

## CS Submissions

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### Reassessing the Case for Central Clearing of Bonds and Repos in Australia.

Dear Sir, Dear Madam,

The Asia Securities Industry & Financial Markets Association ([ASIFMA](#)) welcomes the opportunity to respond to Reassessing the Case for Central Clearing of Bonds and Repos in Australia (“the Consultation”).

ASIFMA is an independent, regional trade association comprising a diverse range of over 160 leading financial institutions from both the buy and sell side, including banks, asset managers, professional services firms and market infrastructure service providers.

We advocate for stable, competitive and efficient Asian capital markets that are necessary to support the region’s economic growth.

ASIFMA operates as an independent regional organization with global integration through membership with [GFMA](#) with global alliance partners [AFME](#) in London and Brussels and [SIFMA](#) in New York and Washington, DC.

#### **General:**

The impact of regulations and capital requirements on banks’ exposure has driven the market towards collateralized/secured financing which has been reflected in the growth of the Repo markets in most jurisdictions. Efforts by Industry and Markets Associations like ASIFMA have focused on ensuring consistency in standards and regulations could it be on documentation, close-out netting, margining or default mechanisms.

The role of CCP and central clearing has been a key focus for regulators across the region with jurisdictions like China and India where Repos are centrally cleared. If the business case for clearing Repo’s is very much palatable, the benefits of clearing Bonds tend to arise if strengthening the former.

Although the central clearing of transactions offers significant benefits in terms of capital requirements and reduction of risk, there are nevertheless important elements to consider when assessing the viability of a CCP in a particular market:

- Participation: reaching critical mass is important especially in the case of markets with a limited number of participants. To that extend, ensuring that the tail of participants together with the Central Bank (OMO) are using the CCP.
- Efficiency & resilience: participants need to interact with the CCP in an efficient and seamless manner, while the CCP ensure its resilience during high volatility and stressed market conditions. This is even more critical in a market with limited number of participants.
- Costs: Default fund contributions, initial margin and clearing fees are the main costs to consider, together with technology and infrastructure costs to facilitate clearing. The biggest hurdles for central clearing are these associated costs and persuading users (especially smaller ones) that the benefits of trading via a CCP balance or are higher than the costs.
- Interconnectivity and interoperability: international financial institutions operating in multiple markets will be looking at leveraging their global platforms and their connectivity with global clearers, custodians and collateral management providers. They will also be keen to avoid the fragmentation of their collateral pools as much as possible, hence would welcome the interoperability with international CCP's.

**Specifically for Australia:**

The size, structure and geographical localisation of the Australian markets are unique. Our members are global institutions operating in multiple jurisdictions including Australia. When assessing the present Consultation's questions, they have provided input to us and to our colleagues of AFMA (the Australian Financial Markets Association). In their response to the Consultation, AFMA has reflected our members feedback in the context of the Australian specific situation.

**To avoid unnecessary repetition, we will therefore support and endorse AFMA's consultation response.**

ASIFMA appreciates the opportunity to provide our input to the RBA. Please do not hesitate to reach out to myself ([pdirckx@asifma.org](mailto:pdirckx@asifma.org)) if you have any further questions or need any additional information.

With my best regards,



**Philippe Dirckx**

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