

Proposed changes to ASX Clear Guidance Note 13: Managing Liquidity Requirements



Consultation Paper

16 July 2025



Contents

Invitation to comment

ASX is seeking submissions on the issues canvassed in this paper by 13 August 2025. Submissions should be sent to:

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Attention: Ms Marisa Khan

ASX prefers to receive submissions in electronic form.

If you would like your submission, or any part of it, to be treated as confidential, please indicate this clearly. All submissions will be provided to regulators on request. They may also be published on the ASX website, unless they are clearly marked as confidential or ASX considers that there are reasons not to do so.

ASX is available to meet with interested parties for bilateral discussions on these matters.

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Attachments

Attachment A: Draft Guidance Note 13 – clean version

Attachment B: Draft Guidance Note 13 – marked up version

Proposed changes to ASX Clear Guidance Note 13: Managing Liquidity Requirements

Consultation Paper

16 July 2025

1. Purpose of this paper

This consultation paper outlines the changes being proposed to ASX Clear Guidance Note 13: “Managing Liquidity Requirements” (“GN13”).

The changes are intended to uplift the guidance note by setting out a more comprehensive set of requirements for ASX Clear (“ASXCL”) participants.

The updates being proposed include:

- a new section on contingency planning for the liquidity impact of low probability events, including CHES batch settlement being rescheduled;
- an extension of the carve-out eligibility from GN13 requirements to apply to participants that are part of prudentially supervised banking groups in G-10 countries; and
- changes to the requirements relating to management reporting and operational processes.

ASX welcomes feedback on the proposed updates to GN13 in writing by 13 August 2025. If you or your organisation would like to discuss this topic further, please contact ASX (see contact details on page 2).

2. Background

2.1. Current expectations under GN13

GN13 provides guidance on the minimum liquidity management arrangements that ASXCL participants should have in place to meet their obligations under ASXCL Operating Rule 3.5.1. These include:

- a formal liquidity risk framework that is appropriate to the nature, scale and complexity of the participant’s activities;
- a board-approved liquidity plan; and
- adequate management reporting and operational processes for liquidity management.

Certain participants are not required to comply with the minimum liquidity management requirements outlined in GN13, namely:

- an Australian Prudential Regulation Authority (“APRA”) regulated authorised deposit-taking institution (“ADI”); or
- a related body corporate of an ADI whose liquidity requirements are managed and provided by the ADI.

2.2. Considerations for updating GN13

Since the introduction of GN13 in 2016, ASXCL has reviewed the liquidity management arrangements of a large number of participants against the requirements set out in GN13. As part of these reviews, participants were asked to provide specific information on their liquidity management arrangements, which was then reviewed and assessed by ASXCL, and feedback was provided to each participant based on the findings from the review. A number of proposed updates to GN13 are based on the learnings from these liquidity reviews completed by ASXCL.

As part of the feedback provided during these liquidity reviews, a number of participants were asked to explicitly consider offsetting transaction arrangements (“OTAs”) and recovery assessments as part of their liquidity planning. Following the rescheduling of CHES batch settlement in December 2024, ASX also held discussions with a number of participants to

understand the impact on their liquidity from the event. Based on this, a new section is being proposed in the guidance note that requires participants to consider the impact of low probability events, such as re-scheduling of CHES batch settlement, OTAs and recovery assessments, as part of their liquidity planning.

As part of the update, ASXCL has also reviewed the eligibility criteria for carve-out from GN13 requirements and is proposing to extend this to participants that are part of prudentially supervised banking groups in G-10 countries.

ASXCL has also updated the structure and ordering of the sections to provide a more logical sequencing and grouping of liquidity management requirements.

3. Proposed changes to GN13

In this section, we have outlined the key changes being proposed as part of the update. The draft updated GN13 (in both clean and marked-up versions) has been attached to this consultation paper.

3.1. Introduction of contingency planning requirement

ASXCL is proposing to introduce a new section named “Contingency planning for liquidity impact of low probability events” which requires participants to consider contingent circumstances that may have an impact on liquidity requirements, including re-scheduling of CHES batch settlement, OTAs and recovery assessments.

The proposed update in relation to rescheduling CHES batch settlement sets out ASXCL’s expectation for participants to consider this potential event as part of their liquidity planning. Specific items are listed in GN13 for participants to factor into this consideration. These have been compiled on the basis of feedback provided by various participants in meetings held to discuss the rescheduling of CHES batch settlement in December 2024. The items listed cover:

- processes relating to payments to retail clients, particularly where these are made or initiated ahead of batch settlement completion;
- payments arising from capital markets activities; and
- the need for participants to continue to fund potentially higher cash market margins reflecting an increased number of unsettled trades over the period of rescheduled batch settlement.

The updates in relation to OTAs and recovery assessments reflect feedback that was provided to various participants during their liquidity reviews where it was found that these contingent requirements had not been factored into their liquidity policy document. Given the importance of these tools for ASXCL’s default management processes, ASXCL has now explicitly incorporated the requirement in GN13 for participants to consider these as part of their liquidity management.

It should be noted that the requirement proposed in this new section is for each participant to have considered these low probability events and ensure that they have plans in place to manage them if they occur. ASXCL is not requiring participants to maintain pre-arranged liquidity resources for such events.

Consultation Questions:

1. Do you have any comments on the proposed approach of requiring participants to explicitly consider contingent circumstances, particularly CHES batch settlement rescheduling, in their liquidity planning?
2. Are the items that ASXCL has set out in section 6.1 of the draft GN13 appropriate?
3. Do you envisage any issues with your participant’s ability to comply with the requirements in section 6?

3.2. Extension of eligibility criteria for carve-out from GN13 requirements

ASXCL has reviewed the eligibility criteria for carve-out from GN13 requirements as noted in section 2.1 above and has determined that the current scope of the carve-out may be overly restrictive as:

- it does not recognise participants that are part of prudentially supervised banking groups in other major jurisdictions that do not have an ADI entity; and
- it does not recognise the application of a group’s liquidity management framework at the holding company level instead of the banking entity level.

ASXCL is proposing to extend the carve-out eligibility to participants that are part of a prudentially supervised banking group in a G-10 country, provided that the participant’s liquidity is managed under the banking group’s liquidity framework (applied at either the banking entity level or the holding company level) which is subject to prudential supervision on a consolidated basis (with the participant being a part of the consolidated group for liquidity management).

The existing carve-out for participants that are ADIs or a related body corporate of an ADI will remain in place.

Consultation Questions:

4. Do you have any comments on the proposed extension of eligibility criteria for the carve-out?
5. Do you consider the new criteria to be appropriate? Should there be any additional criteria?

3.3. Update to management reporting requirements

Section 5.4 of the current GN13 sets out specific requirements for reporting to both senior management and the board of a participant, including the requirement for:

- a quarterly “Sources and Uses of Funds” report;
- a quarterly report on the participant’s current and forecast liquidity positions over the next 12 months; and
- a set of early warning indicators.

It is proposed that this section of GN13 be updated to incorporate a more practical set of reporting requirements. Participants will be required to maintain various early warning triggers and various reports as part of a management information system that provides senior management (and if required, the board) with timely and accurate information on the participant’s ability to meet its short-term (daily, weekly and monthly) liquidity obligations, as well as keeping them abreast on the participant’s mid to long-term liquidity outlook. The quarterly frequency is being removed.

The participant’s board will continue to be required to approve the 12-month liquidity plan at least annually and additional reporting to the board will be at the participant’s discretion.

Consultation Questions:

6. Do you have any comments on the proposed changes to the management reporting requirements?

3.4. Update to operational process requirements

This section has been updated to replace the previously prescribed requirement to maintain a 5-day forecasting process (as set out in section 5.5 of the current GN13) with a more general, yet practical, requirement for participants to maintain an appropriate operational process for forecasting their short term (daily, weekly and monthly) liquidity requirements. However, participants will still be required to stress test these liquidity requirements using the stress scenarios set out in their 12-month liquidity plan as well as any other stress scenarios prescribed in the guidance note.

Consultation Questions:

7. Do you have any comments on the proposed changes to the operational process requirements?

3.5. Change to the structure of GN13 and ordering of sections

As part of the update, ASXCL has also reviewed and updated the structure and ordering of the sections to provide a more logical sequencing and grouping of liquidity management requirements under the guidance note.

In its current form, GN13 starts with the general requirements for those participants that are subject to the GN13 requirements, followed by the general requirements for those participants eligible for the carve-out from the GN13 requirements – this is being reversed in the proposed update.

It is also proposed that the substantive liquidity management requirements that are currently all combined in section 5 of the GN13 named “Minimum liquidity management requirements” be separated into three sections:

- new section 5 is now named “Liquidity management and planning” and incorporates the requirements relating to the 12-month liquidity plan, operational processes and specific stress scenarios (with the details of the scenario moved out to a schedule);
- new section 6 is named “Contingency planning for liquidity impact of low probability events”, as discussed in section 3.1 above; and
- new section 7 is named “Other aspects of liquidity management” and incorporates the requirements relating to nominated liquidity officer, segregation of duties and management reporting.

Consultation Questions:

8. Do you have any comments in relation to the proposed new structure and ordering?
9. Do you have any other general comments in relation to the proposed updates to GN13?

3.6. Other miscellaneous amendments

Various other minor updates have been proposed. These have been made to provide further clarity on the existing requirements under GN13. Please refer to Attachment B which shows these proposed changes in mark-up.

4. Impact analysis of the proposed changes

ASXCL does not expect any of the proposed changes to have a significant impact on participants' liquidity management requirements.

Apart from the introduction of the new section requiring participants to consider various low probability events as part of their liquidity planning, and extension of carve-out eligibility to participants that are part of prudentially supervised banking group in G-10 countries, most of the remaining updates relate to the feedback that has already been provided to participants as part of the liquidity reviews completed by ASXCL.

Whilst these updates aim to provide a more comprehensive set of requirements under the guidance note, the overarching objective of the GN13, namely for participants to have adequate liquidity management arrangements in place to meet their liquidity obligations, remains unchanged.

5. Indicative timeline for issuance of updated GN13

Subject to the outcome of this consultation process and any further work that may be required as a result of this, ASXCL intends to publish the updated GN13 by 30 September 2025.

All ASXCL participants that are subject to the liquidity management requirements in GN13 will be expected to comply with the requirements of the updated guidance note within six months from the date of publication of the final form of GN13.

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ASX CLEAR OPERATING RULES

Guidance Note 13

MANAGING LIQUIDITY REQUIREMENTS

The purpose of this Guidance Note	<ul style="list-style-type: none"> To provide guidance to participants on the minimum liquidity management arrangements they should have in place to meet their obligations under the ASX Clear Operating Rules
The main points it covers	<ul style="list-style-type: none"> The requirement for participants generally to have a formal liquidity risk framework in place that is appropriate to the nature, scale and complexity of their activities The requirement for a participant to have a nominated officer responsible for liquidity management The requirements for a board-approved annual liquidity plan which considers both “normal” and “stress” conditions and robust liquidity-related operational processes and management reporting The requirement for a participant to undertake contingency planning for low probability events (including specific identified events) that impact liquidity requirements, separate from the annual liquidity plan The different expectations of ADIs, related bodies corporate of ADIs and participants that are part of prudentially supervised banking groups in a G-10 country
Related materials you should read	<ul style="list-style-type: none"> Guidance Note 1 <i>Admission as a Participant</i> Guidance Note 8 <i>Notification Obligations</i>

History: Guidance Note 13 amended 09/05/22. Previous versions of this Guidance Note were issued in 08/16 and 02/22.

Important notice: ASX Clear has published this Guidance Note to assist participants to understand and comply with their obligations under the ASX Clear Operating Rules. It sets out ASX Clear’s interpretation of the ASX Clear Operating Rules and how ASX Clear is likely to enforce those rules. Nothing in this Guidance Note necessarily binds ASX Clear in the application of the ASX Clear Operating Rules in a particular case. In issuing this Guidance Note, ASX Clear is not providing legal advice and participants should obtain their own advice from a qualified professional person in respect of their obligations. ASX Clear may withdraw or replace this Guidance Note at any time without further notice to any person.

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1. Introduction

This Guidance Note is published by ASX Clear Pty Limited (ASX Clear) to provide guidance to participants on the minimum liquidity management arrangements they should have in place to meet their obligations under the ASX Clear Operating Rules.

Under those rules, a participant is required to have adequate resources and processes, including financial resources and management supervision processes, to comply with its obligations as a participant under the ASX Clear Operating Rules.¹

Notwithstanding the guidance provided in this note, it should be noted that the ultimate responsibility for a clearing participant's liquidity management lies with its board, as part of its general law obligations to exercise due care and skill and not to engage in insolvent trading.

A participant should ensure that the liquidity management arrangements it has in place to meet its obligations under the ASX Clear Operating Rules are implemented in a way that would not result in a failure by the participant to meet any other legal or regulatory obligations.

2. Requirements for ADIs

Participants that are authorised deposit-taking institutions (ADIs²) are subject to prudential regulation by the Australian Prudential Regulation Authority (APRA) and, as such, are required by APRA to have adequate liquidity arrangements in place to meet all of their obligations, whether in their capacity as an ADI or otherwise.

ASX Clear recognises the regulatory framework administered by APRA and does not expect an ADI (including, for the avoidance of doubt, Australian branches of foreign banks that are ADIs) to have any additional liquidity

¹ ASX Clear Operating Rules 3.2.1(e), 3.5.1 and 4.1.1(a). For these purposes, "resources" include financial, technological and human resources and "processes" include management supervision, training, compliance, risk management, business continuity and disaster recovery processes.

² "ADI" is defined in ASX Clear Operating Rule 2.10.1 to mean an Authorised Deposit-Taking Institution that has been granted an authority to carry on banking business in Australia under the Banking Act 1959.

arrangements in place, over and above those required by APRA to manage the liquidity risk of its activities generally.

3. Requirements for a related body corporate of an ADI or a participant that is part of a prudentially supervised banking group in a G-10 country

A participant that is a related body corporate³ of, but not itself, an ADI is not subject to the full rigours of APRA's prudential regulation. It is not uncommon, however, for a related body corporate of an ADI to have its liquidity requirements provided and managed by the ADI.

Similarly, a participant that is part of a prudentially supervised banking group⁴ would generally have its liquidity requirements provided and managed within the group's liquidity management framework which is applied on a consolidated basis.

Where a participant is a related body corporate of the ADI or part of a prudentially supervised banking group domiciled in a G-10⁵ country, it may rely on its group's liquidity framework as meeting the requirements of this guidance note, provided:

- the group's liquidity framework is subject to prudential regulation on a consolidated basis, with the participant being a part of that consolidated group;
- the group is responsible for managing the participant's liquidity requirements;
- substantially all of the participant's liquidity requirements are provided by the group;
- senior management or the board of the participant have sufficient information available to them to be satisfied that the participant's ongoing liquidity requirements will be met by the group, including receiving appropriate reports about the participant's liquidity position as considered necessary; and
- if at any stage senior management or the board of the participant have concerns about whether the group's liquidity management arrangements are adequate to meet the liquidity requirements of the participant, they are able to escalate that issue within the group.

Otherwise, a participant must meet the minimum liquidity management requirements set out in sections 4, 5, 6 and 7 of this Guidance Note.

4. Requirements for participants that are not covered by section 2 or 3 above

A participant should have a formal liquidity risk management framework in place which:

- is appropriate for the nature, scale and complexity of the participant's activities (including where the participant carries on other activities in addition to its activities as a participant, those other activities);
- documents all key systems, processes and procedures for liquidity management⁶ in a liquidity policy document and ensures that the documentation is kept accurate and up-to-date;
- identifies the governance arrangements, and in particular the respective roles of the board, CEO, CFO and treasurer, in relation to liquidity management; and

³ "Related body corporate" has the same meaning as in ASX Clear Operating Rule 2.10.1.

⁴ For the purposes of this Guidance Note, a prudentially supervised banking group is a group of entities, including banks and other financial institutions, that are under a common control, and where the prudential supervision is applied on a consolidated basis at the holding company level.

⁵ A list of G-10 countries can be found on the IMF website <https://www.imf.org/en/About/Factsheets/A-Guide-to-Committees-Groups-and-Clubs#G10>.

⁶ This includes, but is not limited to, the controls the participant has instituted to control its liquidity exposures, such as trading limits for clients and principal trading and exposure limits for underwriting and sub-underwriting commitments.

- at a minimum, satisfies the expectations set out in sections 5, 6 and 7 of this Guidance Note.

5. Liquidity management and planning

5.1 Twelve month liquidity plan

A participant must have in place a liquidity plan that covers at least the following 12 months and that:

- identifies the liquidity requirements⁷ likely to arise over the next 12 months under both “normal” and “stress” conditions - this includes liquidity requirements related to ASX activities⁸ (including where the participant carries on other activities in addition to its activities as a participant, in relation to those other activities);
- identifies the funds available to the participant to meet its liquidity requirements, addressing in particular:
 - sources of funds (including, but not limited to, balance sheet cash, trade receivables and credit facilities.)
 - any requirements that need to be met to have access to those funds⁹ or any restrictions on the use of those funds;
 - the certainty and timeliness of access to those funds (in both normal and stress conditions); and
 - how client and non-client monies are segregated and the extent to which client monies are able to be used to meet the liquidity requirements of the participant¹⁰;
- identifies any other cashflow drivers in addition to the ones identified above (such as related to investing and financing activities) that would impact the participant’s liquidity position over the following 12 months;
- explains how the participant has defined “normal” and “stress” conditions (in the latter case, ASX Clear’s expectation is that the liquidity plan should address participant-specific, customer-specific, crypto asset-specific and general market conditions);
- includes the specific stress scenarios set out in section 5.3 below in the calculation of the liquidity requirements under “stress conditions”;
- sets out the key assumptions made in the plan (where possible, the participant should consider both current and historical¹¹ transactional data available to it in setting out these key assumptions); and
- sets out the key risks to achieving the plan and how these risks are to be managed or mitigated.

The nominated officer responsible for liquidity management must review the plan at the end of each quarter and extend it for an additional quarter.

The liquidity plan should be based on, and consistent with, the participant’s current business strategy and business plan and its current financial circumstances. If there is a change to the participant’s business strategy, business

⁷ The sources of the liquidity requirements should be specified within the liquidity plan at an appropriately detailed level – e.g. where a participant uses a service company, expenses that are recharged to the participant should be disclosed according to their nature and not combined as a single cash outflow line of management/service fees paid to associated entities.

⁸ Such as ASX settlement and margin obligations, possible additional margin calls to meet capital-based position limits or stress test exposure limits; exposures arising from principal trading; underwriting and sub-underwriting commitments; and contingent obligations such as recovery assessment(s).

⁹ For example, where the participant is relying on a subordinated debt facility, the use of that facility will require approval from ASX. The participant should allow sufficient time for ASX to approve the drawdown request under the facility.

¹⁰ Participants must have sufficient intraday liquidity available, and must not use client monies inappropriately, to meet their batch settlement obligations.

¹¹ As part of its liquidity management framework, a participants should look to enhance its ability to retain historical transactional data and use this data, in addition to management experience, to inform the key assumptions made in the plan.

plan or financial circumstances, the nominated officer responsible for liquidity management should review the plan to ensure that it remains current and effective.

The plan must be reviewed and approved by the participant's board¹² at least annually and whenever there is a material change in the participant's business strategy, business plan or financial circumstances.

5.2 Operational processes

The following operational processes must be maintained:

- short-term (daily, weekly and monthly) forecasting of liquidity using the stress scenarios applied in the participant's 12 month liquidity plan and those outlined in section 5.3 below, factoring in all of the participant's liquidity requirements¹³ and available sources of funds. This should be provided to senior management as part of the management reporting outlined in section 7.3 below;
- clear and documented escalation procedures and delegations of authority to deal with liquidity issues in a timely manner; and
- daily reconciliation of all bank accounts (both trust and general) to verify funding availability.

5.3 Specific stress scenarios

The calculation of liquidity requirements under stress conditions in the 12 month liquidity plan (per section 5.1 above) and the short-term (daily, weekly and monthly) forecasting of liquidity (per section 5.2 above) must include the separate quantification of the liquidity requirements resulting from each stress scenario set out in schedule 1 of the Guidance Note.

A participant is expected to demonstrate that it has sufficient liquidity to cover the higher of the liquidity requirements resulting from (i) the participant's self-defined stress assumptions **and** (ii) each specific stress scenario set out in schedule 1.

The parameters for these scenarios will be kept under review by ASX Clear and may change over time. A minimum notice period of 3 months will be provided by ASX Clear for a change to any of the parameters for these scenarios.

6. Contingency planning for liquidity impact of low probability events

In addition to the standard liquidity planning requirements set out in section 5.1 above, a participant must also undertake contingency planning in relation to low probability events that impact liquidity. This must include, but not be limited to, the items set out in sections 6.1 to 6.3 below. The objective of this requirement is to ensure that participants have assessed the liquidity implications of such low probability events and have contingency plans in place to manage the event if it occurs. Participants are not required to have pre-arranged liquidity resources for such low probability events, the impact of which therefore does not need to be incorporated in the 12 month liquidity plan. However, details of the contingency planning should be included in the participant's liquidity policy document.

6.1 Rescheduling of CHES batch settlement or DvP batch settlement

Each participant should plan for how it would manage its liquidity in the event of batch settlement being rescheduled, noting that there could be multiple causes of such an event (e.g. issues with CHES, RITS¹⁴ or payments providers). This planning should take into consideration the matters outlined in this section.

A participant that clears for retail clients and:

¹² Please note that the liquidity plan must be approved by the participant's board and should not be delegated. This is in line with ASX's view that ultimate responsibility for a clearing participant's liquidity management lies with its board.

¹³ This should include, but not be limited to, normal ASX settlement and margin obligations, possible additional margin calls to meet capital-based position limits or stress test exposure limits; exposures arising from principal trading; underwriting and sub-underwriting commitments, and any other liquidity requirements arising from the participant's non-ASX activities.

¹⁴ Reserve Bank Information and Transfer System.

- pays sale proceeds to clients ahead of CHES batch settlement commencing (as a matter of normal business practice); or
- chooses to settle sell proceeds to clients in response to a delay in CHES batch settlement

needs to have appropriate arrangements in place to cater for the scenario. In particular, the following need to be considered:

- the participant should fully understand and document the latest time at which it can cancel the payments. This should take into account both operational and contractual considerations, including whether the participant's client agreements allow for the cancellation of such payments;
- the participant should have contingency arrangements in place to cover circumstances where the payments cannot be stopped or the participant chooses not to stop them. At a minimum this should include discussions with its bank about the potential for funding to be provided (on an overnight basis if needed) should CHES batch settlement need to be rescheduled;
- a participant that does not have a bank facility may need to discuss emergency arrangements that could be implemented with its payments provider or an appropriate alternative source of liquidity; and
- any use of client funds ahead of the completion of batch settlement (either in the normal course of business or rescheduled) should only be done if the participant has conducted analysis to confirm that it is entitled to do so.

Unless it has alternative liquidity sources, a participant that undertakes capital markets activities (such as placements and initial public offerings) should not make payments to issuers ahead of receiving funds from DvP batch settlement.

In the event of CHES batch settlement being rescheduled for multiple days and the markets continuing to operate, ASX Clear will continue to margin all 'yet to settle' trades over this period. This is because ASX Clear as the central clearing counterparty is exposed to the risk of all 'yet to settle' novated trades regardless of the reason(s) why the trades have not yet settled. Participants must be prepared to continue to fund these cash market margins.

6.2 Offsetting transaction arrangements (OTAs)

This section is only applicable to participants that clear cash market trades.

'Offsetting Transaction Arrangement'¹⁵ means an arrangement entered into between ASX Clear and a participant in respect of a Failed CCP Batch Instruction notified to ASX Clear by the Approved Settlement Facility under the operating rules of the Approved Settlement Facility.

A participant should include the funding consideration related to OTAs as part of its liquidity risk management framework. It should consider whether any temporary payment shortfalls (from entering into an OTA) will be funded by the participant itself or whether the contractual agreement with its clients allows the participant to "pass on" this temporary payment shortfall to the clients. Where the participant intends to fund such temporary payment shortfalls, it should identify potential funding sources to do so. If the participant intends to only fund up to a certain threshold (before passing on to clients), it should clearly outline the threshold number.

A report¹⁶ is made available to participants each month, showing the maximum liquidity impact that would have applied for each day in that month if an OTA had been in place.

¹⁵ OTAs are covered in ASX Clear Operating Rule 12.8A and ASX Clear Operating Rules Procedure 12.8A. See also the definition of 'Offsetting Transaction Arrangement' in ASX Clear Operating Rule 2.10.1.

¹⁶ OTA reports can be accessed by the participant's nominated staff via ASX Online (through Information Services in the drop down menu under Sign-in on the top right of the screen).

6.3 Recovery assessments

As part of the participant default management process under the ASX Recovery Rules, ASX Clear can call non-defaulting participants for recovery assessments¹⁷ of up to a combined total of \$300m, if ASX reasonably expects that there is a default loss which has, or may be, allocated to the default fund. Each quarter, the proportion of the total recovery assessments attributable to each participant is recalculated and advised to the participant via email.

Whilst contingent in nature, a recovery assessment is an obligation that the participant must pay to ASX Clear by the time specified in the Recovery Handbook on the next Business Day after the notice is given. Therefore, a participant must, as part of its liquidity planning, maintain sufficient liquidity or funding arrangements in place to meet the recovery assessment obligation if it arises. A participant should also, as part of its liquidity policy document, maintain a well-documented operational process to ensure payment of recovery assessment is made within the time specified by ASX Clear.

7. Other aspects of liquidity management

7.1 Nominated officer responsible for liquidity management

The overall responsibility for liquidity management within a participant must be allocated to a nominated officer (effectively the “treasurer” of the participant) who:

- is responsible for overseeing:
 - the initial preparation and updating of the participant’s 12 month liquidity plan (see section 5.1 above); and
 - the day-to-day operational management of the participant’s liquidity (although not for settlement, reporting or bank reconciliations – see section 7.2 below);
- has the requisite experience and qualifications to manage liquidity risk; and
- will act as ASX Clear’s first point of contact for discussions related to the participant’s liquidity risk management.

These responsibilities should be reflected in the formal job description of the officeholder who is the nominated officer.

ASX Clear must be advised of the appointment or any subsequent departure of the nominated officer within 10 business days of the change taking effect. Such advice is to be provided via email to CRATeam@asx.com.au.

7.2 Segregation of duties

There must be an appropriate segregation of duties between those managing liquidity and those:

- settling transactions and moving funds (typically an operations/settlements function);
- recording and extracting the data used for management reporting on liquidity requirements and the funds available to meet those requirements (typically a finance function); or
- performing bank reconciliations.

The participant must have appropriate system/process controls in place to ensure that segregation of duties is maintained at all times, such as by maintaining appropriate staffing resources and/or having restricted cross functional access for staff performing duties under these respective functions.

¹⁷ Recovery Assessment is covered in Section 3 and Schedule 1 of the ASX Recovery Rules.

7.3 Management reporting

The participant must have a management information system in place with reports that provide senior management (and if required, the board) with current and forward-looking information on the participant's liquidity position that is accurate, appropriate and timely.

This should include:

- a set of reports that provide senior management (and if required, the board) with a short term (daily, weekly and monthly) liquidity position of the participant to ensure that the participant's short term operational liquidity requirements can be met;
- a set of reports that provide senior management (and if required, the board) with a long term (12 months) liquidity position, to ensure alignment in the participant's liquid assets and liabilities profile over the next 12 months; and
- a set of early warning indicators to alert senior management (and where appropriate, the board) of any potential issues in meeting short-term operational liquidity requirements or long-term liquidity requirements.

The participant should also provide to senior management on a quarterly basis, and to the board on an annual basis (or as part of the board's review and approval of the next 12 month liquidity plan), a report outlining any material variances in the participant's actual liquidity position versus its forecasted liquidity position in the 12 month liquidity plan.

Schedule 1

This schedule sets out the specific stress scenarios for the purposes of section 5.3 of this Guidance Note.

Scenario 1 - Crypto-exchange traded product (ETP) securities “sell-down”

For the purpose of this scenario, crypto-ETPs are defined as ETPs with direct exposure to crypto-assets as the underlying asset.

Novated trades in ETPs with direct exposure to crypto-assets that are yet to settle with ASX are subject to large cash market margin (“CMM”) requirements¹⁸ from ASX Clear as a result of the historic volatility of the price of the underlying crypto-assets. Such trades are also subject to very large stress tests¹⁹ by ASX Clear as part of the daily calculation of ASX Clear’s exposure to each participant – the size of the stress tests reflect the possible size of future price moves in “extreme but plausible market conditions”.

This scenario is intended to ensure that a participant which clears trades in crypto-ETPs has sufficient liquid resources to cover the CMM and additional initial margins (“AIMs”) calls that may result from the sale in a 2 day period of a significant proportion of the participant’s clients’ (and own) holdings of crypto-ETPs (and so help the participant and its clients avoid any “liquidity trap” associated with such elevated levels of sale volumes). Such elevated sale volumes could occur in response to adverse news relating to the specific underlying crypto-asset or crypto-assets in general which result in both an immediate price drop and the possibility of a much greater and imminent price drop.

Participants should use the following assumptions to calculate the CMM and AIMs driven liquidity requirements from this scenario:

1. A 40% drop in the current price of crypto-ETPs has occurred
2. In response to this price drop:
 - i. 50% of clients (and own) crypto-ETP positions in the participant’s CHESS Holdings²⁰ are sold over a 2 day period with no offsetting purchases.
 - ii. A participant may use a lower assumed sales percentage than 50% if it has robust operational processes that allow it to limit the value of client sales orders it will accept for a particular security or securities²¹. A participant must receive explicit approval from ASX Clear to use such a lower percentage - a participant must demonstrate the effectiveness of these processes to ASX Clear’s satisfaction prior to such approval being granted.
 - iii. Where a participant clears trades in crypto-ETPs for clients whose positions are not held as part of the participant’s CHESS Holdings, the participant must establish (and fully document) an approach to quantifying the crypto-ETP sales volumes from such clients under this scenario²².

Participants should estimate the CMM requirement and AIMs calls resulting from these assumed sales under the ASX Clear price increase stress test. In doing so, participants need to make an appropriate assumption regarding STEL utilisation before the inclusion of the impact of the assumed sales - ASX Clear would expect the STEL utilisation percentage incorporated in the short-term (daily, weekly and monthly) liquidity forecasting to be heavily weighted towards current/recent utilisation, whilst that used for the 12 month liquidity plan would be largely informed by average utilisation over the previous 12 months.

¹⁸ As at May 2025, the CMM requirements are 34% for Bitcoin ETPs and 45% for Ether ETPs.

¹⁹ As at May 2025, the stress tests for both Bitcoin and Ether ETPs are price moves of -100% and +200%.

²⁰ Participant CHESS Holdings comprises those CHESS Holdings belonging to Account Participants which the clearing participant controls in addition to its own Participant Sponsored Holdings and Direct Holdings. (Capitalised terms have the same meaning as in the ASX Settlement Operating Rules.)

²¹ In accordance with section 1, a participant should ensure that the use of such processes would not result in a failure to meet its legal and regulatory obligations.

²² ASX Clear expects a participant to be able to demonstrate that the approach used is prudent and consistent with the treatment of the participant CHESS Holdings under this scenario.

The parameters of this scenario (i.e. the price decrease and percentage of crypto-ETPs sold) will be kept under review by ASX Clear and may change over time in response to actual issuance of, and trading activity in, crypto-ETPs.

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ASX CLEAR OPERATING RULES

Guidance Note 13

MANAGING LIQUIDITY REQUIREMENTS

The purpose of this Guidance Note	<ul style="list-style-type: none"> To provide guidance to participants on the minimum liquidity management arrangements they should have in place to meet their obligations under the ASX Clear Operating Rules
The main points it covers	<ul style="list-style-type: none"> The requirement for participants generally to have a formal liquidity risk framework in place that is appropriate to the nature, scale and complexity of their activities The requirement for a participant to have a nominated officer responsible for liquidity management The requirements for a board-approved annual liquidity plan which considers both “normal” and “stress” conditions and robust liquidity-related operational processes and management reporting <u>The requirement for a participant to undertake contingency planning for low probability events (including specific identified events) that impact liquidity requirements, separate from the annual liquidity plan</u> The different expectations of ADIs and, related bodies corporate of ADIs and <u>participants that are part of prudentially supervised banking groups in a G-10 country</u>
Related materials you should read	<ul style="list-style-type: none"> Guidance Note 1 <i>Admission as a Participant</i> Guidance Note 8 <i>Notification Obligations</i>

History: Guidance Note 13 amended 09/05/22. Previous versions of this Guidance Note were issued in 08/16 and 02/22.

Important notice: ASX Clear has published this Guidance Note to assist participants to understand and comply with their obligations under the ASX Clear Operating Rules. It sets out ASX's ASX Clear's interpretation of the ASX Clear Operating Rules and how ASX Clear is likely to enforce those rules. Nothing in this Guidance Note necessarily binds ASX Clear in the application of the ASX Clear Operating Rules in a particular case. In issuing this Guidance Note, ASX Clear is not providing legal advice and participants should obtain their own advice from a qualified professional person

in respect of their obligations. ASX Clear may withdraw or replace this Guidance Note at any time without further notice to any person.

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1. Introduction

This Guidance Note is published by ASX Clear Pty Limited (ASX Clear) to provide guidance to participants on the minimum liquidity management arrangements they should have in place to meet their obligations under the ASX Clear Operating Rules.

Under those rules, a participant is required to have adequate resources and processes, including financial resources and management supervision processes, to comply with its obligations as a participant under the ASX Clear Operating Rules.¹

¹— ASX Clear Operating Rules 3.2.1(e), 3.5.1 and 4.1.1(a). For these purposes, “resources” include financial, technological and human resources and “processes” include management supervision, training, compliance, risk management, business continuity and disaster recovery processes.

Notwithstanding the guidance provided in this note, it should be noted that the ultimate responsibility for a clearing participant's liquidity management lies with its board, as part of its general law obligations to exercise due care and skill and not to engage in insolvent trading.

A participant should ensure that the liquidity management arrangements it has in place to meet its obligations under the ASX Clear Operating Rules are implemented in a way that would not result in a failure by the participant to meet any other legal or regulatory obligations.

~~2. General requirements for participants that are not ADIs or a related body corporate of an ADI~~

~~A participant that is not an authorised deposit-taking institution (ADI²) or a related body corporate³ of an ADI that is covered by the ADI's liquidity risk management framework should have a formal liquidity risk management framework in place which:~~

- ~~• is appropriate for the nature, scale and complexity of the participant's activities (including, where the participant carries on other activities in addition to its activities as a participant, those other activities);~~
- ~~• documents all key systems, processes and procedures for liquidity management⁴ and ensures that the documentation is kept up-to-date;~~

~~2. Requirements for ADIs~~

- ~~• Participants that are authorised deposit-taking institutions (ADIs⁵) identifies the governance arrangements, and in particular the respective roles of the board, CEO, CFO and treasurer, in relation to liquidity management; and~~
- ~~• at a minimum, satisfies the expectations set out in section 5 of this Guidance Note.~~

~~3. General requirements for ADIs~~

~~Participants that are ADIs~~ are subject to prudential regulation by the Australian Prudential Regulation Authority (APRA) and, as such, are required by APRA to have adequate liquidity arrangements in place to meet all of their obligations, whether in their capacity as an ADI or otherwise.

ASX Clear recognises the regulatory framework administered by APRA and does not expect an ADI (including, for the avoidance of doubt, Australian branches of foreign banks that are ADIs) to have any additional liquidity arrangements in place, over and above those required by APRA to manage the liquidity risk of its activities generally.

~~4.3. General requirements~~**Requirements for a related body corporate of an ADI or a participant that is part of a prudentially supervised banking group in a G-10 country**

A participant that is a related body corporate⁶ of, but not itself, an ADI is not subject to the full rigours of APRA's prudential regulation. It is not uncommon, however, for a related body corporate of an ADI to have its liquidity requirements provided and managed by the ADI.

² "ADI" is defined in ASX Clear Operating Rule 2.10.1 to mean an Authorised Deposit Taking Institution that has been granted an authority to carry on banking business in Australia under the Banking Act 1959.

³ "Related body corporate" has the same meaning as in ASX Clear Operating Rule 2.10.1.

⁴ This includes, but is not limited to, the controls the participant has instituted to control its liquidity exposures such as trading limits for clients and principal trading and exposure limits for underwriting and sub-underwriting commitments.

⁵ "ADI" is defined in ASX Clear Operating Rule 2.10.1 to mean an Authorised Deposit-Taking Institution that has been granted an authority to carry on banking business in Australia under the Banking Act 1959.

⁶ "Related body corporate" has the same meaning as in ASX Clear Operating Rule 2.10.1.

~~Where an ADI has a~~ Similarly, a participant that is part of a prudentially supervised banking group⁷ would generally have its liquidity requirements provided and managed within the group's liquidity management framework ~~that~~ which is ~~implemented~~ applied on an aggregate group or country level, ~~then a consolidated basis.~~

~~Where~~ a participant ~~that~~ is a related body corporate of the ADI ~~and included within that framework~~ or part of a prudentially supervised banking group domiciled in a G-10⁸ country, it may rely on ~~that~~ its group's liquidity framework as meeting the requirements of this guidance note, provided:

- ~~the ADI~~ the group's liquidity framework is subject to prudential regulation on a consolidated basis, with the participant being a part of that consolidated group;
- ~~the group~~ is responsible for managing the participant's liquidity requirements;
- substantially all of the participant's liquidity requirements are provided by the ~~ADI~~ group;
- senior management or the board of the participant have sufficient information available to them to be satisfied that the participant's ongoing liquidity requirements will be met by the ~~ADI~~ group, including receiving appropriate reports about the participant's liquidity position as considered necessary; and
- if at any stage ~~the~~ senior management or ~~the~~ board of the participant have concerns about whether the ~~ADI's~~ group's liquidity management arrangements are adequate to meet the liquidity requirements of the participant, they are able to escalate that issue within the ~~ADI~~ group.

Otherwise, a participant ~~that is a related body corporate of, but not itself, an ADI~~ must meet the minimum liquidity management requirements set out in sections ~~24, 5, 6~~ and ~~57~~ of this Guidance Note.

4. Minimum Requirements for participants that are not covered by section 2 or 3 above

~~A participant should have a formal~~ liquidity risk management ~~requirements~~ framework in place which:

- ~~is appropriate for the nature, scale and complexity of the participant's activities (including where the participant carries on other activities in addition to its activities as a participant, those other activities);~~
- ~~documents all key systems, processes and procedures for liquidity management⁹ in a liquidity policy document and ensures that the documentation is kept accurate and up-to-date;~~
- ~~identifies the governance arrangements, and in particular the respective roles of the board, CEO, CFO and treasurer, in relation to liquidity management; and~~

4.11.1 Nominated officer responsible for liquidity management

~~The overall responsibility for liquidity management within a participant must be allocated to a nominated officer (effectively the "treasurer" of the participant) who:~~

- ~~is responsible for overseeing:~~
 - ~~the initial preparation and updating of the participant's twelve month liquidity plan (see section 5.2 below); and~~

⁷ For the purposes of this Guidance Note, a prudentially supervised banking group is a group of entities, including banks and other financial institutions, that are under a common control, and where the prudential supervision is applied on a consolidated basis at the holding company level.

⁸ A list of G-10 countries can be found on the IMF website <https://www.imf.org/en/About/Factsheets/A-Guide-to-Committees-Groups-and-Clubs#G10>.

⁹ This includes, but is not limited to, the controls the participant has instituted to control its liquidity exposures, such as trading limits for clients and principal trading and exposure limits for underwriting and sub-underwriting commitments.

- ~~the day to day operational management of the participant's liquidity (although not for settlement, reporting or bank reconciliations—see section 5.3 below);~~
- ~~has the requisite experience and qualifications to manage liquidity risk; and~~
- ~~will act as ASX's first point of contact for discussions related to the participant's liquidity risk management.~~

~~These responsibilities should be reflected in the formal job description of the nominated officer.~~

~~ASX must be advised of the appointment or any subsequent departure of the nominated officer within 10 business days of the change taking effect. Such advice is to be provided via email to CRAteam@asx.com.au.~~

- at a minimum, satisfies the expectations set out in sections 5, 6 and 7 of this Guidance Note.

5. Liquidity management and planning

4.25.1 Twelve month liquidity plan

A participant must have in place a liquidity plan that covers at least the following 12 months and that:

- identifies the liquidity requirements¹⁰ likely to arise over the next 12 months under both “normal” and “stress” conditions ~~(including, this includes liquidity requirements related to ASX activities¹¹ (including where the participant carries on other activities in addition to its activities as a participant, in relation to those other activities);~~
- identifies the funds available to the participant to meet its liquidity requirements, addressing in particular:
 - sources of funds (including, but not limited to, balance sheet cash, trade receivables and credit facilities.)
 - any requirements that need to be met to have access to those funds¹² or any restrictions on the use of those funds;
 - the certainty and timeliness of access to those funds (in both normal and stress conditions); and
 - how client and non-client monies are segregated and the extent to which client monies are able to be used to meet the liquidity requirements of the participant¹³;
- identifies any other cashflow drivers in addition to the ones identified above (such as related to investing and financing activities) that would impact the participant's liquidity position over the following 12 months;
- explains how the participant has defined “normal” and “stress” conditions (in the latter case, ~~ASX's~~ASX Clear's expectation is that the liquidity plan should address participant-specific, customer-specific, crypto asset-specific and general market conditions);
- includes the specific stress scenarios set out in section 5.63 below in the calculation of the liquidity ~~requirement~~requirements under “stress conditions”;

¹⁰ The sources of the liquidity ~~requirement~~requirements should be specified within the liquidity plan at an appropriately detailed level – e.g. where a participant uses a service company, expenses that are recharged to the participant should be disclosed according to their nature and not combined as a single cash outflow line of management/service fees paid to associated entities.

¹¹ Such as ASX settlement and margin obligations, possible additional margin calls to meet capital-based position limits or stress test exposure limits; exposures arising from principal trading; underwriting and sub-underwriting commitments; and contingent obligations such as recovery assessment(s).

¹² For example, where the participant is relying on a subordinated debt facility, the use of that facility will require approval from ASX. The participant should allow sufficient time for ASX to approve the drawdown request under the facility.

¹³ Participants must have sufficient intraday liquidity available, and must not use client monies inappropriately, to meet their batch settlement obligations.

- sets out the key assumptions made in the plan; (where possible, the participant should consider both current and historical¹⁴ transactional data available to it in setting out these key assumptions); and
- sets out the key risks to achieving the plan and how these risks are to be managed or mitigated.

The nominated officer responsible for liquidity management must review the plan at the end of each quarter and extend it for an additional quarter.

The liquidity plan should be based on, and consistent with, the participant's current business strategy and business plan and its current financial circumstances. If there is a change to the participant's business strategy, business plan or financial circumstances, the nominated officer responsible for liquidity management should review the plan to ensure that it remains current and effective.

The plan must be reviewed and approved by the participant's board¹⁵ at least annually and whenever there is a material change in the participant's business strategy, business plan or financial circumstances.

~~4.31.1 Segregation of duties~~

~~There must be an appropriate segregation of duties between those managing liquidity and those:~~

- ~~• settling transactions and moving funds (typically an operations/settlements function);~~
- ~~• recording and extracting the data used for management reporting on liquidity requirements and the funds available to meet those requirements (typically a finance function); or~~
- ~~• performing bank reconciliations.~~

~~4.41.1 Management reporting~~

~~The participant must have management information systems and reporting arrangements that provide the board and senior management with current and forward looking information on the liquidity position of the participant that is accurate, appropriate and timely.~~

~~At a minimum this should include:~~

- ~~• a quarterly "Sources and Uses of Funds" report to senior management and the board of the participant, with an analysis of any material variances to the liquidity plan;~~
- ~~• a quarterly report to senior management and the board of the participant on the participant's current and forecast liquidity positions over the next 12 months, again with an analysis of any material variances to the liquidity plan; and~~
- ~~• a set of early warning indicators to alert senior management and the board of potential issues in meeting operational liquidity requirements.~~

~~4.55.2 Operational processes~~

The following operational processes must be maintained:

- short-term (daily, weekly and monthly) forecasting of liquidity over at least using the next 5 business days, with forecasting based on "normal" and "stress" conditions (as set out scenarios applied in the participant's 12 month liquidity plan per and those outlined in section 5.2) and 3 below, factoring in all of the participant's

¹⁴ As part of its liquidity management framework, a participants should look to enhance its ability to retain historical transactional data and use this data, in addition to management experience, to inform the key assumptions made in the plan.

¹⁵ Please note that the liquidity plan must be approved by the participant's board and should not be delegated. This is in line with ASX's view that ultimate responsibility for a clearing participant's liquidity management lies with its board.

liquidity requirements;¹⁶¹⁷ and available sources of funds. This should be provided to senior management as part of the management reporting outlined in section 7.3 below;

- clear and documented escalation procedures and delegations of authority to deal with liquidity issues in a timely manner; and
- daily reconciliation of all bank accounts (both trust and general) to verify funding availability.

4.65.3 Specific stress scenarios

The calculation of liquidity requirements under stress conditions in the 12 month liquidity plan (per section 5.21 above) and the short-term (daily, weekly and monthly) forecasting over the next 5 business days of liquidity (per section 5.52 above) must include the separate quantification of the liquidity requirements resulting from each stress scenario set out in this section's schedule 1 of the Guidance Note.

A participant is expected to demonstrate that it has sufficient liquidity to cover the higher of the liquidity ~~requirement~~ requirements resulting from (i) the participant's self-defined stress assumptions ~~or~~ and (ii) each specific stress scenario set out in this schedule 1.

The parameters for these scenarios will be kept under review by ASX Clear and may change over time. A minimum notice period of 3 months will be provided by ASX Clear for a change to any of the parameters for these scenarios.

6. Contingency planning for liquidity impact of low probability events

In addition to the standard liquidity planning requirements set out in section 5.1 above, a participant must also undertake contingency planning in relation to low probability events that impact liquidity. This must include, but not be limited to, the items set out in sections 6.1 to 6.3 below. The objective of this requirement is to ensure that participants have assessed the liquidity implications of such low probability events and have contingency plans in place to manage the event if it occurs. Participants are not required to have pre-arranged liquidity resources for such low probability events, the impact of which therefore does not need to be incorporated in the 12 month liquidity plan. However, details of the contingency planning should be included in the participant's liquidity policy document.

6.1 Rescheduling of CHES batch settlement or DvP batch settlement

Each participant should plan for how it would manage its liquidity in the event of batch settlement being rescheduled, noting that there could be multiple causes of such an event (e.g. issues with CHES, RITS¹⁸ or payments providers). This planning should take into consideration the matters outlined in this section.

A participant that clears for retail clients and:

- pays sale proceeds to clients ahead of CHES batch settlement commencing (as a matter of normal business practice); or
- chooses to settle sell proceeds to clients in response to a delay in CHES batch settlement

needs to have appropriate arrangements in place to cater for the scenario. In particular, the following need to be considered:

- the participant should fully understand and document the latest time at which it can cancel the payments. This should take into account both operational and contractual considerations, including whether the participant's client agreements allow for the cancellation of such payments;

¹⁶ This should include, but not be limited to, normal ASX settlement and margin obligations, possible additional margin calls to meet capital-based position limits or stress test exposure limits; exposures arising from principal trading; underwriting and sub-underwriting commitments; and any other liquidity requirements arising from the participant's non-ASX activities

¹⁷ This should include, but not be limited to, normal ASX settlement and margin obligations, possible additional margin calls to meet capital-based position limits or stress test exposure limits; exposures arising from principal trading; underwriting and sub-underwriting commitments; and any other liquidity requirements arising from the participant's non-ASX activities.

¹⁸ Reserve Bank Information and Transfer System.

- the participant should have contingency arrangements in place to cover circumstances where the payments cannot be stopped or the participant chooses not to stop them. At a minimum this should include discussions with its bank about the potential for funding to be provided (on an overnight basis if needed) should CHES batch settlement need to be rescheduled;
- a participant that does not have a bank facility may need to discuss emergency arrangements that could be implemented with its payments provider or an appropriate alternative source of liquidity; and
- any use of client funds ahead of the completion of batch settlement (either in the normal course of business or rescheduled) should only be done if the participant has conducted analysis to confirm that it is entitled to do so.

Unless it has alternative liquidity sources, a participant that undertakes capital markets activities (such as placements and initial public offerings) should not make payments to issuers ahead of receiving funds from DvP batch settlement.

In the event of CHES batch settlement being rescheduled for multiple days and the markets continuing to operate, ASX Clear will continue to margin all 'yet to settle' trades over this period. This is because ASX Clear as the central clearing counterparty is exposed to the risk of all 'yet to settle' novated trades regardless of the reason(s) why the trades have not yet settled. Participants must be prepared to continue to fund these cash market margins.

6.2 Offsetting transaction arrangements (OTAs)

This section is only applicable to participants that clear cash market trades.

'Offsetting Transaction Arrangement'¹⁹ means an arrangement entered into between ASX Clear and a participant in respect of a Failed CCP Batch Instruction notified to ASX Clear by the Approved Settlement Facility under the operating rules of the Approved Settlement Facility.

A participant should include the funding consideration related to OTAs as part of its liquidity risk management framework. It should consider whether any temporary payment shortfalls (from entering into an OTA) will be funded by the participant itself or whether the contractual agreement with its clients allows the participant to "pass on" this temporary payment shortfall to the clients. Where the participant intends to fund such temporary payment shortfalls, it should identify potential funding sources to do so. If the participant intends to only fund up to a certain threshold (before passing on to clients), it should clearly outline the threshold number.

A report²⁰ is made available to participants each month, showing the maximum liquidity impact that would have applied for each day in that month if an OTA had been in place.

6.3 Recovery assessments

As part of the participant default management process under the ASX Recovery Rules, ASX Clear can call non-defaulting participants for recovery assessments²¹ of up to a combined total of \$300m, if ASX reasonably expects that there is a default loss which has, or may be, allocated to the default fund. Each quarter, the proportion of the total recovery assessments attributable to each participant is recalculated and advised to the participant via email.

Whilst contingent in nature, a recovery assessment is an obligation that the participant must pay to ASX Clear by the time specified in the Recovery Handbook on the next Business Day after the notice is given. Therefore, a participant must, as part of its liquidity planning, maintain sufficient liquidity or funding arrangements in place to meet the recovery assessment obligation if it arises. A participant should also, as part of its liquidity policy document, maintain a well-documented operational process to ensure payment of recovery assessment is made within the time specified by ASX Clear.

¹⁹ OTAs are covered in ASX Clear Operating Rule 12.8A and ASX Clear Operating Rules Procedure 12.8A. See also the definition of 'Offsetting Transaction Arrangement' in ASX Clear Operating Rule 2.10.1.

²⁰ OTA reports can be accessed by the participant's nominated staff via ASX Online (through Information Services in the drop down menu under Sign-in on the top right of the screen).

²¹ Recovery Assessment is covered in Section 3 and Schedule 1 of the ASX Recovery Rules.

7. Other aspects of liquidity management

7.1 Nominated officer responsible for liquidity management

The overall responsibility for liquidity management within a participant must be allocated to a nominated officer (effectively the “treasurer” of the participant) who:

- is responsible for overseeing:
 - the initial preparation and updating of the participant’s 12 month liquidity plan (see section 5.1 above); and
 - the day-to-day operational management of the participant’s liquidity (although not for settlement, reporting or bank reconciliations – see section 7.2 below);
- has the requisite experience and qualifications to manage liquidity risk; and
- will act as ASX Clear’s first point of contact for discussions related to the participant’s liquidity risk management.

These responsibilities should be reflected in the formal job description of the officeholder who is the nominated officer.

ASX Clear must be advised of the appointment or any subsequent departure of the nominated officer within 10 business days of the change taking effect. Such advice is to be provided via email to CRAteam@asx.com.au.

7.2 Segregation of duties

There must be an appropriate segregation of duties between those managing liquidity and those:

- settling transactions and moving funds (typically an operations/settlements function);
- recording and extracting the data used for management reporting on liquidity requirements and the funds available to meet those requirements (typically a finance function); or
- performing bank reconciliations.

The participant must have appropriate system/process controls in place to ensure that segregation of duties is maintained at all times, such as by maintaining appropriate staffing resources and/or having restricted cross functional access for staff performing duties under these respective functions.

7.3 Management reporting

The participant must have a management information system in place with reports that provide senior management (and if required, the board) with current and forward-looking information on the participant’s liquidity position that is accurate, appropriate and timely.

This should include:

- a set of reports that provide senior management (and if required, the board) with a short term (daily, weekly and monthly) liquidity position of the participant to ensure that the participant’s short term operational liquidity requirements can be met;
- a set of reports that provide senior management (and if required, the board) with a long term (12 months) liquidity position, to ensure alignment in the participant’s liquid assets and liabilities profile over the next 12 months; and
- a set of early warning indicators to alert senior management (and where appropriate, the board) of any potential issues in meeting short-term operational liquidity requirements or long-term liquidity requirements.

The participant should also provide to senior management on a quarterly basis, and to the board on an annual basis (or as part of the board's review and approval of the next 12 month liquidity plan), a report outlining any material variances in the participant's actual liquidity position versus its forecasted liquidity position in the 12 month liquidity plan.

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Schedule 1

This schedule sets out the specific stress scenarios for the purposes of section 5.3 of this Guidance Note.

Scenario 1 - Crypto-exchange traded product (ETP) securities “sell-down”

For the purpose of this scenario, crypto-ETPs are defined as ETPs with direct exposure to crypto-assets as the underlying asset.

Novated trades in ETPs with direct exposure to crypto-assets that are yet to settle with ASX are subject to large cash market margin (“CMM”) requirements²² from ASX Clear as a result of the historic volatility of the price of the underlying crypto-assets. Such trades are also subject to very large stress tests²³ by ASX Clear as part of the daily calculation of ASX’s ASX Clear’s exposure to each participant – the size of the stress tests reflect the possible size of future price moves in “extreme but plausible market conditions”.

This scenario is intended to ensure that a participant which clears trades in crypto-ETPs has sufficient liquid resources to cover the CMM and additional initial margins (“AIMs”) calls that may result from the sale in a 2 day period of a significant proportion of the participant’s clients’ (and own) holdings of crypto-ETPs (and so help the participant and its clients avoid any “liquidity trap” associated with such elevated levels of sale volumes). Such elevated sale volumes could occur in response to adverse news relating to the specific underlying crypto-asset or crypto-assets in general which result in both an immediate price drop and the possibility of a much greater and imminent price drop.

Participants should use the following assumptions to calculate the CMM and AIMs driven liquidity requirements from this scenario:

1. A 40% drop in the current price of crypto-ETPs has occurred
2. In response to this price drop:
 - i. 50% of clients (and own) crypto-ETP positions in the participant’s CHESS Holdings²⁴ are sold over a 2 day period with no offsetting purchases.–
 - ii. A participant may use a lower assumed sales percentage than 50% if it has robust operational processes that allows allow it to limit the value of client sales orders it will accept for a particular security or securities²⁵. A participant must receive explicit approval from ASX Clear to use such a lower percentage - a participant must demonstrate the effectiveness of these processes to ASX’s ASX Clear’s satisfaction prior to such approval being granted.
 - iii. Where a participant clears trades in crypto-ETPs for clients whose positions are not held as part of the participant’s CHESS Holdings, the participant must establish (and fully document) an approach to quantifying the crypto-ETP sales volumes from such clients under this scenario²⁶.

Participants should estimate the CMM requirement and ~~also~~ AIMs calls resulting from these assumed sales under the ASX Clear price increase stress test. In doing so, participants need to make an appropriate assumption regarding STEL utilisation before the inclusion of the impact of the assumed sales - ASX Clear would expect the STEL utilisation percentage incorporated in the 5-day forecast short-term (daily, weekly and monthly) liquidity forecasting to be heavily weighted towards current/recent utilisation, whilst that used for the 12 month liquidity plan would be largely informed by average utilisation over the previous 12 months.

²² As at January 2022 May 2025, the CMM requirements envisaged are 4034% for Bitcoin ETPs and 5045% for Ether ETPs.

²³ As at January 2022 May 2025, the stress tests envisaged for both Bitcoin and Ether ETPs are price moves of -100% and +200%.

²⁴ Participant CHESS Holdings comprises those CHESS Holdings belonging to Account Participants which the clearing participant controls in addition to its own Participant Sponsored Holdings and Direct Holdings. (Capitalised terms have the same meaning as in the ASX Settlement Operating Rules.)

²⁵ In accordance with section 1, a participant should ensure that the use of such processes would not result in a failure to meet its legal and regulatory obligations.

²⁶ ASX Clear expects a participant to be able to demonstrate that the approach used is prudent and consistent with the treatment of the participant CHESS Holdings under this scenario.

The parameters of this scenario (i.e. the price decrease and percentage of crypto-ETPs sold) will be kept under review by ASX Clear and may change over time in response to actual issuance of, and trading activity in, crypto-ETPs. ~~A minimum notice period of at least 3 months will be provided by ASX of any increase in one or both of these parameters.~~

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