management tools to control these risks-</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 4.2</p>		
<p>4. <i>A CCP should cover its current and potential future exposures to each participant fully with a high degree of confidence using margin and other prefunded financial resources (see Principle 5 on collateral and Principle 6 on margin). In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure for the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure for the CCP in extreme but plausible market conditions. In all cases, a CCP should document its supporting rationale for, and should have</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 4.4</p>		

<p><i>appropriate governance arrangements relating to, the amount of total financial resources it maintains.</i></p>			
<p>5. <i>A CCP should determine the amount and regularly test the sufficiency of its total financial resources available in the event of a default or multiple defaults in extreme but plausible market conditions through rigorous stress testing. A CCP should have clear procedures to report the results of its stress tests to appropriate decision makers at the CCP and to use these results to evaluate the adequacy of and adjust its total financial resources. Stress tests should be performed daily using standard and predetermined parameters and assumptions. On at least a monthly basis, a CCP should perform a comprehensive and thorough analysis of stress testing scenarios, models, and underlying parameters and assumptions used to ensure they are appropriate for determining the CCP's required level of default protection in light of current and evolving market conditions. A CCP should perform this analysis of stress testing more frequently when the products cleared or markets served display high volatility, become less liquid, or when the size or concentration of positions held by a CCP's participants increases significantly. A full validation of a CCP's risk-management model should</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standards 4.5 and 4.7</p>		

<p><i>be performed at least annually.</i></p>			
<p>6. <i>In conducting stress testing, a CCP should consider the effect of a wide range of relevant stress scenarios in terms of both defaulters' positions and possible price changes in liquidation periods. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 4.6</p>		
<p>7. <i>An FMI should establish explicit rules and procedures that address fully any credit losses it may face as a result of any individual or combined default among its participants with respect to any of their obligations to the FMI. These rules and procedures should address how potentially uncovered credit losses would be allocated, including the repayment of any funds an FMI may borrow from liquidity providers. These rules and procedures should also indicate the FMI's process to replenish any financial resources that the FMI may employ during a stress event, so that the FMI can continue to operate in a safe and sound manner.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 4.8</p>		



<p><b>Principle 5: Collateral</b></p> <p><b>An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.</b></p>	<p>The standards set forth in Principle 5 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 5.</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should generally limit the assets it (routinely) accepts as collateral to those with low credit, liquidity, and market risks.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 5.1</p>		
<p>2. <i>An FMI should establish prudent valuation practices and develop haircuts that are regularly tested and take into account stressed market conditions.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 5.3</p>		
<p>3. <i>In order to reduce the need for procyclical adjustments, an FMI should establish stable and conservative haircuts that are calibrated to include periods of stressed market conditions, to the extent practicable and prudent.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 5.4</p>		
<p>4. <i>An FMI should avoid concentrated holdings of certain assets where this would significantly impair the ability to liquidate such assets quickly without significant adverse price effects.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 5.5</p>		
<p>5. <i>An FMI that accepts cross-border collateral should mitigate the risks associated with its use and ensure that the collateral can be used in a timely</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 5.6</p>		

<i>manner.</i>			
6. <i>An FMI should use a collateral management system that is well-designed and operationally flexible.</i>	RBA's Financial Stability Standards for Central Counterparties: Standard 5.7		
<b>Principle 6: Margin</b> <b>A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed.</b>	The standards set forth in Principle 6 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 6.	<b>Consistent</b>	
1. <i>A CCP should have a margin system that establishes margin levels commensurate with the risks and particular attributes of each product, portfolio, and market it serves.</i>	RBA's Financial Stability Standards for Central Counterparties: Standard 6.1		
2. <i>A CCP should have a reliable source of timely price data for its margin system. A CCP should also have procedures and sound valuation models for addressing circumstances in which pricing data are not readily available or reliable.</i>	RBA's Financial Stability Standards for Central Counterparties: Standard 6.2		
3. <i>A CCP should adopt initial margin models and parameters that are risk-based and generate margin requirements sufficient to cover its potential future exposure to participants in the interval between the last margin collection and the close out of positions following a participant</i>	RBA's Financial Stability Standards for Central Counterparties: Standard 6.3		

<p><i>default. Initial margin should meet an established single-tailed confidence level of at least 99 percent with respect to the estimated distribution of future exposure. For a CCP that calculates margin at the portfolio level, this requirement applies to each portfolio's distribution of future exposure. For a CCP that calculates margin at more-granular levels, such as at the subportfolio level or by product, the requirement must be met for the corresponding distributions of future exposure. The model should (a) use a conservative estimate of the time horizons for the effective hedging or close out of the particular types of products cleared by the CCP (including in stressed market conditions), (b) have an appropriate method for measuring credit exposure that accounts for relevant product risk factors and portfolio effects across products, and (c) to the extent practicable and prudent, limit the need for destabilising, procyclical changes.</i></p>			
<p>4. A CCP should mark participant positions to market and collect variation margin at least daily to limit the build-up of current exposures. A CCP should have the authority and operational capacity to make intraday margin calls and payments, both scheduled and unscheduled, to participants.</p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 6.4</p>		

<p>5. <i>In calculating margin requirements, a CCP may allow offsets or reductions in required margin across products that it clears or between products that it and another CCP clear, if the risk of one product is significantly and reliably correlated with the risk of the other product. Where two or more CCPs are authorised to offer cross-margining, they must have appropriate safeguards and harmonised overall risk-management systems.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 6.5</p>		
<p>6. <i>A CCP should analyse and monitor its model performance and overall margin coverage by conducting rigorous daily backtesting and at least monthly, and more-frequent where appropriate, sensitivity analysis. A CCP should regularly conduct an assessment of the theoretical and empirical properties of its margin model for all products it clears. In conducting sensitivity analysis of the model's coverage, a CCP should take into account a wide range of parameters and assumptions that reflect possible market conditions, including the most-volatile periods that have been experienced by the markets it serves and extreme changes in the correlations between prices.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 6.6</p>		
<p>7. <i>A CCP should regularly review and validate its margin system.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 6.7</p>		

<p><b>Principle 7: Liquidity risk</b></p> <p><b>An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.</b></p>	<p>The standards set forth in Principle 7 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 7.</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should have a robust framework to manage its liquidity risks from its participants, settlement banks, nostro agents, custodian banks, liquidity providers, and other entities.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 7.1</p>		
<p>2. <i>An FMI should have effective operational and analytical tools to identify, measure, and monitor its settlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 7.2</p>		
<p>4. <i>A CCP should maintain sufficient liquid resources in all relevant currencies to settle securities-related payments, make required variation margin payments, and meet other payment obligations on time with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to,</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 7.3</p>		

<p><i>the default of the participant and its affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should consider maintaining additional liquidity resources sufficient to cover a wider range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions.</i></p>			
<p>5. <i>For the purpose of meeting its minimum liquid resource requirement, an FMI's qualifying liquid resources in each currency include cash at the central bank of issue and at creditworthy commercial banks, committed lines of credit, committed foreign exchange swaps, and committed repos, as well as highly marketable collateral held in custody and investments that are readily available and convertible into cash with prearranged and highly reliable funding arrangements, even in extreme but plausible market conditions. If an FMI has access to routine credit at the central bank of issue, the FMI may count such access as part of the minimum requirement to the extent it has collateral that is eligible for pledging to (or for conducting other appropriate forms of</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 7.4</p>		

<p><i>transactions with) the relevant central bank. All such resources should be available when needed.</i></p>			
<p>6. <i>An FMI may supplement its qualifying liquid resources with other forms of liquid resources. If the FMI does so, then these liquid resources should be in the form of assets that are likely to be saleable or acceptable as collateral for lines of credit, swaps, or repos on an ad hoc basis following a default, even if this cannot be reliably prearranged or guaranteed in extreme market conditions. Even if an FMI does not have access to routine central bank credit, it should still take account of what collateral is typically accepted by the relevant central bank, as such assets may be more likely to be liquid in stressed circumstances. An FMI should not assume the availability of emergency central bank credit as a part of its liquidity plan.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 7.5</p>		
<p>7. <i>An FMI should obtain a high degree of confidence, through rigorous due diligence, that each provider of its minimum required qualifying liquid resources, whether a participant of the FMI or an external party, has sufficient information to understand and to manage its associated liquidity risks, and that it has the capacity to perform as required under its commitment. Where relevant to assessing a liquidity provider's performance reliability with respect to a particular currency, a liquidity provider's potential access to credit from the central</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 7.6</p>		

<p><i>bank of issue may be taken into account. An FMI should regularly test its procedures for accessing its liquid resources at a liquidity provider.</i></p>			
<p>8. <i>An FMI with access to central bank accounts, payment services, or securities services should use these services, where practical, to enhance its management of liquidity risk.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 7.7</p>		
<p>9. <i>An FMI should determine the amount and regularly test the sufficiency of its liquid resources through rigorous stress testing. An FMI should have clear procedures to report the results of its stress tests to appropriate decision makers at the FMI and to use these results to evaluate the adequacy of and adjust its liquidity risk-management framework. In conducting stress testing, an FMI should consider a wide range of relevant scenarios. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions. Scenarios should also take into account the design and operation of the FMI, include all entities that might pose material liquidity risks to the FMI (such as settlement banks, nostro agents, custodian banks, liquidity providers, and linked FMIs), and where appropriate, cover a multiday</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 7.8</p>		



<p><i>period. In all cases, an FMI should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount and form of total liquid resources it maintains.</i></p>			
<p><i>10. An FMI should establish explicit rules and procedures that enable the FMI to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations on time following any individual or combined default among its participants. These rules and procedures should address unforeseen and potentially uncovered liquidity shortfalls and should aim to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations. These rules and procedures should also indicate the FMI's process to replenish any liquidity resources it may employ during a stress event, so that it can continue to operate in a safe and sound manner.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 7.9</p>		
<p><b>Principle 8: Settlement finality</b> <b>An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.</b></p>	<p>The standards set forth in Principle 8 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 8.</p>	<p><b>Consistent</b></p>	

1. <i>An FMI's rules and procedures should clearly define the point at which settlement is final.</i>	RBA's Financial Stability Standards for Central Counterparties: Standard 8.1		
2. <i>An FMI should complete final settlement no later than the end of the value date, and preferably intraday or in real time, to reduce settlement risk. An LVPS or SSS should consider adopting RTGS or multiple-batch processing during the settlement day.</i>	RBA's Financial Stability Standards for Central Counterparties: Standard 8.2		
3. <i>An FMI should clearly define the point after which unsettled payments, transfer instructions, or other obligations may not be revoked by a participant.</i>	RBA's Financial Stability Standards for Central Counterparties: Standard 8.3		

<b>Principle 9: Money settlements</b> <b>An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.</b>	The standards set forth in Principle 9 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 9.	<b>Consistent</b>	
1. <i>An FMI should conduct its money settlements in central bank money, where practical and available, to avoid credit and liquidity risks.</i>	RBA's Financial Stability Standards for Central Counterparties: Standard 9.1		
2. <i>If central bank money is not used, an FMI should conduct its money settlements using a settlement asset with little or no credit or liquidity risk.</i>	RBA's Financial Stability Standards for Central Counterparties: Standard 9.2		

<p>3. <i>If an FMI settles in commercial bank money, it should monitor, manage, and limit its credit and liquidity risks arising from the commercial settlement banks. In particular, an FMI should establish and monitor adherence to strict criteria for its settlement banks that take account of, among other things, their regulation and supervision, creditworthiness, capitalisation, access to liquidity, and operational reliability. An FMI should also monitor and manage the concentration of credit and liquidity exposures to its commercial settlement banks.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 9.3</p>		
<p>4. <i>If an FMI conducts money settlements on its own books, it should minimise and strictly control its credit and liquidity risks.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 9.4</p>		
<p>5. <i>An FMI's legal agreements with any settlement banks should state clearly when transfers on the books of individual settlement banks are expected to occur, that transfers are to be final when effected, and that funds received should be transferable as soon as possible, at a minimum by the end of the day and ideally intraday, in order to enable the FMI and its participants to manage credit and liquidity risks.</i></p>	<p>RBA's Financial Stability Standards for Central Counterparties: Standard 9.5</p>		
<p><b>Principle 10: Physical deliveries</b> <b>An FMI should clearly state its obligations with respect to the delivery</b></p>	<p>The standards set forth in Principle 10 are addressed in the RBA's Financial Stability Standards for Central Counterparties:</p>	<p><b>Consistent</b></p>	

<p><b>of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.</b></p>	Standard 10.		
<p>1. <i>An FMI's rules should clearly state its obligations with respect to the delivery of physical instruments or commodities.</i></p>	RBA's Financial Stability Standards for Central Counterparties: Standard 10.1		
<p>2. <i>An FMI should identify, monitor, and manage the risks and costs associated with the storage and delivery of physical instruments or commodities.</i></p>	RBA's Financial Stability Standards for Central Counterparties: Standard 10.2		
<p><b>Principle 12: Exchange-of-value settlement systems</b></p> <p><b>If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.</b></p>	The standards set forth in Principle 12 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 11.	<b>Consistent</b>	
<p>1. <i>An FMI that is an exchange-of-value settlement system should eliminate principal risk by ensuring that the final settlement of one obligation occurs if and only if the final settlement of the linked obligation also occurs, regardless of whether the FMI settles on a gross or net basis and when finality occurs.</i></p>	RBA's Financial Stability Standards for Central Counterparties: Standard 11.1		

<p><b>Principle 13: Participant-default rules and procedures</b></p> <p><b>An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.</b></p>	<p>The standards set forth in Principle 13 are addressed in the RBA’s Financial Stability Standards for Central Counterparties: Standard 12.</p> <p>Other measures</p> <p>Corporations Act: Sections 822A(1) and (2), Regulations 7.3.05(h) and 7.3.06(f).</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239 and Table 1</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should have default rules and procedures that enable the FMI to continue to meet its obligations in the event of a participant default and that address the replenishment of resources following a default.</i></p>	<p>RBA’s Financial Stability Standards for Central Counterparties: Standard 12.1</p>		
<p>2. <i>An FMI should be well prepared to implement its default rules and procedures, including any appropriate discretionary procedures provided for in its rules.</i></p>	<p>RBA’s Financial Stability Standards for Central Counterparties: Standard 12.2</p> <p>Guidance issued in relation to the Financial Stability Standards for Central Counterparties: Guidance on Standard 12.2.2.</p>		
<p>3. <i>An FMI should publicly disclose key aspects of its default rules and procedures.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 12.3</p>		
<p>4. <i>An FMI should involve its participants and other stakeholders in the testing and review of the FMI’s default procedures, including any close-out procedures. Such testing and review should be conducted at least annually or following material changes to the rules and procedures to</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 12.4</p>		

<i>ensure that they are practical and effective.</i>			
<p><b>Principle 14: Segregation and portability</b></p> <p><b>A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.</b></p>	<p>The standards set forth in Principle 14 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 13.</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3 and 211.239</p>	<p><b>Consistent</b></p>	<p>The RBA is recommended to make public the intended interpretation of matters identified with respect to the Financial Stability Standards in the course of this assessment, and other matters as they may come to light, to clarify their consistency with the Principles.</p>
<p>1. <i>A CCP should, at a minimum, have segregation and portability arrangements that effectively protect a participant's customers' positions and related collateral from the default or insolvency of that participant. If the CCP additionally offers protection of such customer positions and collateral against the concurrent default of the participant and a fellow customer, the CCP should take steps to ensure that such protection is effective.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 13.1</p>		
<p>2. <i>A CCP should employ an account structure that enables it readily to identify positions of a participant's customers and to segregate related collateral. A CCP should maintain customer positions and collateral in individual customer accounts or in omnibus customer accounts.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 13.2</p>		
<p>3. <i>A CCP should structure its portability arrangements in a way that makes it highly likely that the positions and</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 13.3</p>		

<p><i>collateral of a defaulting participant's customers will be transferred to one or more other participants.</i></p>			
<p>4. <i>A CCP should disclose its rules, policies, and procedures relating to the segregation and portability of a participant's customers' positions and related collateral. In particular, the CCP should disclose whether customer collateral is protected on an individual or omnibus basis. In addition, a CCP should disclose any constraints, such as legal or operational constraints, that may impair its ability to segregate or port a participant's customers' positions and related collateral.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standards 13.4 and 20.1</p> <p>Guidance issued in relation to the Financial Stability Standards for Central Counterparties: Guidance on Standard 13.4.1.</p>	<p>The RBA rules cover almost all of this KC explicitly – RBA CCP Standard 13.4 listed here covers all the elements of the KC with the exception of the requirement to disclose the rules/policies/ procedures for portability. The guidance to RBA CCP Standard 13.4 (which is intended to assist the interpretation of the standard) is broader than the KC in this respect and clarifies that portability arrangements should be disclosed in the CCP's rules/policies/procedures.</p> <p>Furthermore, Standard 20.1 provides for disclosure of rules/policies and procedures to participants. So the remaining element is disclosure of the rules/policies/procedures for portability to the public. Standard 20.1 does provide for public disclosure of relevant rules/policies/procedures – this cross refers to Standard 13.4.</p>	
<p><b>Principle 15: General business risk</b></p> <p><b>An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise.</b></p>	<p>The standards set forth in Principle 15 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 14.</p> <p>Other measures</p> <p>Corporations Act: Section 821A</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3,</p>	<p><b>Broadly consistent</b></p> <p>The RBA has modified the Principle to address a concern that, given the Australian legal regime, assets held by an FMI are not bankruptcy remote and therefore would be at risk of being drawn upon in the event that a participant default exhausted pre-</p>	<p>The RBA is recommended to implement measures that address the gaps or inconsistencies identified, particularly those related to KC2 and KC3.</p>

<p><b>Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</b></p>	<p>211.239, 211.189 and Table 1</p>	<p>funded default resources. The guidance to the RBA Standards envisages arrangements under which assets would be held on behalf of the CCP by an affiliate/group entity of the CCP, and clarifies the safeguards necessary to support such an arrangement, including consultation with the RBA and demonstration of legal certainty. There nevertheless remains a risk that the liquid assets will not be accessible when needed.</p> <p>The Australian Government has recently consulted on legislation that would provide the RBA with directive powers over related entities that provide critical services/funding to a CCP. Such powers, while intended to have broader application, would allow the RBA to direct a parent to disperse funds held on behalf of the CCP and thereby strengthen such an arrangement in an effort to make it functionally equivalent to the CCP itself holding the assets.</p>	
<p>1. <i>An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 14.1</p>		
<p>2. <i>An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves, or other retained</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 14.2 Guidance issued in relation to the Financial</p>	<p>(See comment above)</p>	



<p><i>earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.</i></p>	<p>Stability Standards for Central Counterparties: Guidance on Standard 14.2.1.</p>		
<p>3. <i>An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 14.3</p>	<p>(See comment above)</p>	
<p>4. <i>Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 14.4</p>		
<p>5. <i>An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 14.5</p>		

<i>This plan should be approved by the board of directors and updated regularly.</i>			
<p><b>Principle 16: Custody and investment risks</b></p> <p><b>An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.</b></p>	<p>The standards set forth in Principle 16 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 15.</p> <p>Other measures</p> <p>Corporations Act: Sections 821A (d), 822A(1) and Regulation 7.3.05.</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239 and Table 1</p>	<b>Consistent</b>	
<p>1. <i>An FMI should hold its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 15.1</p>		
<p>2. <i>An FMI should have prompt access to its assets and the assets provided by participants, when required.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 15.2</p>		
<p>3. <i>An FMI should evaluate and understand its exposures to its custodian banks, taking into account the full scope of its relationships with each.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 15.3</p>		
<p>4. <i>An FMI's investment strategy should be consistent with its overall risk-management strategy and fully disclosed to its participants, and investments should be secured by, or be claims on,</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 15.4</p>		

<p><i>high-quality obligors. These investments should allow for quick liquidation with little, if any, adverse price effect.</i></p>			
<p><b>Principle 17: Operational risk</b></p> <p><b>An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI’s obligations, including in the event of a wide-scale or major disruption.</b></p>	<p>The standards set forth in Principle 17 are addressed in the RBA’s Financial Stability Standards for Central Counterparties: Standard 16.</p> <p>Other measures</p> <p>Corporations Act: Section 822A(1)-(2), and Regulation 7.3.05 and 7.3.06</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239 and Table 1</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 16.1</p>		
<p>2. <i>An FMI’s board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI’s operational risk-management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 16.2</p>		

3. <i>An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.</i>	Financial Stability Standards for Central Counterparties: Standard 16.3		
4. <i>An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.</i>	Financial Stability Standards for Central Counterparties: Standard 16.3		
5. <i>An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.</i>	Financial Stability Standards for Central Counterparties: Standard 16.3		
6. <i>An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.</i>	Financial Stability Standards for Central Counterparties: Standard 16.7		
7. <i>An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor,</i>	Financial Stability Standards for Central Counterparties: Standard 16.5		

<i>and manage the risks its operations might pose to other FMIs.</i>			
<p><b>Principle 18: Access and participation requirements</b></p> <p><b>An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.</b></p>	<p>The standards set forth in Principle 18 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 17.</p> <p>Other measures</p> <p>Corporations Act: Sections 821A(a) and 822A(1) and Regulation 7.3.05.</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239 and 211.203</p>	<p><b>Consistent</b></p>	<p>Where there are inconsistencies in language or requirements between the Corporations Act, the Corporations Regulations or RG 211 and the PFMI, ASIC should provide clarity to CCPs with respect to minimum standards.</p>
<p>1. <i>An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 17.1</p>		
<p>2. <i>An FMI's participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI's specific risks, and be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavour to set requirements that have the least-restrictive impact on access that circumstances permit.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 17.2</p> <p>Corporations Act: Section 821A.</p> <p>ASIC - Appendix 2 of RG 211: RG 211.152-3, 211.239</p>	<p>RBA CCP Standard 17.2 does not explicitly address the efficiency of the CCP, which is within ASIC's responsibilities. In practice, ASIC considers the "efficiency" of a CCP within the concept of "effective", in enforcing the CCP's general licence obligation to provide its service in a fair and effective way. This is deemed to sufficiently capture this aspect of KC 2.</p>	
<p>3. <i>An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 17.3</p>		

<p><i>and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.</i></p>			
<p><b>Principle 19: Tiered participation arrangements</b></p> <p><b>An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.</b></p>	<p>The standards set forth in Principle 19 are addressed in the RBA’s Financial Stability Standards for Central Counterparties: Standard 18.</p> <p>Other measures</p> <p>Corporations Act: Section 822A(1)-(2), and Regulation 7.3.05 and 7.3.06.</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239 and Table 1</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 18.1</p>		
<p>2. <i>An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 18.2</p>		
<p>3. <i>An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 18.3</p>		

<i>participants through which they access the FMI in order to manage the risks arising from these transactions.</i>			
4. <i>An FMI should regularly review risks arising from tiered participation arrangements and should take mitigating action when appropriate.</i>	Financial Stability Standards for Central Counterparties: Standard 18.4		
<b>Principle 20: FMI links</b> <b>An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.</b>	The standards set forth in Principle 20 are addressed in the RBA's Financial Stability Standards for Central Counterparties: Standard 19.  Other measures  Corporations Act: Section 822A(1)-(2), and Regulation 7.3.05 and 7.3.06  ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239 and Table 1	<b>Consistent</b>	The RBA is recommended to implement measures which address the gaps or inconsistencies identified, specifically those related to KC1.
1. <i>Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.</i>	Financial Stability Standards for Central Counterparties: Standard 19.1	The RBA takes the view that each FMI entering into a link is responsible for ensuring that the design of the link arrangement would not impede its own ability to observe the other Principles. Contrary to the intent of the KC, however, this does not require that the FMI also ensure that the design of the link arrangement would not prevent the other linked FMI from observing the Principles.	

<p>2. <i>A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 19.2</p>		
<p>7. <i>Before entering into a link with another CCP, a CCP should identify and manage the potential spill-over effects from the default of the linked CCP. If a link has three or more CCPs, each CCP should identify, assess, and manage the risks of the collective link arrangement.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 19.4</p>		
<p>8. <i>Each CCP in a CCP link arrangement should be able to cover, at least on a daily basis, its current and potential future exposures to the linked CCP and its participants, if any, fully with a high degree of confidence without reducing the CCP's ability to fulfil its obligations to its own participants at any time.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 19.5</p>		
<p><b>Principle 21: Efficiency and effectiveness</b> <b>An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.</b></p>	<p>Corporations Act: Section 821A(a) ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239</p>	<p><b>Broadly Consistent</b> The RBA's Financial Stability Standards do not have a standard that addresses Principle 21, because Principle 21 falls solely within ASIC's regulatory remit. ASIC's framework has two components concerning this Principle. First, in advising the responsible Minister on licensing and in assessing a licensee's compliance with its regulatory obligations, ASIC considers whether the entity complies with the Principles</p>	<p>ASIC is recommended to implement measures that address the gaps or inconsistencies identified, particularly those related to KC1 and KC2.</p>



		<p>relevant to its regulatory remit. In addition, one of the statutory obligations on a licensed CCP is, to the extent reasonably practicable, to do all things necessary to ensure that its services are provided in a fair and effective way (s821A(a) of the Corporations Act). In practice, ASIC considers the “efficiency” of a CCP within the concept of “effective” in applying the fair and effective services obligation. Fair and effective is, however, not the same scope as the Principle which concerns efficiency and effectiveness; and ASIC’s general policy statement on <i>considering</i> an entity’s compliance with the PFMI when assessing a licence application does not create a binding obligation for the CCP to comply with this Principle. However, there is evidence from Australia that ASIC has applied the Principles as part of its supervision. Accordingly this Principle is regarded as broadly consistent.</p>	
<p>1. <i>An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.</i></p>	<p>Corporations Act: Section 827A(2) ASIC - RG 211.239</p>	<p>(See comment above)</p>	
<p>2. <i>An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk-</i></p>	<p>Corporations Act: Section 821A(a) ASIC - RG 211.239</p>	<p>The KC requires the FMI to have clear goals and objectives in a number of areas. ASIC’s general policy statement (in ASIC Regulatory Guide 211) on</p>	

<i>management expectations, and business priorities.</i>		<i>considering</i> an entity's compliance with the PFMI when assessing a licensing application does not appear to create a binding obligation for the CCP to comply with this KC.	
3. <i>An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.</i>	Corporations Act: Section 821E ASIC - RG 211.229. 211.239		
<b>Principle 22: Communication procedures and standards</b> <b>An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.</b>	Corporations Act: Sections 821A(a) and 821A(d) ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239	<b>Broadly consistent</b> Principle 22 falls solely within ASIC's regulatory remit. ASIC's framework does not have a specific standard on communication procedures and standards, and, as discussed above, ASIC's general policy statement on <i>considering</i> an entity's compliance with the PFMI when assessing a licensing application does not create a binding obligation for the CCP to comply with this principle. However there is evidence from Australia that ASIC has applied the Principles as part of its supervision. Accordingly this Principle is regarded as broadly -consistent.	ASIC is recommended to implement measures that address the gaps or inconsistencies identified.
1. <i>An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.</i>	Corporations Act: Section 821A(d) ASIC - RG 211.239	(See comment above)	
<b>Principle 23: Disclosure of rules, key procedures, and market data</b> <b>An FMI should have clear and</b>	The standards set forth in Principle 23 are addressed in the RBA's Financial Stability Standards for Central Counterparties:	<b>Consistent</b>	Where there are inconsistencies in language or requirements between Corporations Act, the

<p><b>comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.</b></p>	<p>Standard 20. Other measures Corporations Act: Section 822A(1)-(2), and Regulation 7.3.05 and 7.3.06, ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239, 211.198-211.210, 211.4, 211.194 and Table 1</p>		<p>Corporations Regulations, or RG 211 and the PFMI, ASIC should provide clarity to CCPs with respect to minimum standards.</p>
<p>1. <i>An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 20.1</p>		
<p>2. <i>An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 20.3</p>		
<p>3. <i>An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 20.4</p>		
<p>4. <i>An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.</i></p>	<p>Corporations Act: Section 821A ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239, 211.4, and Table 1</p>	<p>The ASIC requirements address the disclosure to participants but it is unclear that this amounts to public disclosure as required by the KC.</p>	

<p>5. <i>An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO Disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.</i></p>	<p>Financial Stability Standards for Central Counterparties: Standard 20.5</p> <p>Guidance issued in relation to the Financial Stability Standards for Central Counterparties: Guidance on Standard 20.5.</p>		
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### 4.2.3 Central Securities Depositories / Securities Settlement Systems

Implementation of the principles			
1. Text of applicable Principles and Key considerations (KCs) <sup>35</sup>	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
<p><b>Principle 1: Legal basis</b></p> <p><b>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</b></p>	<p>The standards set forth in Principle 1 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 1</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3 and 211.239 Corporations Act: Section 820A</p> <p>Payment System and Netting Act</p>	<p><b>Consistent</b></p>	
<p>1. <i>The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 1.2</p>		
<p>2. <i>An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 1.3</p>		
<p>3. <i>An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 1.4</p>		

<sup>35</sup> Only the relevant principles for CSDs or SSSs (as set forth in the annex E of the PFMI) are included.

4. <i>An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 1.5		
5. <i>An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 1.6		
<p><b>Principle 2: Governance</b></p> <p><b>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</b></p>	<p>The standards set forth in Principle 2 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 2</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239, 211.4, and 211.226</p> <p>Corporations Act: Section 821A</p>	<p><b>Consistent</b></p> <p>RBA SSS Standard 2 does not explicitly address the efficiency of the CSD/SSS since ASIC's responsibilities include ensuring a licensed CSD/SSS provides services in a "fair and effective" way. ASIC considers the "efficiency" of a CSD/SSS within the CSD/SSS's general licence obligation to provide its service in a fair and effective way.</p>	<p>Where there are inconsistencies in language or requirements between the Corporations Act or RG211 and the PFMI, ASIC should provide clarity to CSDs/SSSs with respect to minimum standards.</p>
1. <i>An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 2.1	As with the headline standard, the efficiency of the CSD/SSS is not mentioned in Principle 2 KC1.	
2. <i>An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 2.2		

<p><i>owners, relevant authorities, participants, and, at a more general level, the public.</i></p>			
<p>3. <i>The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest. The board should review both its overall performance and the performance of its individual board members regularly.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 2.3</p>		
<p>4. <i>The board should contain suitable members with the appropriate skills and incentives to fulfil its multiple roles. This typically requires the inclusion of non-executive board member(s).</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 2.4</p>		
<p>5. <i>The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 2.5</p>		
<p>6. <i>The board should establish a clear, documented risk-management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk-management and internal control functions have sufficient authority, independence, resources, and access to the board.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 2.6</p>		

<p>7. <i>The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 2.8</p>		
<p><b>Principle 3: Framework for the comprehensive management of risks</b></p> <p><b>An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.</b></p>	<p>The standards set forth in Principle 3 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 3</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 3.1</p>		
<p>2. <i>An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 3.3</p>		
<p>3. <i>An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 3.4</p>		



<p>4. <i>An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 3.5</p>		
<p><b>Principle 4: Credit risk</b></p> <p><b>An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide</b></p>	<p>The standards set forth in Principle 4 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 4</p>	<p><b>Consistent</b></p>	

<p><b>range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions.</b></p>			
<p>1. <i>An FMI should establish a robust framework to manage its credit exposures to its participants and the credit risks arising from its payment, clearing, and settlement processes. Credit exposure may arise from current exposures, potential future exposures, or both.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 4.1</p>		
<p>2. <i>An FMI should identify sources of credit risk, routinely measure and monitor credit exposures, and use appropriate risk-management tools to control these risks.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 4.2</p>		
<p>3. <i>A payment system or SSS should cover its current and, where they exist, potential future exposures to each participant fully with a high degree of confidence using collateral and other equivalent financial resources (see Principle 5 on collateral). In the case of a DNS payment system or DNS SSS in which there is no settlement guarantee but where its participants face credit exposures arising from its payment, clearing, and settlement processes, such an FMI should maintain, at a minimum, sufficient resources to cover the exposures of the two participants and their affiliates that would create the largest aggregate credit exposure in the system.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 4.4</p>		

<p>7. <i>An FMI should establish explicit rules and procedures that address fully any credit losses it may face as a result of any individual or combined default among its participants with respect to any of their obligations to the FMI. These rules and procedures should address how potentially uncovered credit losses would be allocated, including the repayment of any funds an FMI may borrow from liquidity providers. These rules and procedures should also indicate the FMI's process to replenish any financial resources that the FMI may employ during a stress event, so that the FMI can continue to operate in a safe and sound manner.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 4.5</p>		
<p><b>Principle 5: Collateral</b> <b>An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.</b></p>	<p>The standards set forth in Principle 5 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 5</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should generally limit the assets it (routinely) accepts as collateral to those with low credit, liquidity, and market risks.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 5.1</p>		
<p>2. <i>An FMI should establish prudent valuation practices and develop haircuts that are regularly tested and take into account stressed market conditions.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 5.3</p>		

3. <i>In order to reduce the need for procyclical adjustments, an FMI should establish stable and conservative haircuts that are calibrated to include periods of stressed market conditions, to the extent practicable and prudent.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 5.4		
4. <i>An FMI should avoid concentrated holdings of certain assets where this would significantly impair the ability to liquidate such assets quickly without significant adverse price effects.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 5.5		
5. <i>An FMI that accepts cross-border collateral should mitigate the risks associated with its use and ensure that the collateral can be used in a timely manner.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 5.6		
6. <i>An FMI should use a collateral management system that is well-designed and operationally flexible.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 5.7		

<p><b>Principle 7: Liquidity risk</b></p> <p><b>An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.</b></p>	<p>The standards set forth in Principle 7 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 6</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should have a robust framework to manage its liquidity risks from its participants, settlement banks, nostro agents, custodian banks, liquidity providers, and other entities.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 6.1</p>		
<p>2. <i>An FMI should have effective operational and analytical tools to identify, measure, and monitor its settlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 6.2</p>		

<p>3. <i>A payment system or SSS, including one employing a DNS mechanism, should maintain sufficient liquid resources in all relevant currencies to effect same-day settlement, and where appropriate intraday or multiday settlement, of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation in extreme but plausible market conditions.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 6.3</p>		
<p>5. <i>For the purpose of meeting its minimum liquid resource requirement, an FMI's qualifying liquid resources in each currency include cash at the central bank of issue and at creditworthy commercial banks, committed lines of credit, committed foreign exchange swaps, and committed repos, as well as highly marketable collateral held in custody and investments that are readily available and convertible into cash with prearranged and highly reliable funding arrangements, even in extreme but plausible market conditions. If an FMI has access to routine credit at the central bank of issue, the FMI may count such access as part of the minimum requirement to the extent it has collateral that is eligible for pledging to (or for conducting other appropriate forms of transactions with) the relevant central bank. All such resources should be available when needed.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 6.4</p>		

<p>6. <i>An FMI may supplement its qualifying liquid resources with other forms of liquid resources. If the FMI does so, then these liquid resources should be in the form of assets that are likely to be saleable or acceptable as collateral for lines of credit, swaps, or repos on an ad hoc basis following a default, even if this cannot be reliably prearranged or guaranteed in extreme market conditions. Even if an FMI does not have access to routine central bank credit, it should still take account of what collateral is typically accepted by the relevant central bank, as such assets may be more likely to be liquid in stressed circumstances. An FMI should not assume the availability of emergency central bank credit as a part of its liquidity plan.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 6.5</p>		
<p>7. <i>An FMI should obtain a high degree of confidence, through rigorous due diligence, that each provider of its minimum required qualifying liquid resources, whether a participant of the FMI or an external party, has sufficient information to understand and to manage its associated liquidity risks, and that it has the capacity to perform as required under its commitment. Where relevant to assessing a liquidity provider's performance reliability with respect to a particular currency, a liquidity provider's potential access to credit from the central bank of issue may be taken into account. An FMI should regularly test its procedures for accessing its liquid resources at a liquidity provider.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 6.6</p>		

<p>8. <i>An FMI with access to central bank accounts, payment services, or securities services should use these services, where practical, to enhance its management of liquidity risk.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 6.7</p>		
<p>9. <i>An FMI should determine the amount and regularly test the sufficiency of its liquid resources through rigorous stress testing. An FMI should have clear procedures to report the results of its stress tests to appropriate decision makers at the FMI and to use these results to evaluate the adequacy of and adjust its liquidity risk-management framework. In conducting stress testing, an FMI should consider a wide range of relevant scenarios. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions. Scenarios should also take into account the design and operation of the FMI, include all entities that might pose material liquidity risks to the FMI (such as settlement banks, nostro agents, custodian banks, liquidity providers, and linked FMIs), and where appropriate, cover a multiday period. In all cases, an FMI should document its supporting rationale for, and should have appropriate governance arrangements</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 6.8</p>		



<p><i>relating to, the amount and form of total liquid resources it maintains.</i></p>			
<p>10. <i>An FMI should establish explicit rules and procedures that enable the FMI to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations on time following any individual or combined default among its participants. These rules and procedures should address unforeseen and potentially uncovered liquidity shortfalls and should aim to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations. These rules and procedures should also indicate the FMI's process to replenish any liquidity resources it may employ during a stress event, so that it can continue to operate in a safe and sound manner.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 6.9</p>		
<p><b>Principle 8: Settlement finality</b> <b>An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.</b></p>	<p>The standards set forth in Principle 8 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 7</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI's rules and procedures should clearly define the point at which settlement is final.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 7.1</p>		
<p>2. <i>An FMI should complete final settlement no later than the end of the value date,</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities:</p>		

<p><i>and preferably intraday or in real time, to reduce settlement risk. An LVPS or SSS should consider adopting RTGS or multiple-batch processing during the settlement day.</i></p>	Standard 7.2		
<p>3. <i>An FMI should clearly define the point after which unsettled payments, transfer instructions, or other obligations may not be revoked by a participant.</i></p>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 7.3		
<p><b>Principle 9: Money settlements</b>  <b>An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.</b></p>	The standards set forth in Principle 9 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 8	<b>Consistent</b>	
<p>1. <i>An FMI should conduct its money settlements in central bank money, where practical and available, to avoid credit and liquidity risks.</i></p>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 8.1		
<p>2. <i>If central bank money is not used, an FMI should conduct its money settlements using a settlement asset with little or no credit or liquidity risk.</i></p>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 8.2		
<p>3. <i>If an FMI settles in commercial bank money, it should monitor, manage, and limit its credit and liquidity risks arising from the commercial settlement banks. In particular, an FMI should establish and</i></p>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 8.3		

<p><i>monitor adherence to strict criteria for its settlement banks that take account of, among other things, their regulation and supervision, creditworthiness, capitalisation, access to liquidity, and operational reliability. An FMI should also monitor and manage the concentration of credit and liquidity exposures to its commercial settlement banks.</i></p>			
<p>4. <i>If an FMI conducts money settlements on its own books, it should minimise and strictly control its credit and liquidity risks.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 8.4</p>		
<p>5. <i>An FMI's legal agreements with any settlement banks should state clearly when transfers on the books of individual settlement banks are expected to occur, that transfers are to be final when effected, and that funds received should be transferable as soon as possible, at a minimum by the end of the day and ideally intraday, in order to enable the FMI and its participants to manage credit and liquidity risks.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 8.5</p>		

<p><b>Principle 10: Physical deliveries</b></p> <p><b>An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.</b></p>		<p><b>N/A</b></p> <p>Principle 10 on physical deliveries is not relevant to securities settlement facilities that settle immobilised or dematerialised securities, such as Austraclear. No SSS or CSD that settles physically deliverable obligations currently operates in Australia and it is not expected that</p>	
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		such a facility will be established and/or seek to operate in Australia in the near future. However, if such a facility were to apply for a CS facility licence, the Bank has the power to amend the FSS for SSFs to require licensees to meet the requirements under Principle 10.	
1. <i>An FMI's rules should clearly state its obligations with respect to the delivery of physical instruments or commodities.</i>			
2. <i>An FMI should identify, monitor, and manage the risks and costs associated with the storage and delivery of physical instruments or commodities.</i>			
<b>Principle 11: Central securities depositories</b> <b>A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry.</b>	The standards set forth in Principle 11 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 9  Other measures  ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239, and Table 1  Corporations Act: Section 822A (2), Regulations 7.3.06(a) and (b)	<b>Consistent</b>	
1. <i>A CSD should have appropriate rules, procedures, and controls, including robust accounting practices, to safeguard the rights of securities issuers and holders, prevent the unauthorised creation or deletion of securities, and conduct</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 9.1		

<i>periodic and at least daily reconciliation of securities issues it maintains.</i>			
2. <i>A CSD should prohibit overdrafts and debit balances in securities accounts.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 9.2		
3. <i>A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry. Where appropriate, a CSD should provide incentives to immobilise or dematerialise securities.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 9.3		
4. <i>A CSD should protect assets against custody risk through appropriate rules and procedures consistent with its legal framework.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 9.4		
5. <i>A CSD should employ a robust system that ensures segregation between the CSD's own assets and the securities of its participants and segregation among the securities of participants. Where supported by the legal framework, the CSD should also support operationally the segregation of securities belonging to a participant's customers on the participant's books and facilitate the transfer of customer holdings.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 9.5		
6. <i>A CSD should identify, measure, monitor, and manage its risks from other activities that it may perform; additional tools may be necessary in order to address these risks.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 9.6		

<p><b>Principle 12: Exchange-of-value settlement systems</b></p> <p><b>If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other</b></p>	<p>The standards set forth in Principle 12 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 10</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI that is an exchange-of-value settlement system should eliminate principal risk by ensuring that the final settlement of one obligation occurs if and only if the final settlement of the linked obligation also occurs, regardless of whether the FMI settles on a gross or net basis and when finality occurs.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 10.1</p>		
<p><b>Principle 13: Participant-default rules and procedures</b></p> <p><b>An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.</b></p>	<p>The standards set forth in Principle 13 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 11</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239, and Table 1</p> <p>Corporations Act: Section 822A (1) and (2) Regulations 7.3.05(h) and 7.3.06(f)</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should have default rules and procedures that enable the FMI to continue to meet its obligations in the event of a participant default and that</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 11.1</p>		

<i>address the replenishment of resources following a default.</i>			
2. <i>An FMI should be well prepared to implement its default rules and procedures, including any appropriate discretionary procedures provided for in its rules.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 11.2		
3. <i>An FMI should publicly disclose key aspects of its default rules and procedures.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 11.3		
4. <i>An FMI should involve its participants and other stakeholders in the testing and review of the FMI's default procedures, including any close-out procedures. Such testing and review should be conducted at least annually or following material changes to the rules and procedures to ensure that they are practical and effective.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 11.4		

<p><b>Principle 15: General business risk</b></p> <p><b>An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</b></p>	<p>The standards set forth in Principle 15 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 12</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239, 211.189, and Table 1</p> <p>Corporations Act: Section 821A</p>	<p><b>Broadly consistent</b></p> <p>The RBA has modified the Principle to address a concern initially raised in the context of CCPs that, given the Australian legal regime, assets held by an FMI are not bankruptcy remote and therefore would be at risk of being drawn upon in the event that a participant default exhausted pre-funded default resources. The guidance to the RBA Standards envisages arrangements</p>	<p>The RBA is recommended to implement measures that address the gaps or inconsistencies identified, particularly those related to KC2 and KC3.</p>
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		<p>under which assets would be held on behalf of the CSD/SSS by an affiliate/group entity of the CSD/SSS, and clarifies the safeguards necessary to support such an arrangement, including consultation with the RBA and demonstration of legal certainty. There nevertheless remains a risk that the liquid assets will not be accessible when needed.</p> <p>The Australian Government has recently consulted on legislation that would provide the RBA with directive powers over related entities that provide critical services/funding to a CSD/SSS. Such powers, while intended to have broader application, would allow the RBA to direct a parent to disperse funds held on behalf of the CSD/SSS and thereby strengthen such an arrangement in an effort to make it functionally equivalent to the CSD/SSS itself holding the assets.</p>	
<p>1. <i>An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 12.1</p>		
<p>2. <i>An FMI should hold liquid net assets funded by equity (such as common stock,</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities:</p>	<p>(See comment above)</p>	



<p><i>disclosed reserves, or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.</i></p>	<p>Standard 12.2</p>		
<p>3. <i>An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 12.3</p>	<p>(See comment above)</p>	
<p>4. <i>Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 12.4</p>		
<p>5. <i>An FMI should maintain a viable plan for raising additional equity should its equity</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities:</p>		

<p><i>fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.</i></p>	<p>Standard 12.5</p>		
<p><b>Principle 16: Custody and investment risks</b></p> <p><b>An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.</b></p>	<p>The standards set forth in Principle 16 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 13</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239, and Table 1</p> <p>Corporations Act: Section 821A (d) and 822A(1), Regulation 7.3.05</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should hold its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 13.1</p>		
<p>2. <i>An FMI should have prompt access to its assets and the assets provided by participants, when required.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 13.2</p>		
<p>3. <i>An FMI should evaluate and understand its exposures to its custodian banks, taking into account the full scope of its relationships with each.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 13.3</p>		
<p>4. <i>An FMI's investment strategy should be consistent with its overall risk-management strategy and fully disclosed to its participants, and investments</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 13.4</p>		

<p><i>should be secured by, or be claims on, high-quality obligors. These investments should allow for quick liquidation with little, if any, adverse price effect.</i></p>			
<p><b>Principle 17: Operational risk</b></p> <p><b>An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI’s obligations, including in the event of a wide-scale or major disruption.</b></p>	<p>The standards set forth in Principle 17 are addressed in the RBA’s Financial Stability Standards for Securities Settlement Facilities Standard 14</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239, and Table 1</p> <p>Corporations Act: Section 822A(1)-(2), and Regulation 7.3.05 and 7.3.06</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.</i></p>	<p>RBA’s Financial Stability Standards for Securities Settlement Facilities: Standard 14.1</p>		
<p>2. <i>An FMI’s board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI’s operational risk-management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.</i></p>	<p>RBA’s Financial Stability Standards for Securities Settlement Facilities: Standard 14.2</p>		

3. <i>An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 14.3		
4. <i>An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 14.3		
5. <i>An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 14.3		
6. <i>An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 14.7		
7. <i>An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor,</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 14.5		

<i>and manage the risks its operations might pose to other FMIs.</i>			
<p><b>Principle 18: Access and participation requirements</b></p> <p><b>An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.</b></p>	<p>The standards set forth in Principle 18 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 15</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239,</p> <p>Corporations Act: Section 821A(a) 822A and Regulation 7.3.05</p>	<p><b>Consistent</b></p>	<p>Where there are inconsistencies in language or requirements between the Corporations Act, Corporations Regulations, or RG211 and the PFMI, ASIC should provide clarity to CSDs/SSSs with respect to minimum standards.</p>
<p>1. <i>An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 15.1</p>		
<p>2. <i>An FMI's participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI's specific risks, and be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavour to set requirements that have the least-restrictive impact on access that circumstances permit.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 15.2</p>	<p>RBA Standard 15.2 does not explicitly address the efficiency of the CSD/SSS, which is within ASIC's responsibilities. In practice, ASIC considers the "efficiency" of a CSD/SSS within the concept of "effective", in enforcing the CSD/SSS's general licence obligation to provide its service in a fair and effective way. This is deemed to sufficiently capture this aspect of KC 2.</p>	
<p>3. <i>An FMI should monitor compliance with its participation requirements on an</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities:</p>		

<p><i>ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.</i></p>	<p>Standard 15.3</p>		
<p><b>Principle 19: Tiered participation arrangements</b></p> <p><b>An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.</b></p>	<p>The standards set forth in Principle 19 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 16</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239 and Table 1, Corporations Act: Section 822A(1)-(2), and Regulation 7.3.05 and 7.3.06.</p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 16.1</p>		
<p>2. <i>An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 16.2</p>		
<p>3. <i>An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 16.3</p>		

<p><i>relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.</i></p>			
<p>4. <i>An FMI should regularly review risks arising from tiered participation arrangements and should take mitigating action when appropriate.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 16.4</p>		
<p><b>Principle 20: FMI links</b> <b>An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.</b></p>	<p>The standards set forth in Principle 20 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 17</p> <p>Other measures</p> <p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239 and Table 1,</p> <p>Corporations Act: Section 822A(1)-(2), and Regulation 7.3.05. and 7.3.06</p>	<p><b>Consistent</b></p>	<p>The RBA is recommended to implement measures which address the gaps or inconsistencies identified, specifically those related to KC1.</p>
<p>1. <i>Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 17.1</p>	<p>The RBA takes the view that each FMI entering into a link is responsible for ensuring that the design of the link arrangement would not impede its own ability to observe the other Principles. Contrary to the intent of the KC, however, this does not require that the FMI also ensure that the design of the link arrangement would not prevent the other linked FMI from observing the Principles.</p>	

2. <i>A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 17.2		
3. <i>Linked CSDs should measure, monitor, and manage the credit and liquidity risks arising from each other. Any credit extensions between CSDs should be covered fully with high-quality collateral and be subject to limits.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 17.4	This presents an issue similar to KC 1, in that the KC addresses both linked FMIs, regardless of whether they are in the same jurisdictions or different ones. In this case, however, it does not seem practical or realistic to require a domestic FMI to post collateral for any credit extensions to it, if the foreign FMI does not have a risk management framework that would require so.	
4. <i>Provisional transfers of securities between linked CSDs should be prohibited or, at a minimum, the retransfer of provisionally transferred securities should be prohibited prior to the transfer becoming final.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 17.5		
5. <i>An investor CSD should only establish a link with an issuer CSD if the arrangement provides a high level of protection for the rights of the investor CSD's participants.</i>	ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239  Corporations Act: Section 821A		
6. <i>An investor CSD that uses an intermediary to operate a link with an issuer CSD should measure, monitor, and manage the additional risks (including custody, credit, legal, and operational risks) arising from the use of the intermediary</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 17.6		



<p><b>Principle 21: Efficiency and effectiveness</b></p> <p><b>An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.</b></p>	<p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239</p> <p>Corporations Act: Section 821A</p>	<p><b>Broadly Consistent</b></p> <p>The RBA’s Financial Stability Standards do not have a standard that addresses Principle 21, because Principle 21 falls solely within ASIC’s regulatory remit. ASIC’s framework has two components concerning this Principle. First, in advising the responsible Minister on licensing and in assessing a licensee’s compliance with its regulatory obligations, ASIC considers whether the entity complies with the Principles relevant to its regulatory remit. In addition, one of the statutory obligations on a licensed CSD/SSS is, to the extent reasonably practicable, to do all things necessary to ensure that its services are provided in a fair and effective way (s821A(a) of the Corporations Act). In practice, ASIC considers the “efficiency” of a CSD/SSS within the concept of “effective” in applying the fair and effective services obligation. Fair and effective is, however, not the same scope as the Principle which concerns efficiency and effectiveness; and ASIC’s general policy statement on <i>considering</i> an entity’s compliance with the PFMI when assessing a licence application does not create a binding obligation for the CSD/SSS to comply with this Principle. However, there is evidence from Australia that ASIC has applied the</p>	<p>ASIC is recommended to implement measures that address the gaps or inconsistencies identified, particularly those related to KC1 and KC2</p>
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		Principles as part of its supervision. Accordingly this Principle is regarded as broadly consistent.	
1. <i>An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.</i>	ASIC - RG 211.239 , Corporations Act: Section 827A(2)	(See comment above)	
2. <i>An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk-management expectations, and business priorities.</i>	ASIC - RG 211.239 , Corporations Act: Section 821E	The KC requires the FMI to have clear goals and objectives in a number of areas. ASIC's general policy statement (in ASIC RG 211) on <i>considering</i> an entity's compliance with the PFMI when assessing a licensing application does not appear to create a binding obligation for the CCP to comply with this KC.	
3. <i>An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.</i>	ASIC - RG 211.229 and 211.239, Corporations Act: Section 821E		
<b>Principle 22: Communication procedures and standards</b>  <b>An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.</b>	ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239  Corporations Act: Sections 821A(a) and 821A(d)	<b>Broadly consistent</b>  Principle 22 falls solely within ASIC's regulatory remit. ASIC's framework does not have a specific standard on communication procedures and standards, and, as discussed above, ASIC's general policy statement on <i>considering</i> an entity's compliance	ASIC is recommended to implement measures that address the gaps or inconsistencies identified.

		with the PFMI when assessing a licensing application does not create a binding obligation for the CSD/SSS to comply with this principle. However there is evidence from Australia that ASIC has applied the Principles as part of its supervision. Accordingly this Principle is regarded as broadly consistent	
1. <i>An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.</i>	ASIC - RG 211.239 Corporations Act: Section 821A(d)	(See comment above)	
<b>Principle 23: Disclosure of rules, key procedures, and market data</b> <b>An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.</b>	The standards set forth in Principle 23 are addressed in the RBA's Financial Stability Standards for Securities Settlement Facilities Standard 18  Other measures ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239 211.198-211.210 211.194 and Table 1,  Corporations Act: Section 822A and Regulations 7.3.05 and 7.3.06	<b>Consistent</b>	Where there are inconsistencies in language or requirements between the Corporations Act, Corporations Regulations, or RG 211 and the PFMI, ASIC should provide clarity to CSDs/SSSs with respect to minimum standards.
1. <i>An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.</i>	RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 18.1		

<p>2. <i>An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 18.2</p>		
<p>3. <i>An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 18.3</p>		
<p>4. <i>An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.</i></p>	<p>ASIC - Appendix 2 of RG 211; RG 211.152-3, 211.239 211.4 and Table 1, Corporations Act: Section 821A</p>	<p>The ASIC requirements address the disclosure to participants but it is unclear that this amounts to public disclosure as required by the KC</p>	
<p>5. <i>An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO Disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.</i></p>	<p>RBA's Financial Stability Standards for Securities Settlement Facilities: Standard 18.4</p>		

## 4.2.4 Trade Repositories

Implementation of the principles			
1. Text of applicable Principles and Key considerations (KCs) <sup>36</sup>	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
<p><b>Principle 1: Legal basis</b></p> <p><b>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</b></p>	<p>The standards set forth in Principle 1 are addressed by the following rules and regulatory guidance:</p> <p>ASIC's <i>Derivative Trade Repository Rules 2013</i>, Rule 2.2.1:</p> <p>ASIC's <i>Regulatory Guide 249: Derivative Trade Repositories</i>, RG 158-162:</p>	<p><b>Broadly consistent</b></p> <p>The implementation measures of ASIC are broadly consistent with Principle 1. The overall rating has been influenced by the absence of implementation measures for key considerations 1, 3, and 4.</p>	<p>ASIC is recommended to implement measures that address the gaps or inconsistencies identified, particularly those related to KC1, KC3 and KC4.</p>
<p>1. <i>The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.</i></p>	<p>ASIC's <i>Derivative Trade Repository Rules 2013</i>, Rule 2.2.1(1).</p> <p>ASIC's <i>Regulatory Guide 249: Derivative Trade Repositories</i>, RG249.159 and RG 249.161.</p>	<p>The phrase "in all relevant jurisdictions" was not adopted explicitly into ASIC's rules and guidance. Although ASIC has explained that there is nothing in its rules that would limit this requirement to the home jurisdiction (and therefore it would cover all relevant jurisdictions), the absence of a limitation cannot be taken as the presence of a specific requirement.</p>	
<p>2. <i>An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.</i></p>	<p>ASIC <i>Derivative Trade Repository Rules 2013</i>, Rule 2.2.1(2)-(4).</p>		

<sup>36</sup> Only the relevant principles for TRs (as set forth in the annex E of the PFMI) are included.

<p>3. An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.</p>	<p>ASIC Derivative Trade Repository Rules 2013, Rule 2.2.1(1) and 2.2.1(3). ASIC Regulatory Guide 249: Derivative Trade Repositories, RG249.158 and RG 249.159.</p>	<p>The purpose of the KC is on demonstrating that the TR has a clear legal basis, rather than just ensuring that it does.  A significant gap is created by the absence of explicit requirements for the articulation of legal basis by the FMI.</p>	
<p>4. An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.</p>	<p>ASIC Derivative Trade Repository Rules 2013, Rule 2.2.1(1). ASIC Regulatory Guide 249: Derivative Trade Repositories, RG249.158-162.</p>	<p>As with the headline standard, the concept of having rules, procedures, and contracts "in all relevant jurisdictions" is missing.</p>	
<p>5. An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.</p>	<p>ASIC Derivative Trade Repository Rules 2013, Rule 2.2.1(5).</p>		
<p><b>Principle 2: Governance</b>  <b>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</b></p>	<p>The standards set forth in Principle 2 are addressed by the following statutory requirements, rules, and regulatory guidance:  <i>Corporation Act 2001, Section 904C(3):</i> <i>ASIC Derivative Trade Repository Rules 2013, Rule 2.2.3, 2.4.1, 2.4.2, 2.4.3, 2.4.5, 2.4.6, 2.5.1, and 2.5.2:</i>  <i>ASIC's Explanatory Statement to the Derivative Trade Repository Rules 2013,</i></p>	<p><b>Broadly consistent</b>  The rules do not specifically put the responsibility on the board to carry out certain responsibilities.</p>	<p>ASIC is recommended to implement measures that address the gaps or inconsistencies identified, particularly those related to KC3, KC4, KC6 and KC7.</p>

	<p><i>Rule 2.4.1 Governance:</i></p> <p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.130-132, RG 249.134, RG 249.138-139, RG 249.175, and RG 249.192:</i></p>		
<p>1. <i>An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations.</i></p>	<p><i>ASIC's Derivative Trade Repository Rules 2013, Rule 2.4.1(1).</i></p> <p><i>ASIC's Explanatory Statement to the Derivative Trade Repository Rules 2013, Rule 2.4.1 Governance.</i></p>		
<p>2. <i>An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.1(2) and 2.5.2(1).</i></p> <p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.130-131.</i></p>		
<p>3. <i>The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest. The board should review both its overall performance and the performance of its individual board members regularly.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.1(1)-(2), 2.4.2, and 2.4.3(2)</i></p> <p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.131(b), RG 249.134, RG 249.138, and RG 249.139.</i></p>	<p>It is unclear how the cited rule texts (2.4.1(2) and 2.4.3(2)) can be interpreted to mean that the board is required to review the performance of the overall board and individual members. It does not seem like the "board" or its individual members falls under any of the categories requiring review ("<i>arrangements, rules, procedures, policies, plans, systems and controls</i>").</p> <p>Although RG 249.131(b) require the TR to include in their application a description of [...] performance evaluation of Board Members, the</p>	

		KC puts the onus on the board to conduct the review of the overall and individual member performance, whereas this rule is addressed to the "Operator."	
4. <i>The board should contain suitable members with the appropriate skills and incentives to fulfil its multiple roles. This typically requires the inclusion of non-executive board member(s).</i>	<p><i>Corporation Act 2001, Section 904C(3).</i></p> <p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.5 and 2.4.6.</i></p> <p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.131 and RG 249.134</i></p>	<p>The cited rule (2.4.6) requiring officers of the TR to be "fit for office" do not fully capture the requirement that the board members should have the appropriate incentives to fulfil its multiple roles. "Fit for office," as described in the rule, seems to focus on whether the officer would have the appropriate skillset only.</p> <p>Although one can make the argument that if the rules <i>required</i> the inclusion of non-executive board members, there might be an implicit requirement for board members to have the right incentives to fulfil their roles. However, as stated by ASIC, there is no requirement for non-executive board members.</p> <p>Although the wording in the KC for the inclusion of non-executive board member(s) is more generic (by the use of "typically" as opposed to "should"), the lack of a requirement for the board to have appropriate incentives creates a minor gap.</p>	
5. <i>The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix</i>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.1(1)-(2) and Rule 2.4.6.</i></p> <p><i>ASIC Regulatory Guide 249: Derivative Trade</i></p>		



<p><i>of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI</i></p>	<p><i>Repositories, RG 249.134(b).</i></p>		
<p>6. <i>The board should establish a clear, documented risk-management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk-management and internal control functions have sufficient authority, independence, resources, and access to the board.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.1(2)(a), (c)(i), and (d). Regulatory Guide 249: Derivative Trade Repositories, RG 249.175, RG 249.132, and RG249.192.</i></p>	<p><u>Board for risk management</u> Because the rule cited (2.4.1(2)) addresses both the board (i.e., governing body) and the management – it's unclear whether the responsibility for establishing a risk management framework would fall to the board or to management.</p> <p><u>Risk-management function having sufficient authority, independence, etc.</u> Having sufficient human, tech and financial resources does not mean having sufficient authority, independence and access to the board, as in 2.4.1(2)(d) for internal control functions</p>	
<p>7. <i>The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.1(2)(c)(ii), 2.2.3(2), 2.5.1, and 2.5.2.</i></p>	<p>Rule 2.4.1(2)(c) only refers to users, and not indirect participants and other relevant stakeholders. It is also unclear from the rules whether the board itself is responsible for ensuring that the FMI's design, rules, overall strategy, and major decisions meet the appropriate parties' interests.</p> <p>A gap is created by the lack of requirements that would specifically compel the TR board to ensure the TR's design, rules, overall strategy,</p>	

		and major decisions reflect appropriately the interest of the indirect participants and other various stakeholders.	
<p><b>Principle 3: Framework for the comprehensive management of risks</b></p> <p><b>An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.</b></p>	<p>The standards set forth in Principle 3 are addressed by the following rules and regulatory guidance:</p> <p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.2.2, 2.4.3, 2.4.4, and 2.4.11:</i></p> <p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.147 and RG 249.167:</i></p>	<b>Consistent</b>	
<p>1. <i>An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.</i></p>	<p><i>ASIC's Derivative Trade Repository Rules 2013, Rule 2.4.4(1) and 2.4.3(2).</i></p> <p><i>ASIC's Regulatory Guide 249: Derivative Trade Repositories, RG249.147 and RG 249.167.</i></p>		
<p>2. <i>An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI.</i></p>	<p><i>ASIC's Derivative Trade Repository Rules 2013, Rule 2.2.2(2).</i></p>		
<p>3. <i>An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.4(1)-(2) and 2.4.3(2).</i></p> <p><i>ASIC's Regulatory Guide 249: Derivative Trade Repositories, RG249.191.</i></p>		

<p>4. An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.</p>	<p>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.11(1)-(3).</p>		
<p><b>Principle 15: General business risk</b>  <b>An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</b></p>	<p>The standards set forth in Principle 15 are addressed by the following rules and regulatory guidance:  <i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.1, 2.4.4, 2.4.5, and 2.4.7:</i>  <i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.196 and RG 249.191:</i></p>	<p><b>Broadly Consistent</b>  The implementation measures of ASIC are broadly consistent with Principle 15. The overall rating has been influenced by the absence of implementation measures for aspects of key consideration 2.</p>	<p>ASIC is recommended to implement measures that address the gaps or inconsistencies identified in key consideration 2.</p>
<p>1. An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.</p>	<p><i>ASIC's Derivative Trade Repository Rules 2013, Rule 2.4.4(1).</i>  <i>ASIC's Regulatory Guide 249: Derivative Trade Repositories, RG249.191.</i></p>		

<p>2. <i>An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves, or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.5 and 2.4.7.</i></p> <p><i>ASIC's Regulatory Guide 249: Derivative Trade Repositories, RG249.196.</i></p>	<p>The rules do not require liquid net assets funded by equity to be determined by the TR's general risk profile and the length of time required to achieve recovery or orderly wind-down.</p>	
<p>3. <i>An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.11(1), 2.4.5, and 2.4.7(1).</i></p> <p><i>ASIC's Regulatory Guide 249: Derivative Trade Repositories, RG249.196.</i></p>		
<p>4. <i>Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.5 and 2.4.7.</i></p> <p><i>ASIC's Regulatory Guide 249: Derivative Trade Repositories, RG249.196.</i></p>		

<i>scenarios, including in adverse market conditions.</i>			
5. <i>An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.</i>	ASIC Derivative Trade Repository Rules 2013, Rule 2.4.7(2).		
<p><b>Principle 17: Operational risk</b></p> <p><b>An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI’s obligations, including in the event of a wide-scale or major disruption.</b></p>	<p>The standards set forth in Principle 17 are addressed by the following rules and regulatory guidance:</p> <p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.1, 2.4.3, 2.4.4, 2.4.5, 2.4.8, 2.4.9, 2.4.10, and 2.4.13:</i></p> <p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.197-201 and RG 249.140-141:</i></p>	<p><b>Broadly consistent</b></p> <p>The implementation measures of ASIC are broadly consistent with Principle 17. The overall rating has been influenced by the absence of implementation measures for key considerations 2, 3, and 6.</p>	<p>ASIC is recommended to implement measures that address the gaps or inconsistencies identified.</p>
1. <i>An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.</i>	<p><i>ASIC’s Derivative Trade Repository Rules 2013, Rule 2.4.9(1)-(2), 2.4.4(1), and 2.4.8.</i></p> <p><i>ASIC’s Regulatory Guide 249: Derivative Trade Repositories, RG249.197.</i></p>		
2. <i>An FMI’s board of directors should clearly define the roles and</i>	ASIC Derivative Trade Repository Rules 2013, Rule 2.4.1(1), 2.4.1(2)(b), and 2.4.3(2).	As with Principle 2 – the cited rule (2.4.1(2)(b)) combines the roles and	

<p><i>responsibilities for addressing operational risk and should endorse the FMI's operational risk-management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.</i></p>		<p>responsibilities of the board and management. It is unclear who has which responsibility.</p> <p>Further, KC 2 requires the board to endorse the TR's operational risk management framework – which is a level of specificity (a specific role/responsibility) that is not included in the rule</p>	
<p>3. <i>An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.9, 2.4.1, 2.4.4, and 2.4.5.</i></p>	<p>The rules cited do not capture the KC's intent, which is focused on operational reliability objectives. However, some of the rules cited are broad enough to cover operational reliability objectives.</p>	
<p>4. <i>An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.9.</i></p>		
<p>5. <i>An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.8(a)-(b).</i></p> <p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.198.</i></p>		
<p>6. <i>An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.10(a)-(b).</i></p> <p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.199, RG 249.200, and RG 249.201.</i></p>	<p>The rules do not require a 2-hour RTO; only end of day resumption required.</p> <p>A significant gap is created by the absence of requirements for the TR to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events.</p>	

<p><i>hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.</i></p>			
<p>7. <i>An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.4.4(1)-(2), 2.4.13(a)-(d), 2.3.4(4), and 2.3.4(6). ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.140 And RG 249.141.</i></p>		
<p><b>Principle 18: Access and participation requirements</b> <b>An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.</b></p>	<p>The standards set forth in Principle 18 are addressed by the following rules: <i>ASIC Derivative Trade Repository Rules 2013, Rule 2.2.2 and 2.5.2:</i></p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements.</i></p>	<p><i>ASIC's Derivative Trade Repository Rules 2013, Rule 2.2.2(1) and 2.2.2(3).</i></p>		
<p>2. <i>An FMI's participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI's specific</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.2.2(2).</i></p>		

<p><i>risks, and be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavour to set requirements that have the least-restrictive impact on access that circumstances permit.</i></p>			
<p>3. <i>An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.2.2(4) and 2.5.2(1)(d).</i></p>		
<p><b>Principle 19: Tiered participation arrangements</b> <b>An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.</b></p>	<p>The standards set forth in Principle 19 are addressed by the following regulatory guidance: <i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.186:</i></p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.</i></p>	<p><i>ASIC's Regulatory Guide 249: Derivative Trade Repositories, RG249.186(a).</i></p>		
<p>2. <i>An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.</i></p>	<p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.186(b).</i></p>		



<p>3. An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.</p>	<p>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.186(c).</p>		
<p>4. An FMI should regularly review risks arising from tiered participation arrangements and should take mitigating action when appropriate.</p>	<p>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.186(d).</p>		
<p><b>Principle 20: FMI links</b> <b>An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.</b></p>	<p>The standards set forth in Principle 20 are addressed by the following rules and regulatory guidance: <i>ASIC Derivative Trade Repository Rules 2013</i>, Rule 2.4.4: <i>ASIC Regulatory Guide 249: Derivative Trade Repositories</i>, RG 249.187 and RG 249.188:</p>	<p><b>Broadly consistent</b> The implementation measures of ASIC are broadly consistent with Principle 20. The overall rating has been influenced by the absence of implementation measures for key considerations 1 and 2.</p>	<p>ASIC is recommended to implement measures that address the gaps or inconsistencies identified particularly those related to KC1 and KC2.</p>
<p>1. Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.</p>	<p><i>ASIC's Derivative Trade Repository Rules 2013</i>, Rule 2.4.4(1), and 2.4.4(2)(b). <i>ASIC's Regulatory Guide 249: Derivative Trade Repositories</i>, RG 249.187, RG 249.188(a).</p>	<p>ASIC's rules do not require the licensed TR (ie one side of the link) to consider the design and the effects of the arrangement holistically (i.e., both sides of the link). Specifically the TR is not required to ensure that there is no limitation built into the linked arrangement that would prevent the linked FMIs in other</p>	

		jurisdictions from complying with the Principles.	
2. A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.	ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.188(b).	ASIC's rules do not require the TR to ensure that the link has a well-founded legal basis in all relevant jurisdictions that provides adequate protection for all the FMIs involved in the link.	
9. A TR should carefully assess the additional operational risks related to its links to ensure the scalability and reliability of IT and related resources.	ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.188(c) and RG 249.187.		
<b>Principle 21: Efficiency and effectiveness</b> <b>An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.</b>	The standards set forth in Principle 21 are addressed by the following rules and regulatory guidance: <i>ASIC Derivative Trade Repository Rules 2013</i> , Rule 2.2.3, 2.5.1, and 2.4.1: <i>ASIC Regulatory Guide 249: Derivative Trade Repositories</i> , RG 249.167, RG 249.168, and RG 249.175:	<b>Consistent</b>	
1. An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.	<i>ASIC Derivative Trade Repository Rules 2013</i> , Rule 2.2.3(1) and 2.4.1(2)(c). <i>ASIC Regulatory Guide 249: Derivative Trade Repositories</i> , RG 249.168 and RG 249.175.		
2. An FMI should have clearly defined goals and objectives that are	<i>ASIC Derivative Trade Repository Rules 2013</i> , Rule 2.2.3(2) and 2.5.1(b).		

<p><i>measurable and achievable, such as in the areas of minimum service levels, risk-management expectations, and business priorities.</i></p>	<p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.167.</i></p>		
<p>3. <i>An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.2.3(2).</i> <i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.167.</i></p>		
<p><b>Principle 22: Communication procedures and standards</b> <b>An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.</b></p>	<p>The standards set forth in Principle 22 are addressed by the following rule: <i>ASIC's Derivative Trade Repository Rules 2013, Rule 2.3.7:</i></p>	<p><b>Consistent</b></p>	
<p>1. <i>An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.</i></p>	<p><i>ASIC's Derivative Trade Repository Rules 2013, Rule 2.3.7.</i></p>		
<p><b>Principle 23: Disclosure of rules, key procedures, and market data</b> <b>An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs</b></p>	<p>The standards set forth in Principle 23 are addressed by the following rules and regulatory guidance: <i>ASIC Derivative Trade Repository Rules 2013, Rule 2.3.5, 2.5.1, and 2.5.2:</i> <i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.196 and RG 249.203:</i></p>	<p><b>Consistent</b></p>	

<p><b>they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.</b></p>			
<p>1. <i>An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.5.1(1), 2.5.2(1)(c), (e), and (f).</i></p>		
<p>2. <i>An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.5.1(1)(c).</i></p>		
<p>3. <i>An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.5.1(1) and (2).</i></p>		
<p>4. <i>An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.5.2(1)(g) and 2.5.2(2).</i></p> <p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.196.</i></p>		
<p>5. <i>An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO Disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.3.5(1) and 2.3.5(2)(a)-(b).</i></p> <p><i>ASIC Regulatory Guide 249: Derivative Trade Repositories, RG 249.203.</i></p>		

<p><i>basic data on transaction volumes and values.</i></p>			
<p><b>Principle 24: Disclosure of market data by trade repositories</b> <b>A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.</b></p>	<p>The standards set forth in Principle 23 are addressed by the following rules: <i>ASIC Derivative Trade Repository Rules 2013, Rule 2.3.2 and 2.3.4:</i></p>	<p><b>Consistent</b></p>	
<p>1. <i>A TR should provide data in line with regulatory and industry expectations to relevant authorities and the public, respectively, that is comprehensive and at a level of detail sufficient to enhance market transparency and support other public policy objectives.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.3.4(1)-(5).</i></p>		
<p>2. <i>A TR should have effective processes and procedures to provide data to relevant authorities in a timely and appropriate manner to enable them to meet their respective regulatory mandates and legal responsibilities.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.3.4(5) and (7).</i></p>		
<p>3. <i>A TR should have robust information systems that provide accurate current and historical data. Data should be provided in a timely manner and in a format that permits it to be easily analysed.</i></p>	<p><i>ASIC Derivative Trade Repository Rules 2013, Rule 2.3.2(1)-(5) and 2.3.4(5) and (7).</i></p>		

## Annex A: List of abbreviations

AM	Assessment methodology
ASIC	Australian Securities and Investments Commission
AT	Assessment team
CCP	Central counterparty
CPMI	Committee on Payments and Market Infrastructures
CPSS	Committee on Payment and Settlement Systems
CS	Clearing and settlement
CSD	Central securities depository
FMI	Financial market infrastructure
FSS	Financial Stability Standards
IMSG	Implementation Monitoring Standing Group
IOSCO	International Organization of Securities Commissions
L1	Level 1
L2	Level 2
L3	Level 3
PS	Payment system
PFMI	<i>Principles for financial market infrastructures</i>
RBA	Reserve Bank of Australia
RITS	Reserve Bank Information and Transfer System
SSF	Securities settlement facilities
SSS	Securities settlement systems
TR	Trade repository

## Annex B: Reference documents

ASIC Act 2001

<https://www.comlaw.gov.au/Series/C2004A00819>

ASIC Derivative Trade Repository Rules 2013

<https://www.comlaw.gov.au/Details/F2013L01344>

ASIC, *Implementing the CPSS-IOSCO Principles for financial market infrastructures in Australia*, February 2013

<http://www.asic.gov.au/regulatory-resources/markets/licensed-clearing-and-settlement-facilities-operating-in-australia/implementing-the-cpss-iosco-principles-for-financial-market-infrastructures-in-australia/>

ASIC, Regulatory Guide 211, *Clearing and settlement facilities: Australian and overseas operators*, 18 December 2012

<http://www.asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-211-clearing-and-settlement-facilities-australian-and-overseas-operators/>

ASIC, Regulatory Guide 249, *Derivative trade repositories*, 10 April 2015

<http://www.asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-249-derivative-trade-repositories/>

Corporations Act 2001

<https://www.comlaw.gov.au/Details/C2015C00336>

Corporations Regulations 2001

<https://www.comlaw.gov.au/Details/F2015C00847/>

CPSS-IOSCO, *Principles for financial market infrastructures*, April 2012

<http://www.bis.org/cpmi/publ/d101a.pdf>

CPSS-IOSCO, *Principles for financial market infrastructures: disclosure framework and assessment methodology*, December 2012

<http://www.bis.org/publ/cpmi106.pdf>

CPMI-IOSCO, *Implementation monitoring of PFMI: Second update to Level 1 assessment report*, June 2015

<http://www.bis.org/cpmi/publ/d129.pdf>

CPSS-IOSCO, *Implementation monitoring of PFMI: First update to Level 1 assessment report*, May 2014

<http://www.bis.org/publ/cpmi117.pdf>

CPSS-IOSCO, *Implementation monitoring of PFMI – Level 1 assessment report*, August 2013

<http://www.bis.org/publ/cpmi111.pdf>

CPMI-IOSCO, *Application of the Principles for financial market infrastructures to central bank FMIs*, August 2015

<http://www.bis.org/cpmi/publ/d130.htm>

CPMI-IOSCO, *Assessment and review of application of Responsibilities for authorities*, November 2015

<http://www.bis.org/cpmi/publ/d139.htm>

Payment Systems (Regulation) Act 1998

<http://www.comlaw.gov.au/Series/C2004A00318>

The Payment Systems and Netting Act 1998  
<http://www.comlaw.gov.au/Series/C2004A00338>

Reserve Bank Act 1959  
<http://www.comlaw.gov.au/Series/C1959A00004>

RBA, *Assessment of ASX Clearing and Settlement Facilities against the Principles for Financial Market Infrastructures (Principles)*, September 2014  
<http://www.rba.gov.au/payments-and-infrastructure/financial-market-infrastructure/principles/assessments/asx/2014/index.html>

RBA, *Financial Stability Standards for Central Counterparties*, December 2012  
<http://www.rba.gov.au/payments-and-infrastructure/financial-market-infrastructure/clearing-and-settlement-facilities/standards/central-counterparties/2012/>

RBA, *Financial Stability Standards for Securities Settlement Facilities*, December 2012  
<http://www.rba.gov.au/payments-and-infrastructure/financial-market-infrastructure/clearing-and-settlement-facilities/standards/securities-settlement-facilities/2012/>

RBA, *Implementing the CPSS-IOSCO Principles for financial market infrastructures* in Australia, February 2013  
<http://www.rba.gov.au/payments-and-infrastructure/financial-market-infrastructure/principles/implementation-of-principles.html>



## Annex C: Detailed response from the Australian authorities

No additional information provided by Australian authorities.

## Annex D: Allocation of responsibilities

**Table 6: Allocation of responsibilities for Principles – SSFs**

Principle	Responsible authority
1. Legal basis	
2. Governance	
11. Central securities depositories	
13. Participant default rules and procedures	
15. General business risk	
16. Custody and investment risks	Joint responsibility of ASIC and the RBA
17. Operational risk	
18. Access and participation requirements	
19. Tiered participation arrangements	
20. Financial market infrastructure links	
23. Disclosure of rules, key procedures and market data	
3. Framework for the comprehensive management of risks	
4. Credit risk	
5. Collateral	RBA
7. Liquidity risk	
8. Settlement finality	
9. Money settlements	
12. Exchange-of-value settlement systems	
21. Efficiency and effectiveness	ASIC
22. Communication procedures and standards	
6. Margin	
10. Physical deliveries	Not applicable to SSFs
14. Segregation and portability	
24. Disclosure of market data by trade repositories	

**Table 7: Allocation of responsibilities for Principles – CCPs**

Principle	Responsible authority
1. Legal basis	
2. Governance	
13. Participant default rules and procedures	
14. Segregation and portability	
15. General business risk	
16. Custody and investment risks	Joint responsibility of ASIC and the RBA
17. Operational risk	
18. Access and participation requirements	
19. Tiered participation arrangements	
20. Financial market infrastructure links	
23. Disclosure of rules, key procedures and market data	
3. Framework for the comprehensive management of risks	
4. Credit risk	
5. Collateral	
6. Margin	RBA
7. Liquidity risk	
8. Settlement finality	
9. Money settlements	
10. Physical deliveries	
12. Exchange-of-value settlement systems	
21. Efficiency and effectiveness	ASIC
22. Communication procedures and standards	
11. Central securities depositories	Not applicable to CCPs
24. Disclosure of market data by trade repositories	

## Annex E: FMIs subject to the Principles in Australia

### Systemically important PS in Australia

- Reserve Bank Information and Transfer System (RITS)

### CCPs<sup>37</sup>

- ASX Clear
- ASX Clear Futures
- LCH.Clearnet Ltd
- CME Inc.

### CSDs/SSSs

- Austraclear<sup>38</sup>
- ASX Settlement<sup>39</sup>

### TRs

- DTCC Data Repository Singapore Pte Ltd (DDRS)<sup>40</sup>

<sup>37</sup> LCH.Clearnet Ltd and CME Inc are not incorporated in Australia but have been licensed to provide direct clearing services to Australian participants.

<sup>38</sup> Providing settlement and depository services for Australian debt securities.

<sup>39</sup> An SSS also performing depository functions for cash equities, debt products and warrants.

<sup>40</sup> DDRS is not incorporated in Australia but has been granted an ADTR license.