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RESPONSE SUBMISSION TO PROPOSALS PAPER G4-IRD CENTRAL CLEARING MANDATE (the "Submission")

SUBMISSION PARTICIPANTS (collectively, the "**Banks**")

- Macquarie Bank Limited
- ANZ Global Markets, Institutional Division
- Commonwealth Bank of Australia Markets
- Westpac Institutional Bank Financial Markets
- National Australia Bank Ltd

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INTRODUCTION

The Submission references and is in response to the proposals paper issued in February 2014 by the Treasury ("**Treasury**") on establishing a G4-IRD central clearing mandate of OTC Derivatives in Australia (the "**Proposals Paper**").

The Submission is made on behalf of the Banks in their role as market participants and liquidity providers and aims to reflect a unified view on the issues in the Proposals Paper, as they relate to the impact of mandated clearing in the Banks' industry, markets and business.

The Submission is borne out of discussions held between the Banks, in respect of the Proposals Paper, and seeks to outline the common areas of concern and / or interest, that intersect for the Banks. Other submissions may be presented by any one, or all of the Banks, reflecting more specific, sequential answers to the questions posed in the Proposals Paper and which may require individual, tailored responses. This Submission is not intended to address those questions individually, but endeavours to cover some of the issues raised by those questions.

The Banks are grateful for the opportunity to respond to the Proposals Paper and have given thought to the below-mentioned areas, as ones we request Treasury give due consideration to, in anticipation of mandating a clearing regime in Australia.

It will be of supreme importance to the Banks that the initial and (if any) ongoing phases of a mandate be contemplative of local infrastructure, equivalence with existing foreign regimes and be drafted with the overarching principle of not only achieving goals consistent with international counterparts, but also consistent with the original objective of the G20 mandate of implementing this reform in a manner which reduces systemic risk, promotes transparency and reduces market abuse.

SUBMISSION AGENDA

For the purpose of this Submission, the areas of collective interest, identified broadly, are:

1. SCOPE OF CLEARING –PRODUCT AND ENTITY
2. SUBSTITUTED COMPLIANCE / SUBSTANTIAL EQUIVALENCE
3. MARKET STRUCTURE
4. TRANSACTION REPORTING
5. MANDATORY EXECUTION PLATFORMS

1. SCOPE OF CLEARING

Focus: That definitions and classifications establishing the scope for both entities and products (present and future) achieve clarity for a clearing system that will capture all systemically important entities in the market.

The Banks' principle concern is for a safe system to be implemented which does not, internationally or domestically, disadvantage the Banks.

a) Entities in Scope?

G4 Dealers - Definition

It is the understanding of the Banks that only transactions between any two G4 dealers (within product and entity scope, howsoever defined) are to subject to the proposed mandate. The Banks would recommend that this starting point be expressly set out in any drafting of the rules under a mandate, and that any broadening of this premise require its own, separate consultation process with Treasury, so that the task of adding entities and / or phasing in of timelines is not given to the regulator to determine in a unilateral manner.

The critical consideration will therefore, be how the mandate defines "G4 dealers" and what test or threshold is imposed to determine this. The Banks' view is that careful consideration will need o be given to capture sophisticated entities that are, or become, 'systemically important' in the market by virtue of the amount of risk they put into the system.

The Banks would be keen to consult further with Treasury, to ascertain who they are intending to catch under the clearing mandate and how wide or contained their envisaged net is, of '*large financial institutions with significant cross-border activity*'? This phrase appears to leave space for subjective interpretations, which the Banks would want to see clarified prior to a mandate being introduced.

The Banks understand that Treasury is aiming to set a boundary for the mandate under which ASIC can make determinations, but further clarity is requested of Treasury, as to the metrics and intended impacted persons, before the mandate is formalised. The Banks' view is that the use of thresholds, while simple to enforce, could lead to suboptimal outcomes and the Banks would prefer to have specific consultation on these metrics for inclusion in a clearing mandate that appropriately captures entities that should be mandated to clear.

In general terms, the Banks' understand the intention of the mandate is that they be captured, and in any case are currently clearing on a voluntary inter-dealer basis, along with additional participants who would generally be regarded, as active 'price makers'.

The indicia of who those additional participants are and how they are defined will require classification beyond a threshold calculation and would include descriptions, such as the above, as well as consideration of:

- risk profiles in the market, including frequency of product type dealt and tenor;

- net and gross threshold metrics; and
- a form of qualitative measure, akin to definitions used in foreign regimes, such as swap dealer (under CFTC) and / or major swap participant.

Entities not named on the current list of identified banks, but intended to be captured under the definition or rationale behind the mandate should be included on an 'as and when necessary' basis, in which case the notion of phasing-in would mostly, become redundant. The Banks' recommend that the list of entities mandated to clear be structured, therefore, as an evolving list as opposed to a static one that could place the Banks at a competitive disadvantage.

Treasury and ASIC would need to ensure any new regime is also practically workable for foreign entities who trade with the Banks in the Australian market. Definitions would need to be clear and efficient, so that thresholds or licensing parameters do not become deterrents for foreign market participants.

Generally speaking, the Banks are not inclined to favour any definition of "G4 Dealer" that:

- requires continuous monitoring;
- sets outstanding notional thresholds;

nor any solution that:

- allows leeway for different calculations to be made between institutions.

Recognition would need to be given to the capital requirements imposed on Banks pursuant to Basel III principles and APRA related regulations. Determinations for calculating capital risk and clearance requirements are still unclear, both locally and off-shore, and the differentials in such calculations can have large and disadvantageous consequences for the Banks. This is an important consideration before another layer of domestic ruling is mandated beyond those not yet practically resolved. To this point, the Banks' view is that APS regulations and APRA implementation issues would also need to be resolved before mandated clearing is formalised.

Exclusions and Exemptions

Based on the Proposals Paper, the Banks' presumption is that Treasury, at this stage, is only advocating a mandate for clearing of OTC transactions between a narrowly defined set of G4 dealers. Thus, end–users of the relevant products, non-financial corporate or non-dealer financial institutions, would not be covered by the mandate, whether phased in or otherwise.

If, in future, there was an intention to expand the mandate beyond the narrow set of G4 dealers, well defined exemptions and 'end-user' definitions for such non-financial corporate or non-dealer financial institutions would be required.

At that point, it would be meaningful for Treasury to obtain and collate market data from participants first, in order to arrive at a well structured set of criteria identifying who those 'end-users' are, with weight given to the fact that derivatives are an important tool of financial risk mitigation for many 'end-user' type entities. Without these exclusions, exposure to mandatory clearing would constrain and expose the cash-flow of corporate counterparties to margin calls, and it is the Banks' view that they are more confidently able to manage these risks, internally.

b) Products in Scope? Present / Future

The Banks note discussions held post publication of the Proposals Paper and support mandatory clearing of G4-IRD for in-scope entities. The general position again being, that the Australian regulatory approach for mandatory clearing should reflect both the G20 principles and established practices, where appropriate. The Banks view is that should the AUD derivatives be included in similar jurisdictions (to Australia) then, subject to the condition that the key FMI (LCH Swapclear

"**LCH**") is open for business 23.5 hours, the Banks would support the addition of AUD to the mandatory clearing requirements.

As with entity-scope certainty, defining both product type and tenor will also be vital for product-scope certainty. The Banks' would be keen to avoid uncertainty of application of the mandate across particular transactions. A defined list would require sufficient granularity as to the different types of products (tenor included) and their classification as in or out of scope, for clearance requirements.

This certainty would apply to any product mandated beyond the original product scope, as suitable to be cleared on multiple CCPs, as the Banks' will reiterate a concern throughout this submission that systemic risk in any one CCP is to be avoided.

2. SUBSTITUTED COMPLIANCE

Focus: Absence of a clearing regime may work against Australian participants, but viability of any new regime is critical in terms of equivalence recognition internationally.

The Banks' general support of a clearing mandate is based on a view that the absence of such a mandate may tilt existing (entity level) and other substituted compliance determinations against us, for want of a similar regime in Australia.

The Banks' alignment is however, subject to a mandate that is consistent with and sensitive to overseas regimes so Australian participants are able to obtain the benefit of international equivalence recognition and not be penalised by the burdensome nature of appeasing separate regimes where substituted compliance exemptions are not granted or denied on a technicality. One example is the CFTC's rejection of clearing equivalence for Japan, which highlights the importance of this aspect for the Banks.

The depth and breadth of the mandate from Treasury will impact its ability to achieve a regime to fit within the catchment parameters of Substituted Compliance/Substantial Equivalence, so consistency with how foreign mandates from international regulators, specifically CFTC and ESMA are progressing in relation to clearing, is reiterated as an important consideration so that any mandate implementing the regime will be akin to foreign regulatory frameworks, making it more likely to be acceptable to foreign regulators.

The Banks' acknowledge the challenges present in mandating a new clearance regime, but the issue of equivalence is of key importance. An Australian mandated regime can be supported only where the regime is structured on terms that will be recognised by overseas regulators as highly akin, and therefore sufficiently similar, to their own.

It is a consideration for the benefit of both the Banks and for international non-Australian G4 dealers, that they are able to meet their clearing obligations in Australia, as well as in their own domestic jurisdiction. The lack of certainty still in Europe in respect of third country CCP acceptance, with no determination forthcoming yet by ESMA, would be another important item to await resolution of before seeking to mandate clearing in Australia.

3. MARKET STRUCTURE

Focus: Industry's capacity to support the introduction of a clearing mandate.

The Banks' support the concept behind and the rationale for a clearing mandate in alignment with international progress made in this area and consistent with compliance to Australia's G20 commitments. In that context, the Banks acknowledge the consideration by COFR and Treasury of issues around implementation and feasibility.

The Banks' propose more consultation be sought in key areas, aimed at reducing systemic risk, promoting transparency and reducing market abuse, without diluting market participants' ability to access risk-reducing OTC markets.

The Banks' have all adopted the market standard practice of clearing the vast majority of G4 IRS transacted with other interbank dealers and as stated, there is no objection to a formalisation of this process through a mandate. The key issues around the implementation of that mandate relate to practical matters. The Banks would recommend that intent, rather than volume, be the key determinant of whether or not a counterparty should be considered subject to the mandate.

Generally speaking, the Banks' are keen to highlight to Treasury the following considerations and requests:

- Intent - the Banks' note that the intent of the mandate appears to formalise what is already market practice for interbank transactions. It is not clear whether there is intent for this mandate to apply to a broader set of market participants or products, and if so, whether it would be phased in over time to different types of market participants. It is critical that market participants are treated equitably and that there be little room for regulatory arbitrage. A risk based threshold may be a better measure of activity than one based on turnover or outstanding volume;

- Timing - the Banks' are in a position to support this mandate. Other Australian participants may not be currently able to clear and an expedited or widely cast mandate may impede their ability to manage their economic risks;

- Infrastructure - the Banks' are concerned that the largest G4 OTC Derivatives CCP, LCH, is currently not open to accept trades for the majority of the Australian business day. The concern is that a mandate may introduce operational risk in the event transactions fail to clear well after Australian COB and then cannot be replaced bilaterally. As a consideration, LCH have expressed confidence that it will be able to support a 23.5 hour working day in Q1 2015;

- Cost – Australian market participants are moving at pace to make arrangements to clear. The Banks' note that requirements to urgently agree terms and to create system adjustments to enable clearing for other Australian participants are likely to generate higher costs of adherence than a more measured approach. Desire is high to avoid any temptation, under pressure, to build for sub-optimal outcomes in operational measures to cater to an imposed mandate;

- Client Clearing – it is not clear that all market participants who may be covered by the mandate will be able to gain access to clearing services from third parties (albeit that the suggested threshold of AUD50bio outstanding would presumably create the economics to make such provision profitable);

- Exemptions – Further consultation is warranted on a range of practical issues, such as compression transactions, "end users" exclusions and treatment of subsidiaries of both domestic and offshore companies.

Market Structure Aspects

In order to gauge and cater to all, or any, of the above considerations, the Banks' believe that comprehensive exploration and investigation by the Treasury would be required into each of the following topics:

(i) Access to CCPs
(ii) Capital
(iii) IWHT
(iv) Client Money

Taken separately:

(i) Access To CCPs

The Banks are keen to ensure that Treasury gives regard to the costs and risks associated with direct membership of Australian participants to local or off-shore CCPs, which factors include:

- not only the costs associated with mandated direct clearing membership, but the costs of posting imposed collateral and any associated costs to the Banks passed on from financial intermediaries, as a result of required clearance of trades;
- barriers to availability for some Banks to directly access the CCPs to clear the G4 – IRD (or AUD-IRD). Features of the existing two local CCPs are in need of changes to deal with challenges the Banks' face. The option of direct access to a third CCP (such as CME) would be viewed favourably, as a pre-requisite to any mandate for clearing. Practical examples of the challenges Banks' face include time-zone trading hours, with LCH hours not presently consistent with Australian trading hours, and currency differentials, such as where AUD is not an accepted payment currency for Initial Margin;
- the Banks' support of the timing of the mandate not pre-empting the LCH's proposed extension of its opening hours to close to 24 hours;
- where a foreign CCP is recognised in another jurisdiction, and especially in light of the fact that the prescribed list of CCPs is not yet drafted, the Banks' view is that this would allow Treasury scope to deem '*prescribed status'* for a CCP based on a 'face value' equivalence in their home jurisdiction, if that jurisdiction is regarded valid;
- recognition and deeming of a foreign CCP's status as 'prescribed' necessitates that foreign CCP not be "operating in Australia". This phrase is difficult to precisely define and is, itself, uncertain in scope with a history of being problematic, having given rise to much uncertainty with SEFs in late 2013;
- if a CCP was deemed or otherwise granted 'prescribed' status to operate in Australia, the Banks would like some clarity as to what sort of timeframe limit would be in place for that CCP to operate as such, prior to having to make an application for a license to operate. Alternatively, whether the CCP would be able to operate as 'prescribed' on an on-going, permanent basis;
- while not directly relevant to the proposal to impose an Australian mandate, the Banks' again note the uncertainty created by the phrase "operating in Australia", which is not resolved by RG211 on licensing of CCPs. This is an example of a form of restriction which, though shared to some extent with EU and US entities bound by their own home regulators in accessing foreign CCPs, creates a concern around whether smaller, foreign CCPs would be motivated to get Australian licensing recognition to service a few Australian banks. In particular, those who are the only CCP in a jurisdiction through which participants can satisfy a foreign mandate;
- even allowing for an increase in the choices available by allowing the use of non-Australian regulated CCPs, there is a concern for the Banks, generally, with respect to concentrated risk. If participation as a member of any specific CCP is mandated, the risk mutualisation imposed greatly impacts the Banks' exposure, were the CCP itself or another member to fail;

- the Banks’ would be keen for Treasury to be cognisant of the fact that clearing houses have failed historically. This systemic risk is one the Banks consider seriously and deliberate on their own membership, without a mandate;
- in the scenario where specific CCPs were required to be used in Australia, the Banks’ view is that the costs would be higher than transacting through an existing, off-shore CCP. This is likely to create an environment where market participants, not mandated to clear, can do so via a CCP of their choice while the Banks will be required to clear locally, which has potential to put them in a position of disadvantage. It would be harder for the Banks to competitively maintain volumes if costs were higher due to local requirements that eliminated choice of venue to execute or choice of bi-lateral trading. It is therefore important to allow for a licensed (in Australia) and a prescribed (in an equivalent jurisdiction) CCP to avoid any competitive issues bifurcating the Australian market;
- the CCPs’ ability to manage their liquidity and effectively cater to any default scenario or to handle and process the Banks’ evolving product range and standardise such products are additional, general concerns of the Banks. An example of derivatives within the G4 IRD scope that would not be able to be cleared would be a securitisation swap, which gives rise to the need for further investigation as to the breadth and capacity of available CCPs.

(ii) Capital

The Banks’ are already exposed to much higher capital charges under Basel III and, to a large extent, are of the view that they will likely manage their own capital requirements by combining the use of CCPs, bilateral collateralisation and uncollateralised exposures. The Banks’ expect that bilateral trading would still be preferred by a large set of clients. This will clearly change the capital requirements for the Banks.

The uncertainty of how APRA will interpret the Basel III principles with respect to clearing would need to be clarified and articulated prior to a clearing mandate. The Banks would also want greater information in respect of initial margin against bilateral comparisons, to be able to better judge the desire in the market to voluntarily clear, when compared with being subject to clearing house rules.

Hence, a key consideration the Banks would highlight to Treasury would be the need for harmonisation of international capital rules on clearing if it was mandated, so that clients could benefit from being able to compete internationally and so the Banks are not disadvantaged due to increased and / or higher costs than their international participant counterparts.

(iii) IWHT

The Banks flag IWHT as an outstanding and important matter in respect of clearing.

It is pertinent that this be resolved prior to implementation of any clearing mandate. The consequences of any IWHT arising from reforms, such as the mandate, could have markedly adverse effects in the Australian derivatives market.

For mandatory clearing, an IWHT levy could distort the CCP options available for Australian banks. This issue has been outstanding for some time and would ideally be resolved prior to a mandatory clearing obligation.

The Banks urge Treasury to consider exemptions or carve outs from IWHT, as the Banks consider it both fundamental and necessary to the market, that CCP flows remain excluded from any tax base.

(iv) Client Money

The Banks' concern is in respect of potential conflicts forecast between existing client money regulations in Australia and client clearing of OTC derivatives. Further consultation between Treasury and the Banks would be prudent to facilitate the removal of any complexity and imprecision, were a clearing mandate to be introduced. Current inconsistencies, that are due resolution, exist between the Corporations Act and the ASIC Market Integrity Rules, and any operating rules of a mandated clearing house would need to not only be consistent, but in harmony with, existing regulatory operations.

Other related concerns Treasury would need to consider, include:

- material aspects of the regulatory framework that are either not currently complete or contradictory. For example, the treatment of client monies for a consolidated OTC cleared and futures offering.

- operational compliance costs are inherently harder to estimate in any environment of uncertainty;

- potential differences in the regulatory model used between Australia and international jurisdictions adds to the cost of participation internationally for the Banks, as well as for clearing brokers, operating across multiple jurisdictions;

- the imperative of ensuring that the playing field is level so that the Banks are able to offer clients access to international markets, irrespective of licensing requirements. Until clearing houses such as LCH, CME and ASX are approved for client clearing, there is an inequity slanted against the domestic market, which would need to be addressed prior to movement forward on a clearing mandate.

4. TRANSACTION REPORTING

Focus: Importance of industry consultation to ensure clarity around articulation of the rules. Key issue for the Banks is the avoidance of practical problems encountered, implementing and interpreting ASIC and foreign jurisdiction's trade reporting definitions and regulations.

The issue for the Banks is that they are currently in the midst of an on-going process of building and adapting systems as rules get "road tested' **after** being introduced. This is the case both domestically, under ASIC and internationally, under the U.S and European regimes. Given the difficulty in designing an appropriate Transaction Reporting regime in Australia, the Banks recommend a review to assess whether Transaction Reporting has performed to expectations.

As greater clarification and more clearly defined parameters around the metrics of Transaction Reporting are required in order to facilitate the workability of the rules across different jurisdictions, the Banks' request is that Treasury give careful consideration to the ways in which it can positively monitor, affect and influence these processes. There are still jurisdictions of note who have yet to finalise and embed their rules for transaction reporting and the Banks' believe it would not be practical of Treasury or ASIC to not consider these approaches first and await their finalisation. The Banks' would suggest that Treasury use a macro approach to considerations, so that similar confusions and uncertainties are not replicated with a new mandate for clearing.

Notwithstanding the above, the Banks recognise and support items such as the 'end-user' exemptions Treasury raised in its Proposals Paper which, if well constructed, do not expand

reporting obligations and seek instead, to ease the compound effect of existing issues globally. Areas such as delegated reporting are proving complex enough and the Banks' support Treasury's recognition of not wanting to add to these issues.

The Banks believe the most efficient rule making outcomes in respect of this clearing mandate are likely to be achieved through a combination of ASIC carefully consulting and designing rules, and Treasury and the Minister carefully considering the overall costs and benefits of proposed rules, before any consent is given to ASIC to make any rules it proposes. The Banks have expended much time and effort since the Transaction Reporting Rules into requests for adjustments and extensions as systems were required to be tailored or rebuilt to deal with problems not regarded or foreseen by the regulators. We believe there is an ongoing role here for Treasury's input.

The Banks' further view is that there is no sound regulatory basis for imposition of a reporting mandate on foreign entities that are only connected to the Australian jurisdiction because of an ultimate shareholding by an Australian financial entity. It is viewed this would be too far of an extra-territorial reach, as well as not justified on a cost-benefit analysis.

The Banks also consider the following, as factors worthy of further industry input and consultation, in respect of trade and delegated reporting:

- value and efficiencies, if any, to be gained in dual sided reporting;
- liability issues between different models of delegated reporting;
- clarification of liability and costs are key considerations in any analysis into offering delegated reporting for clearing. The issue of liability is a big area of concern for the Banks. The responsibility and attached liability could be very one-sided unless a model similar to Europe is adopted in which no liability is assumed. The Banks' concern is that this model is a flow-through feature of Europe not charging for the delegated service banks provide;
- hierarchy of deal reporting would require consideration and whether any options are available to report.

5. TRADE EXECUTION PLATFORMS

Focus: Issue of feasibility in Australia. Industry challenges resulting from the CFTC's mandate for clearing and execution, which provide important experiential feedback to Treasury for local implementation.

The Banks are supportive of Treasury reviewing the market licensing regime, particularly with a view to making the process for recognition of foreign regulated trading platforms who could, on one view be "*operating in Australia*" and thereby subject to the Australian market licensing regime, and which Australian participants may need to access, more certain and transparent.

The introduction of Swap Execution Facilities (**SEFs**) in October 2013 gave rise to some Australian regulatory uncertainty because of the current reliance on the exemption process, which could be avoided in the future. The Banks do, however, recognise that this review is likely to take significant time.

In the shorter term, CFTC rule-making may result in even greater need for Australian based participants to access CFTC regulated SEFs and the Banks' strongly support work by Treasury and ASIC to ensure SEFs and Australian participants have certainty that the SEF platforms can be offered to Australians.

To facilitate this access, Treasury and ASIC may consider recommending the Minister grant a class exemption to SEFs who are offering trade execution mandated (or "Made available to trade" /

“MATT”) products to Australian based participants subject to the “MATT” requirements, for an interim period, at least. The Banks’ believe this would demonstrate, in a very public way, Australia’s commitment to supporting the global push toward trade execution and to ensuring Australian law does not impede these developments.

While supportive of a review of the market licensing regime, the Banks do, however, recommend that further monitoring in offshore jurisdictions would be prudent prior to any defining of a mandate for trading platforms in Australia.

The Banks have differing experiences with execution platforms in overseas jurisdictions. Industry consultation, as to these experiences, is therefore warranted. The importance of what has been learnt to date in respect of these trading platforms under Dodd-Frank, cannot be over-stated. SEF platforms, generally, were unprepared for their mandated offerings and the technical, practical and cost related issues that arose as a result of the systems immaturity have not been trivial consequences for the Banks.

This is important in light of the fact that the SEFs themselves all have rulebooks, which can differ from one trading platform to another, imposing another layer of rule-making upon the Banks and another layer of quasi regulators. It is the Banks’ view that the evolution of an Australian domiciled SEF structure appears a likely by-product of the U.S regulatory regime, rather than a requirement born entirely of domestic need.

The Banks are being drawn into an electronic system with external, foreign regulators and their shared view is that it is imperative that those systems are bedded down properly and functioning highly in the market, before any trading platform in Australia would have intrinsic value.

In general, the Banks would be keen to ensure Treasury gave consideration to the impact on trade, in light of the Dodd-Frank requirements to clear and execute certain products on SEFs. To that end, the Banks’ consider the below factors, among others, as relevant:

- the consequences, infrastructure and licensing requirements within the current Australian market, as against international standards of lesser licensing laws, which would give rise to an unequal playing field for the Banks;
- accessibility to off-shore SEFs. Any pre-requisite to set up or use domestic facilities would require licensing requirements to be fully integrated first;
- importance of industry consideration and consultation, so as to gather information into topics such as the logistics of having separate rules for each SEF and the degree of complexity and additional layering of regulation that introduces. The experience of the Banks’ is vital to highlight to Treasury the key elements of current trading platforms that, in practice, do not work. Connectivity in the U.S to clearing houses has been timely and fraught, as has SEF registration. Both of which have resulted in stoppages or delays in entering transactions for some Banks due to the practical issues faced with middleware provider infrastructure, with interfacing and with the general immaturity of a system embedded within a whole other, new system of concurrent and adjoining reforms;
- review of the existing SEF rules to avoid fragmentation in the market and anomalies where the SEF rules are impractical. A prime example is the SEF rule (consistent among various SEFs) that if a trade is not cleared, the trade is deemed never to have existed. A rule which triggers not only obvious problems for the trade, but logistical and jurisdictional problems of notice, where trading hours are closed or incompatible.

CONCLUSION

It is the Banks' hope that this Submission opens up further discussion with Treasury for the resolution and implementation of a domestic clearing mandate, if any, that:

- effectively and efficiently facilitates its intention for the Australian market, without fragmenting it for the cleared products identified or reducing liquidity in those product classes;
- fits, for recognition purposes, within the wider context of the international arena of already mandated foreign regimes and does not reduce the Banks' ability to compete on that international arena; and
- does not, unnecessarily or exponentially, increase costs for the Banks' and / or domestic end-users.

The Banks' appreciate the opportunity to present these communal, identified areas of interest to the Treasury.

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