

Changes to ASX Clear (Futures) Initial Margin Parameters for ASX 24 Energy Derivative Products - Information Sheet

| 30 October 2017 | Version 1

Introduction

ASX Clear (Futures) issued a market notice on the 30th October 2017, advising that ASX Clear (Futures) is increasing initial margin parameters for ASX 24 energy derivative products to a 3 day margin period of risk. The market notice is available for download [here](#).

1. Why are we making margin changes?

ASX works closely with Australia's regulators to ensure our financial stability standards align with global best practice, which continues to tighten in the years since the GFC. Margin is an important risk management tool to protect market stability and the interests of all users in the event of a default by a Participant.

ASX Clear (Futures) has recently reviewed its approach to setting initial margin parameters for ASX 24 energy derivative products. ASX's review identified that these products are characterised by relatively low average daily trading volumes versus overall open interest, and large price movements. This has heightened exposure to risk.

To ensure that our margin requirements for ASX 24 energy derivative products continue to provide the right risk management protections, the margin period of risk used to determine initial margin parameters is now being increased to 3 days from the higher of 1 or 2 days.

ASX is making this change to ensure initial margin levels adequately protect ASX Clear (Futures) and the rest of the market in the event of a participant default.

2. When are the changes effective from?

ASX is mindful of the impact that the margin change may have on Participants, and has sought to be as least disruptive as possible by providing advance notice of the changes while putting in place a risk framework that reflects the current state of market liquidity. The new margin parameters based on a 3 day margin period of risk will be advised in December 2017.

The revised initial margin parameters will be effective for open ASX 24 energy derivative contracts as at close of business on Friday, 12th January 2018 for initial margins called on Monday, 15th January 2018.

3. How will Participants be impacted?

The margin changes are directly applicable to Clearing Participants of ASX Clear (Futures) and will apply to any open position in ASX 24 energy derivative products. The impact of the changes will vary depending on the portfolio of contract positions in the Clearing Participant Accounts.

ASX24 Trading Participants trading in ASX 24 energy derivative products that are not self-clearers should contact their Clearing Participant to discuss the changes.

4. How will end users ("Clients") be impacted?

The impact to end users ("Clients") will vary depending on their margining arrangements with their Clearing Participant.

It's recommended that Clients contact their Clearing Participant to discuss impacts to their portfolio.



5. Where can I go for further information?

The ASX will communicate margin parameters in December 2017 based on a 3 day margin period of risk, ahead of revised initial margins taking effect.

All ASX 24 energy derivative product margin parameters are available on the ASX website at:

http://www.asx.com.au/data/clearing/ASX_Energy_Margin_Parameters.pdf