

Monday 6<sup>th</sup> July 2015

ASX Limited  
20 Bridge Street  
Sydney  
NSW 2000  
Attention: Ash Moosa and Andrew White

### **Austraclear Release 5 – Testing of new requirements.**

The Australian Custodian Services ('ACSA') is the peak industry body representing members of Australia's custodial and administrator sector. Collectively, the members of ACSA hold securities and investments in excess of AUD\$1.8 trillion in value in custody and under administration. Members of ACSA include BNP Paribas, Bank of America, Citi Securities, National Australia Bank Asset Servicing, JP Morgan, HSBC, State Street, RBC Investor Services and Northern Trust.

This letter is intended to provide the Australian Securities Exchange ('ASX') with the views of ACSA members on the issues raised during testing, for Austraclear release 5, which is currently being completed by a number of the ACSA members.

The main concern raised in testing is in relation to the requirement for trades to match on the full six digit Austraclear mnemonic. A number of custodians have internal mappings that link a singular counterparty swift BIC to a singular mnemonic. Testing has highlighted that some custodians will need to break current STP processes to hold up trades to determine the full six digit mnemonic that a counterparty has made an allegation with so the correct six digit mnemonic can be selected prior to pushing the trade to Austraclear. The reason for this issue is due to the fact any participant can have a number of Austraclear mnemonics that they operate all under the same swift BIC which previously only needed the first four digits of a mnemonic to match and not the full six.

The challenges to this will directly impact transaction efficiency and also add higher risk to trades that occur late in the Austraclear day.

To summarise these findings the impacted custodians have completed analysis for the month of June 2015 that details the average break in STP rate that will have a significant impact to settlement efficiency and potentially knock on trading and settlement activity:



June 2015 Statistics:

RVP/DVP Transactions settled by impacted Custodians:	5915
RVP/DVP Transactions that would have required amendment:	2278
Break in STP rates (average)	37%
Value of total transactions:	\$37,340,602,232.03

It should be noted that these figures do not include cash movements which would certainly increase the value and volume of these figures.

We would appreciate that the ASX consider the ramifications of the issues raised and propose a technical solution and subsequent delay to release 5 until a market wide solution on the four digit mnemonic matching is in place to ensure on-going transactional efficiency.

Yours Faithfully,

A handwritten signature in black ink, appearing to be 'M Wootton', written over a horizontal line.

**Mark Wootton**

**ACSA Chair for the Custody Operations Work Group**

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