



RESERVE BANK OF AUSTRALIA

Corporations Act 2001

Notice of Variation of Financial Stability Standard

The Reserve Bank of Australia ('Reserve Bank'), under section 827D(6) of the *Corporations Act 2001*, hereby varies the *Financial Stability Standard for Securities Settlement Facilities*.

Among other requirements, the previous Standard required a securities settlement facility to make sufficient information available to participants, such that they are able to gauge the risks they may face through their participation in the facility. Following a review of settlement practices, the Reserve Bank concluded that greater transparency of equities securities-lending activity could assist participants to assess their vulnerability to settlement risks arising from activity in this market. Greater visibility of securities-lending transactions would also assist the system operator itself in its day-to-day management of risks arising in the batch settlement process.

The Standard, as varied, is designed to ensure that clearing and settlement (CS) facility licensees conduct their affairs in a way that promotes the overall stability of the Australian financial system.

THE STANDARD – FSS 2009.2

A CS facility licensee must conduct its affairs in a prudent manner, in accordance with the standards of a reasonable facility in contributing to the overall stability of the Australian financial system, to the extent that it is reasonably practicable to do so.

This Standard only applies to CS facility licensees that provide a facility where the value of financial obligations settled in a financial year exceeds a threshold value of \$100 million. When this threshold is exceeded for the first time, the provider of the facility must meet the Standard by the beginning of the next financial year.

How a licensee meets the Standard

The Standard is supplemented by a series of minimum measures and guidance as to how a CS facility licensee meets the Standard.

Measure 3 is varied to read:

The securities settlement facility must make sufficient information publicly available, via its rules and procedures and the provision of relevant information on settlement activity, such that each participant is able to understand the securities settlement facility's impact on each of the financial risks the participant incurs through participation in the facility.

The Guidance to Measure 3 is varied as follows:

The operator of a securities settlement facility should supplement clear, comprehensive and up-to-date rules and procedures with other information and

data relevant to a participant's understanding of the risks associated with participation in the facility. For instance, participants should have access to sufficiently timely and broadly comprehensive data on equities securities lending to enable them to assess the potential implications for settlement risk. This is particularly important where equities securities loans are bilaterally negotiated and not novated to a central counterparty, but nevertheless settled alongside novated exchange-traded transactions.

The varied Financial Stability Standard applies to CS facility licensees from 24 February 2009.

Signed



GR Stevens
Governor
Reserve Bank of Australia

Date

22/2/2009