

Australian Custodial Services Association
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Dear Lauren,

Australian Custodial Services Association Response to Treasury Consultation Paper “Competition in the provision of clearing and settlement services – ministerial instruments”

The Australian Custodial Services Association (**ACSA**) is the peak industry body representing members of Australia's custodial and investment administration sector. Our mission is to promote efficiency and international best practice for members, our clients, and the market. Members of ACSA include NAB Asset Servicing, J.P. Morgan, HSBC, State Street, BNP Paribas Securities Services, BNY Mellon, Citi, Clearstream, and The Northern Trust Company.

Collectively, the members of ACSA hold securities and investments in excess of AUD \$4.4 trillion¹ in value in custody and under administration for Australian clients comprising institutional investors such as the trustees of major industry, retail and corporate superannuation fund, life insurance companies, responsible entities and trustees of wholesale and retail investment funds, and various forms of international investors into Australia.

ACSA has reviewed the draft ministerial instrument and has the following comment relating to the definition of “Cash Equity”:

- The draft instrument looks to create a mechanism for challenging/arbitrating issues that arrive from the provision of Clearing and Settlement services and is using this broad definition to cover the types of assets to which this instrument would apply, essentially creating a “grouping” (not creating new instrument/asset types).
- The definition of “cash equity” including both listed assets (shares in companies) and unlisted items (shares/units in funds) seems unusual considering the settlement rules/mechanisms are quite different.

Further, in our feedback dated 20 April 2023, ACSA welcomed Treasury's legislation and took the view that the powers being given to ASIC and the ACCC will support fairness and safety in the Australian market.

ACSA also requested that the minister also consider including fixed income securities settled on the Austraclear CSD in the initial determination of services in scope.

The majority of CHESS participant Custodians are also Austraclear participants and offer both equity and fixed income settlement services either for clients or as part of their inhouse treasury management capabilities.

¹ As at 30 December 2023, <https://acsa.com.au/page/IndustryStatistics>

Fixed income settlement is very costly in Australia, with each settlement costing a minimum AUD \$14.30 plus GST as a flat fee. By way of comparison, the Euroclear CSD charges for settlements on a sliding scale ranging from EUR 1.50 to EUR 0.33 depending on the volume settled in a month.

When considering competition opportunities in the settlement space in Australia, it is conceivable and even likely that a committed competitor may want to explore both the equities and fixed income spaces in parallel, and there would, at minimum, be interoperability requirements associated with the entry of a committed competitor to the market. If this were to occur, the need for the minister to make an additional determination in respect of fixed income securities would add additional lead time to achieving any competitive outcomes.

Given the stated rationale for deploying this legislation, ACSA remains firmly of the view that including fixed income securities in the initial determination is a logical choice in line with the government's stated objectives in making this legislation a priority for the Treasury.

If you have any questions in relation to this submission please contact me.

Yours sincerely



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About the Australian Custodial Services Association (ACSA)

The Australian Custodial Services Association (ACSA) is the peak industry body representing members of Australia's custodial and investment administration sector. Our mission is to promote efficiency and international best practice for members, our clients and the market. ACSA works with peer associations, governments, regulators and other market participants on a pre-competitive basis to encourage standards, process consistency, market reform and operating efficiency. Established in 1994, ACSA members currently hold assets in excess of \$4.5 trillion in custody and under administration for Australian institutions (at 31 December 2024).

The key sectors supported by ACSA members include large superannuation funds and investment managers, as well as other domestic and international institutions. Custodians provide a range of institutional services to clients including traditional custody and safekeeping, investment administration, foreign exchange, securities lending, transfer agency, tax and financial reporting, investment analytics (risk, compliance and performance reporting), investment operations middle office outsourcing and ancillary banking services.

www.acsa.com.au

Important Note

ACSA works with peer associations, regulators and other market participants on a pre-competitive basis to encourage standards, promote consistency, market reform and operating efficiency. The views expressed in this paper are prepared by ACSA and should not be regarded as the views of any particular member of ACSA.

The comments in this paper do not comprise financial, legal or taxation advice.