



RESERVE BANK OF AUSTRALIA

Corporations Act 2001

Notification 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. Under this variation, the standard must be complied with by clearing and settlement (CS) facility licensees that offer a securities settlement facility where the value of financial obligations settled in a financial year exceeds \$100 million. The standard has been varied to ensure that small clearing and settlement facilities which are unlikely to affect the overall stability of the Australian financial system are not subject to unnecessary regulation. Prior to varying the standard the Reserve Bank has consulted with the Australian Securities and Investments Commission and with clearing and settlement facility licensees required to comply with the standard.

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

THE STANDARD – FSS 2005.1

A CS facility licensee must conduct its affairs in a prudent manner, in accordance with the standards of a reasonable CS facility licensee 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.

The objective test contained in the standard is supplemented by a series of measures which the Reserve Bank considers relevant for the purposes of meeting the standard. The standard, along with the associated measures, is attached.

The varied financial stability standard applies to clearing and settlement facility licensees from 1 June 2005.

Signed

IJ Macfarlane
Governor
Reserve Bank of Australia

Date 31 May 2005

SCHEDULE

Financial Stability Standard FSS 2005.1 – Financial Stability Standard for Securities Settlement Facilities