

Australian Custodial Services Association  
Level 29, 44 Market Street  
Sydney, NSW, 2000

16 Oct 2024

Australian Securities Exchange (ASX)  
20 Bridge Street  
Sydney NSW 2000  
[EquityPostTrade@asx.com.au](mailto:EquityPostTrade@asx.com.au)

Dear Mr Hammon,

**Australian Custodial Services Association Response to the ASX “*Cash Equities Clearing and Settlement Services Pricing Policy Consultation Paper – 19 September 2024*”**

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 \$5 trillion<sup>1</sup> 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 welcomes the opportunity to respond and provide input into the consultation process regarding the Cash Equities Clearing and Settlement Services Pricing Policy in Australia. We welcome further input and engagement on this topic.

**Materiality Threshold**

ACSA is broadly supportive of the proposal; however, we believe that a materiality threshold dollar value of \$1 million is not reasonable. For instance, a rebate of \$10 per participant when the revenue is \$1 million is significantly low and does not provide substantial value to participants. We suggest that a percentage threshold based on cost and revenue would be more appropriate, as it would better reflect the scale and impact on participants.

**Options for Under or Over-Recovery Beyond the Proposed Materiality Threshold**

We prefer Option 1 for handling under or over-recovery beyond the proposed materiality threshold. Option 2 poses challenges, particularly in cases of under-recovery, as our budgeting is finalised annually for the following year. This makes it difficult to accommodate potential additional payments.

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<sup>1</sup> As at 30 June 2024, <https://acsa.com.au/page/IndustryStatistics>

## Commencement Date of the New Policy on 1 January 2025

We agree with the policy commencing on 1 January 2025. However, we require further clarification on the fee adjustment cycle and the timing of new fee introductions. Instead of annual adjustments based on cost/revenue, we propose a three-year lapse period for pricing adjustments. For example, if calculations starting from Jan 2025 show under or over-recovery, and this continues into the next year, triggering a fee change, we would expect the implementation of new fees at the end of the third year or the beginning of the fourth year. This provides a more predictable and manageable approach for our financial planning.

## Further Clarifications Required

- **Detailed Impact Analysis for the Long Run:** We seek to understand the long-term impact, such as what the effects might be five to six years later. A comprehensive impact analysis would be beneficial for stakeholders to anticipate future changes and prepare accordingly.
- **Details of Cost and Revenue Analysis:** We would like clarity on the types of services and costs considered in the independent assurances. Costs not directly associated with clearing and settlement should not be attributed to these services to ensure industry comfort. We seek full transparency and would like to know at what point this can be crystallized.
- **Fees Review Trigger:** We are interested in understanding how the proposed percentage for the fees review trigger aligns with industry standards. If the percentage is too low, fees may change too frequently, causing instability. Conversely, if it is too high, necessary adjustments may be delayed. A balanced approach is essential to maintain stability and predictability in pricing. Additionally, we believe that fees should not be changed more frequently than every three years. Any under-recovery should only be made once fees are reviewed, not during the intervening periods.

If you have any questions in relation to this submission please contact me and I can arrange for further discussions with our working group members..

Yours sincerely

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