

DISCLOSURE OF EQUITIES SECURITIES LENDING

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Reserve Bank

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Disclosure of Equities Securities Lending

1. Introduction

This document sets out the Reserve Bank's conclusions on variation of the *Financial Stability Standard for Securities Settlement Facilities* to improve the transparency of equities securities lending.

The need for improved transparency in this area was highlighted in the review undertaken by the Reserve Bank in early 2008 of settlement practices in the Australian equities market.¹ This review was triggered by significant delays to settlement in the cash equities market in late January 2008, which arose, in part, from a participant's inability to meet obligations arising from securities-lending transactions. These types of transactions are currently settled in a batch process operated by the ASX Settlement and Transfer Corporation (ASTC) alongside equity trades novated to the central counterparty, Australian Clearing House (ACH). However, in contrast to transactions undertaken on the exchange, about which there is considerable transparency, securities-lending activity is relatively opaque, increasing the potential for disruptions to the settlement process and impairment of the overall efficiency of the market.

Following consultation with industry participants, the Reserve Bank proposed that steps be taken to improve disclosure in this area. In particular, in October 2008 it released a Consultation Document proposing a variation of the *Financial Stability Standard for Securities Settlement Facilities* to require facilities settling equity transactions to increase the transparency of securities lending.² Over recent months, the Reserve Bank's proposal has been subject to extensive consultation with industry participants, the Australian Securities Exchange (ASX), the Australian Securities and Investments Commission (ASIC) and the Australian Treasury. Following this consultation, the Reserve Bank has decided to proceed with a variation to the *Financial Stability Standard*, with the consultation process proving very useful in developing the specifics of the improved disclosure regime.

This document presents the final variation, as well as details on how the disclosure regime will be implemented. Section 2 sets out the Reserve Bank's regulatory responsibilities as well as the objectives of improved disclosure of securities lending. Section 3 then summarises the consultation process, while Section 4 discusses the possible approaches to implementing disclosure. Section 5 goes on to discuss the specifics of the proposed disclosure regime, including issues related to implementation and the timeline.

1 The Reserve Bank released the conclusions of this review on 26 May 2008. The report is available at: http://www.rba.gov.au/PaymentsSystem/StdClearingSettlement/Pdf/review_stlmt_prac_au_equities_052008.pdf

2 The Consultation Document is available at: http://www.rba.gov.au/PaymentsSystem/StdClearingSettlement/Pdf/cdesl_102008.pdf

2. The Reserve Bank's Regulatory Responsibilities and Disclosure

The Reserve Bank's regulatory responsibilities in respect of clearing and settlement facilities are set out in the *Corporations Act 2001* (the Act). Under the Act, licensed clearing and settlement facilities are required to comply, on a continuous basis, with any standards set by the Reserve Bank with respect to financial system stability and are also obliged to do all other things necessary to reduce systemic risk. In accordance with provisions in the Act, the Reserve Bank has determined *Financial Stability Standards* for both central counterparties and securities settlement facilities.³ Each standard is supported by a set of minimum measures that the Reserve Bank considers relevant in determining whether a licensee has met the relevant standard. The Reserve Bank carries out, on an annual basis, a formal assessment of how well licensed facilities are complying with these obligations, reporting its findings to the Minister with portfolio responsibility for financial markets and to ASIC. These assessments are also released publicly.⁴

Four licensed clearing and settlement facilities are currently subject to assessment against the *Financial Stability Standards*: ACH; SFE Clearing Corporation (SFECC); ASTC; and Austraclear. Although each facility is separately licensed, all four facilities are part of a single corporate group, ASX.

Among other requirements, the standard applying to securities settlement facilities and associated measures require a securities settlement facility to make sufficient information available to participants, such that they are able to gauge the risks they may face through their participation in the facility. In its review of settlement practices, the Reserve Bank concluded that greater transparency of equities securities-lending activity could go some way to improving the information available to participants to assess vulnerability to settlement risks arising from activity in this market. Greater visibility of securities-lending transactions would also assist the system operator itself in its day-to-day management of risks arising in the batch settlement process.

In addition, since a high proportion of securities-lending transactions are motivated by the need to cover short-sold positions, disclosure of securities lending could complement short-selling disclosure, in respect of which ASIC and the Treasury have been working on reforms. In its review of settlement practices, the Reserve Bank concluded that securities lending and short selling support the efficient functioning of the equity market in normal market circumstances. Both practices add to market liquidity and to the efficiency of pricing, contributing to lower bid-offer spreads and helping to ensure that prices reflect the views of both bullish and bearish investors. As illustrated by recent experience, however, a lack of transparency in these activities can undermine confidence in the functioning of the market during periods of turbulence. Improved disclosure of securities lending could assist in addressing this issue.

Reflecting these considerations, the Reserve Bank highlighted in its Consultation Document a number of specific advantages from improved disclosure of equities securities lending. These include:

3 The Standards are available at: <http://www.rba.gov.au/PaymentsSystem/StdClearingSettlement/standards.html>

4 The assessment for the 12 months ending 30 June 2008 is available at: http://www.rba.gov.au/PaymentsSystem/StdClearingSettlement/Pdf/2007_08_report_clrg_settlement_facilities.pdf

- (i) assisting the system operator (ASTC) in managing the daily settlement batch, and in particular supporting back-out and batch-recalculation procedures should these need to be invoked;
- (ii) assisting in the analysis of settlement fails;
- (iii) providing sufficient information to market participants to enable them to assess potential future settlement risks, perhaps arising from the large-scale recall of securities loans;
- (iv) improving general understanding of the role of securities lending in the smooth functioning of equities markets;
- (v) addressing imbalances in the availability of market information to participants; and
- (vi) complementing disclosure of the gross flow of covered short sales, currently required under an ASIC Class Order.

Obtaining some of the advantages from improved disclosure is dependent upon the availability of data on the *flow* of securities-lending transactions, while obtaining others requires data on the *stock* of securities loans outstanding. In particular, since (i) and (ii) rely on the system operator being able to identify which settlement instructions relate to securities-lending transactions, information at the transaction level is required. For (iii) to (vi), on the other hand, data on the aggregate stock of outstanding on-loan positions would likely be sufficient.

An important distinction here is between aggregate stock data *including* on-lending activity and that *excluding* such activity. On-lending refers to instances in which the initial lender (typically a fund manager) lends to an intermediary, who in turn lends to the end-borrower. The presence of such ‘chains’ of loans was an important issue in relation to the settlement disruptions of January 2008. Therefore, if the data are to help gauge potential future settlement risks, it is necessary that the data *include* on-lending activity. In contrast, the data should *exclude* on-lending activity (so as not to ‘double count’) if they are to usefully complement disclosure of short sales.

3. The Process to Date

The need to enhance the disclosure of securities lending was a central theme of the Reserve Bank’s 2008 *Review of Settlement Practices for Australian Equities*, with industry participants generally acknowledging that the current arrangements needed to be improved. Further to the publication of this review, the Reserve Bank has consulted with a wide range of industry participants to develop a workable model of disclosure while, at the same time, ASIC and the Treasury have been developing complementary arrangements to improve the reporting and publication of data on short selling of equities.

Given the Reserve Bank’s responsibility for stability of the settlement system and its relevant powers under the Act, the Payments System Board’s view is that improved disclosure of securities lending can be facilitated by changes to the *Financial Stability Standards*. Reflecting this, the Reserve Bank released a Consultation Document on 24 October 2008 proposing a variation to the ‘Understanding Risks’ measure of the *Financial Stability Standard for Securities Settlement Facilities*. This variation would have the effect of requiring ASTC to collect, aggregate and publish information on equities securities-lending activity.

The Reserve Bank received seven submissions in response to the Consultation Document.⁵ These submissions were generally supportive of the principle of disclosure and raised no objections to the proposal to enforce this via variation of the *Financial Stability Standard*. The submissions did, however, raise a number of practical issues that were discussed in industry roundtable meetings, hosted by the Reserve Bank, on 8 December 2008 and 27 January 2009. These meetings focused on the practicalities of establishing an improved disclosure regime, without imposing undue costs on ASX or market participants. In addition, the Reserve Bank met bilaterally with representatives of industry associations – the Australian Securities Lending Association (ASLA) and the Australian Custodial Services Association (ACSA) – and ASX.

In the Consultation Document, it was suggested that one possible way of implementing improved disclosure would be for securities-lending transactions to be ‘tagged’ in the settlement system, with different tags applying to different types of loan transactions (for example, new loans and borrows, and inward and outward loan returns). It was suggested that the tagged data – which would provide details on the flow of transactions – could then be used to construct a series on outstanding loan positions by security, which would be published. Although there was little objection to the principle of using the tagging of transactions as a basis for disclosure, a number of practical issues were raised both in respect of the implementation of a tagging regime and the use of the transaction-level data to construct data on aggregate outstanding positions. The main issues raised were:

- *Information flow*: ACSA, responding on behalf of the custody industry, noted that custodians do not typically receive detailed information on a client’s securities-lending activity. As such, if a tagging regime were part of the disclosure framework, it was strongly suggested that to avoid inaccurate reporting and potential mismatches in settlement instructions, only a single ‘loan-related’ tag should be used (rather than separate tags for loans, borrows, inward loan returns and outward loan returns).
- *Responsibility and enforcement*: It was accepted that variation to the measures supporting the *Financial Stability Standard* would provide appropriate underpinning to changes to the ASTC Settlement Rules to give effect to this disclosure. There was, however, concern as to how settlement participants could impose a disclosure obligation on their clients (or their clients’ clients). Existing contractual arrangements would not cover such obligations.
- *The cost of system enhancements*: Notwithstanding that ASX and third-party vendors were likely to be able to accommodate any required system changes at relatively low cost, there would likely be spillover to operational processes at the level of settlement participants, and beyond to participants’ clients. The full cost of this would not be estimable until the precise vehicle for disclosure had been agreed.
- *Time-frame for implementation*: There was a general sense among respondents that the Reserve Bank’s initially stated target for implementation (end-March 2009) would not be achievable and hence interim measures might be required. ASLA members also argued

⁵ Submissions were received from the Australian Securities Exchange (ASX), the Australian Securities Lending Association (ASLA), the Australian Custodial Services Association (ACSA), the Australian Bankers’ Association (ABA), the Securities and Derivatives Industry Association (SDIA), Westpac Banking Corporation, and RiskMetrics Australia. These submissions are available at: <http://www.rba.gov.au/PaymentsSystem/StdClearingSettlement/SubDisEquSecLen/index.html>

strongly that there should be a phased implementation, to allow sufficient lead-time to ensure that any data published were accurate and not open to misinterpretation.

- *Timing of publication:* Members of ASLA argued strongly that public disclosure of outstanding on-loan positions should only occur with a lag, as changes driven by recalls could reveal information about a fund manager's intention to sell. Concerns were also raised about the frequency of publication of the data and, in particular, about the potential cost of producing data on a daily basis.
- *Data quality and form of publication:* Some participants expressed concern that the data could be open to misinterpretation, particularly aggregated data that included 'chains' of loans. The accuracy of the data was deemed paramount and ASLA members, in particular, stressed that care should be taken to avoid misinterpretation. As such, any published data should be carefully controlled for quality and published alongside meaningful comparative statistics (such as the total number of shares committed to lending programmes). Issues were also raised about the coverage of the data and, in particular, whether offshore lending activity would be adequately captured.

With these comments in mind, the Reserve Bank has been examining how, in practice, securities lending disclosure could be implemented without imposing unnecessary costs on the industry. The next section discusses the possible approaches considered.

4. Possible Approaches to Improving Disclosure

As noted above, to meet the Reserve Bank's objectives, data are required on both the transaction-level flow and the aggregate outstanding stock of securities loans. This section considers the possible approaches to collecting these data.

4.1 Real-time tagging

In consultation, the importance to the system operator of transaction-level *flow* data on securities-lending transactions was widely accepted, as was the use of tagging to collect these data. Suitably aggregated, these data could be used to calculate the gross flow of settlement activity in the market or the proportion of settlement fails attributable to loan-related transactions. Transaction-level data could also form the basis for constructing data on aggregate loans outstanding, both including and excluding on-lending activity.

The main option considered for the collection of transaction-level data was the tagging of securities-lending transactions as they are submitted to the securities settlement system, CHESSE. In principle, if each settlement instruction were tagged as either a new loan, a borrow, an inward return or an outward return, transaction-level data could be aggregated across participants, at the end of each settlement day, generating the net flow of equities securities lending for each line of security. In combination with an initial 'snapshot' of on-loan positions, the system operator could then calculate the stock of aggregate outstanding on-loan positions. With this level of tagging, it would be possible to produce two separate aggregations – one including on-lending, and one excluding the effect of on-lending – which could then be published by the system operator either the next day or with a short lag.

Being collected from the actual transaction data, this approach would capture the transactions of both settlement participants and their clients. Furthermore, once the procedures were established, tagging could be highly automated, thereby reducing the reporting burden on participants. Enforcement by ASX would also be relatively straightforward, as the reporting party would be directly bound by ASTC Settlement Rules and, in turn, its clients would be bound by the need to tag the transaction properly if it was to settle. ASX and industry participants indicated that systems could be adapted to accommodate tagging without incurring large costs – it could be achieved in a couple of different ways, neither of which would require fundamental re-engineering of the CHES software at ASX or at the level of a settlement participant’s interface to the system.

The consultation process, however, drew out a number of difficulties with this approach. The first was that in order to be able to use the data on the flow of lending transactions to construct a stock of on-loan positions, the information collected on each transaction would need to be fairly detailed. In particular, transactions would have to be separately identified as loans, borrows, inward loan returns, or outward loan returns. This level of tagging was seen by some participants as too complex, particularly where a settlement participant is reliant on receiving accurate information from clients. Furthermore, to enforce accurate reporting, the tagging field would need to be a ‘matching field’ in the instruction template: that is, a field which both parties to a trade are required to populate accurately or else the trade will not settle. The more complex the tagging regime, the higher the potential for non-matching transactions and hence the possibility of more frequent settlement failures, at least during a transitional phase as participants adjust to the new regime.

Finally, while the transaction-level data could be aggregated to estimate a stock of outstanding loans, they will not capture all loan transactions. In particular, internalised trades – loan transactions between two clients of the same settlement participant that are settled across the books of that participant – are not submitted to ASTC for settlement.

While data on internalised transactions are not important for the system operator in managing the settlement process, they are important if a ‘true’ outstanding on-loan position is to be constructed from transaction-level data. The constructed series would, therefore, diverge from the ‘true’ position over time, requiring that periodic reporting of lenders’ outstanding on-loan positions be carried out via direct reporting to re-anchor the series.

4.2 Two-part disclosure: real-time tagging and direct reporting

An alternative approach, discussed with industry participants, would be to collect data on the stock of loans outstanding via direct reporting, rather than to build up the stock position using transaction-level data. Under this approach, institutions engaged in securities lending or borrowing activity would report their outstanding on-loan and borrowed positions in each ASX security. The data would then be aggregated across reporting institutions, with the outstanding on-loan position in each security (both including and excluding on-lending activity) published on the next business day or with a short lag.⁶

⁶ *The aggregate outstanding on-loan position including on-lending activity would be the sum of all on-loan positions across participants. The aggregate outstanding on-loan position excluding on-lending activity would first subtract all borrowed positions from on-loan positions and then sum all positive net on-loan positions across participants.*

The main advantage of this approach is that it would directly capture the outstanding loan positions in each security, thereby avoiding potential errors and omissions in constructing the series from tagged settlement data associated with the inability to capture internalised transactions.

Furthermore, since the transaction-level data would not be used to construct a stock series for lending, the tagging regime could be simplified. This would reduce costs of compliance while still providing sufficient information to the system operator to manage potential settlement issues. Simplified tagging would also increase the likelihood of accurate reporting, reducing the likelihood that settlement failures would increase due to transactions not matching.

A final advantage is that, since many institutions currently provide similar data to DataExplorers, a commercial provider of data services to the securities-lending and fund-management industries, the additional burden of such disclosure for these participants should be relatively low.

The main issue with this approach relates to reporting by lenders/borrowers that are not settlement participants. While settlement participants would be required to provide data under ASTC Settlement Rules, participants were of the view that it would be difficult to compel their clients, particularly those located offshore, to report. In the case of tagging, clients have a clear incentive to comply, since incomplete or inaccurate tagging will lead to settlement mismatches and settlement fails. No similar incentive exists in the case of direct reporting and we understand that existing contractual arrangements between settlement participants and their clients would not cover such a reporting obligation. Of course, this could change over time.

Clients may also be reluctant to provide data on such activity to their settlement participants for confidentiality reasons and, even if the data could be obtained, the settlement participant has no means of validating such data.

4.3 Discussion

Having considered the alternative approaches discussed above and consulted extensively with industry participants, the Reserve Bank is of the view that a two-part regime for disclosure – combining real-time tagging of settlement instructions with direct reporting of outstanding on-loan and borrowed positions – would best meet its objectives, without imposing unnecessary costs on industry participants. It would allow a simplified tagging arrangement to be put in place to meet the needs of the system operator in understanding and managing risks in the settlement process, while also providing an efficient means for public disclosure of aggregate on-loan positions.

The principal disadvantage of this approach noted above was the potential difficulty in obtaining information from participants in the securities-lending market that are not settlement participants and, in particular, offshore clients of settlement participants. This issue has been discussed at length with industry participants during the consultation process, with the conclusion reached that a regime underpinned by the *Financial Stability Standard*, enforced via ASTC Settlement Rules, could only formally require settlement participants to provide the relevant information. To supplement these data, the Reserve Bank would work with ASX and industry participants to secure commitments to provide similar data from non-settlement participants with a material presence in the Australian securities-lending market. The Reserve Bank is confident that a commitment could be obtained from non-settlement participant members of

ASLA, and ASLA has agreed to engage other international securities lending associations to promote reporting by offshore market participants.

In the event that insufficient coverage is obtained using this approach, two alternative routes could be considered. One possibility would be to re-examine the implementation of a more complex tagging regime, which would facilitate the construction of the data on outstanding loan positions from transaction-level data. Another would be for the Parliament to introduce explicit requirements in legislation.

5. Implementation

It is intended that both the real-time tagging and daily direct-reporting requirements would be given effect by variation to the measures supporting the *Financial Stability Standard for Securities Settlement Facilities*. This variation would require that ASTC collect and publish data on equities securities lending and would give regulatory backing to changes to the ASTC Settlement Rules to enforce the disclosure requirements on settlement participants. The precise form of the variation is presented below.

The Standard and associated measures set out high-level principles and expectations for licensed facilities and are not prescriptive about the details of implementation. While it will be ASTC's responsibility to implement the regime and establish the necessary arrangements with participants, a broad consensus has been reached with industry participants regarding the details of the regime. These are also set out in this section.

5.1 Variation to the 'Understanding Risks' measure of the *Financial Stability Standard*

As proposed in the Consultation Document, the disclosure regime would be given effect by a variation to Measure 3 of the *Financial Stability Standard for Securities Settlement Facilities: Understanding Risks*, which currently reads:

The securities settlement facility's rules and procedures must enable each participant to understand the securities settlement facility's impact on each of the financial risks the participant incurs through participation in the facility.

Measure 3 will be varied to require that the system operator make additional information and data publicly available to give participants a more comprehensive understanding of the risks associated with participation. Measure 3 will read:

The securities settlement facility must make sufficient information publicly available, via its rules and procedures and the provision of relevant information on settlement activity, such that each participant is able to understand the securities settlement facility's impact on each of the financial risks the participant incurs through participation in the facility.

The associated guidance will also be varied to explicitly bring data and information on equities securities lending within the scope of the measure.⁷

The operator of a securities settlement facility should supplement clear, comprehensive and up-to-date rules and procedures with other information and data relevant to a participant's understanding of the risks associated with participation in the facility. For instance, participants should have access to sufficiently timely and broadly comprehensive data on equities securities lending to enable them to assess the potential implications for settlement risk. This is particularly important where equities securities loans are bilaterally negotiated and not novated to a central counterparty, but nevertheless settled alongside novated exchange-traded transactions.

The wording of the variation reflects the Reserve Bank's view that a principles-based approach should be retained within the measures underpinning the Standard. This approach allows licensed facilities some flexibility within broadly stated parameters, recognising that the precise details of system design are best worked out in consultation with industry participants.

5.2 The disclosure regime

Broad agreement has been reached with industry participants in respect of the key characteristics of the disclosure regime. It is anticipated that the regime outlined below will satisfy the requirements of the Standard.

Real-time tagging of all securities loan instructions submitted to CHES

ASX will introduce a new transaction type, 'L', in CHES for loan-related transactions. This will be a mandatory matching field, thereby ensuring accuracy of the data. 'L' transactions will be treated as market related and would therefore be prioritised for settlement if ASTC needed to recalculate the batch in the event of a problem. ASX will publicly disclose, on a daily basis, the number and value of 'L' transactions per line of stock, alongside the total daily settlements for each security. Monthly publication of data on the securities loan-related proportion of settlement fails would also provide useful information to participants and the Reserve Bank encourages such disclosure by ASTC.

These arrangements will be reviewed after six months. This review will include an assessment as to whether or not there is a case for separate identification of loans and returns. There is no *a priori* expectation that there will be a change after this review.

⁷ The guidance is as in the Consultation Document except that the sentence beginning 'For instance...' previously read: 'For instance, participants should have access to sufficiently timely and comprehensive securities-lending data to enable them to assess the potential implications for settlement risk.' The guidance now clarifies that the scope of the requirement extends only to equities securities lending and allows for the data to be only 'broadly' comprehensive to meet the objectives at hand.

Daily reporting to ASX by settlement participants of outstanding on-loan and borrowed positions, by security

This reporting requirement will extend to all settlement participants active in the securities-lending market and will be imposed via ASTC Settlement Rules. To maximise efficiency, the regime will look where possible to build on some participants' existing arrangements for provision of data to DataExplorers.

Participants will be required to report two sets of figures: the outstanding on-loan position in each line of stock; and the outstanding borrowed position in each line of stock. In each case, it is anticipated that reported figures will be consolidated across the reportee's domestic and international offices. ASX will then aggregate across participants to calculate the outstanding on-loan position in each security, both including and excluding on-lending activity.

Collection of data from active borrowers and lenders who are not settlement participants

The Reserve Bank will work with the industry to identify participants in the securities-lending market who are not settlement participants and who have a material market presence. Commitments will be sought from these participants to provide similar data to ensure wide coverage. As part of this process, the Reserve Bank will investigate whether obligations could be placed on settlement participants to periodically provide information to assist in identifying non-settlement participants involved in the securities-lending market.

Should these arrangements fail to deliver appropriate levels of coverage, consideration would be given to whether legislative backing for disclosure of securities lending is required.

Quarterly reporting of the aggregate number of shares committed to lending programmes

So as to be able to provide useful comparative statistics alongside the published on-loan data, each settlement participant will be required to report the aggregate number of shares in each line of stock committed to any lending programme under its control. With this series likely to be less variable, these data will be required, via direct reporting to ASX, only on a quarterly basis. As with the data on on-loan positions, the Reserve Bank will work with ASX and the industry to obtain the same data from lenders not bound by ASTC Settlement Rules.

Daily and timely publication by ASX of the aggregate number of shares on loan in each security (both including and excluding on-lending activity)

Given the Reserve Bank's stated objectives, the aggregate data on the number and value of transactions as well as the on-loan position in each line of stock should be published daily with a minimal lag. A final decision on the precise timing of publication will not, however, be taken until the disclosure regime for short selling has been finalised. The Reserve Bank also intends to give further consideration to industry participants' concerns that early disclosure could reveal lenders' selling intentions where large recalls were observed in illiquid securities.

Publication by ASX of relevant comparative statistics and FAQs

Interpretation of the data will be assisted by the publication of relevant comparative statistics, including the average daily volume of shares traded in each line of stock and the aggregate number of shares committed to lending programmes as at the end of the preceding quarter. ASX and the Reserve Bank will also work with industry participants to establish a set of FAQs to accompany the published data, to avoid potential misinterpretation.

5.3 Time-line for implementation

The consultation process indicated that there is merit in a phased approach to implementation. Consistent with such an approach, the Reserve Bank will seek full implementation of real-time tagging by early October 2009, and full implementation of direct reporting by end-December 2009. This time-line will allow for the following steps.

- A pilot phase of direct reporting of outstanding on-loan and borrowed positions from end-April to end-December, initially involving settlement participants and members of ASLA. Initially, reporting would be required on a weekly basis only. The Reserve Bank will work closely with ASX, ASLA, ACSA and settlement participants during this period to ensure data quality and the efficiency of reporting arrangements.
- Testing of the systems established for real-time tagging prior to full implementation in early October 2009.
- Cooperative work between the Reserve Bank, ASX and industry participants to identify participants in the Australian securities-lending market that are not settlement participants but have a material presence in the market.
- At end-March 2010, ASX will conduct a review of the tagging regime and decide whether separate identification of loans and returns is necessary. If the decision were taken to introduce separate loan and return tags, settlement participants would be required to make arrangements to accommodate this by end-September 2010.
- The Reserve Bank would also assess, on an ongoing basis, whether the data on on-loan positions has adequate coverage to ensure that participants in the market are well informed about securities-lending activity. In the event that the Reserve Bank determined that coverage was inadequate, it would explore changes to the regime, including possible legislative changes, to increase coverage.