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Banking & Capital Markets Regulation Unit
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ASX supports introduction of a mandate for the centralised clearing of AUD and G4 OTC interest rate derivatives at the same time

Australia has the 5th largest OTC interest rate market in the world. A mandate of Australian dollar (AUD) denominated products will fulfil Australia's G20 commitment to ensure systematically important standardised OTC derivatives are subject to a robust risk management regime.

ASX strongly supports the Government's proposal to mandate the centralised clearing of AUD denominated OTC interest rate derivatives (IRD) and believes that it is important that the AUD clearing mandate takes effect at the same time as the G4 clearing mandate.

All the necessary systems are in place to support a mandate for AUD-IRD products. Two clearing houses have been licensed to clear and are providing clearing services to internationally active dealers, for inter-dealer transactions. There are no operational barriers to the Australian authorities mandating the centralised clearing of G4 and AUD standardised OTC products with effect from the same date.

While we acknowledge Australia needs to coordinate with other governments before mandating clearing of their currencies we see no similar need to tie the timing a domestic AUD mandate to the priorities of other governments.

Any deferral of the start-date for mandatory clearing of AUD currency products beyond the date determined for the G4 currency products may delay the take-up of centralised clearing of AUD products and provide an advantage to offshore operators able to leverage the clearing of G4 currencies to capture an even greater share of the AUD market. This would see more of this important activity conducted offshore and outside the direct regulatory oversight and control of Australian regulators.

The Australian Government should take the lead in ensuring systemically significant AUD denominated products are appropriately managed and regulated. The introduction of a mandate for the centralised clearing of AUD and G4 OTC interest rate derivatives at the same time supports this objective.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Elmer Funke Kupper', written over a horizontal line.

Elmer Funke Kupper
Managing Director and CEO

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