

Mr Peter Saunders
Executive Director
Office of Best Practice Regulation
Department of the Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600
By email: Helpdesk-OBPR@pmc.gov.au

Reference number: 18801

1 April 2016

Dear Mr Saunders

Regulation Impact Statement *Mandatory central clearing of OTC interest rate derivative transactions* – final assessment second pass

I am writing in relation to the attached final Regulation Impact Statement (RIS) prepared for the introduction of the ASIC Derivative Transaction Rules (Clearing) 2015 (Clearing Rules). OBPR's reference number for this issue is 18801.

I believe the RIS meets best practice requirements and is consistent with the ten principles for Australian Government policy makers.

I am satisfied that to the extent possible, the RIS now addresses the suggestions made in your letter of 30 September 2015.

In particular, we have addressed the comments outlined in Attachment A to your letter as follows:

Making the RIS more accessible to people who are less familiar with, but interested in, the proposals.

- We have answered the question about why ASIC needs to make derivative transaction rules, if the Minister has already made a determination. The RIS explains that the Minister's determination sets out the high level features of the mandatory clearing regime, but ASIC needs to make derivative transaction rules that set out the remaining details, such as the types of entities that must comply, what they must do to comply, and whether there are any exemptions.
- We have reviewed the RIS and amended a number of sections to use fewer acronyms.
- We have reviewed the RIS and amended a number of paragraphs to provide plain language explanations for technical concepts.

Highlighting the cost of the status quo for Australian participants earlier.

- We have brought forward the explanation about the cost of the status quo for Australian participants to the problems section of the RIS. For example, we have

revised the section regarding increased compliance costs for Australian participants in foreign OTC derivatives markets to include a discussion of the current relief that Australian participants are receiving from the CFTC, as well as highlighting the fact that this relief would be unlikely to be renewed if the current status quo regarding central clearing in Australia was maintained.

Options 1 and 2 impact analysis: providing a qualitative description of the broader benefits of central clearing of OTC derivatives.

- In the impact analysis section of options 1 and 2, we have provided an additional qualitative description of the broader benefits of central clearing of OTC derivatives. Please refer to 121-124, and 165.

The RIS also includes a policy proposal to grant regulatory relief which will grandfather swaps resulting from exercising options embedded within swaption contracts from the requirements of the Clearing Rules to address an implementation issue arising from industry feedback.

I submit the RIS to the Office of Best Practice Regulation for formal final assessment.

Yours sincerely



Oliver Harvey
Senior Executive Leader
Financial Market Infrastructure
ASIC