

Guidance Note

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Key concepts

Clients are to be advised of the existence of differences resulting from CME providing the clearing and settlement services for the FGL market.

Related information

Recommended Audience

Trading Participants

Compliance Managers

Previous Issues:

Nil

GN 51 - Client Notification Regarding Clearing House

Introduction

As an obligation under its Australian Market Licence, FEX Global Pty Ltd ACN 124 127 224 (FGL) is obliged to ensure that each Trading Participant notifies their Australian-based clients, prior to commencing client trading activities on FGL, that there may be some differences observed within the clearing and settlement processes delivered by CME Group Inc., CIK# 0001156375 (CME) when compared to equivalent processes delivered by an Australian-based clearing and settlement facility.

Guidance

Why are there differences?

Differences result from the following facts:

CME provides services for multiple exchanges operating in multiple time zones and multiple currencies whereas an Australian-based Exchange may not be able to provide such broad international services.

CME's principal place of operation is in Chicago IL, in the United States of America, and processing may occur in one of its international service centres, which will impact the time for margin calculations and payments as well as settlement payments. This impact may be experienced as reduced market risks from earlier margining and faster access to cash positions within clearing accounts when compared to an Australian-based Clearing House.

CME is primarily regulated through the US Commodity Futures Trading Commission (CFTC), as well as the US Securities and Exchange Commission, the Australian Securities and Investments Commission and the Reserve Bank of Australia. The non-Australian nature of the US regulations may result in the rights and remedies of investors in products offered by FGL being non-identical to those available through Australian regulations alone.

What is required from the Trading Participant?

The Exchange will examine a Trading Participant's client documentation to ensure that:

- 1 wording is present and has the effect of communicating the existence and nature of differences in clearing and settlement services; and
- 2 this information has been suitably distributed.

Wording along the following lines will need to be present when client communications are examined by the FGL Compliance Department:

“The client hereby acknowledges that all transactions effected on FGL will be transmitted to CME for clearing and settlement purposes. The services offered by CME, whilst recognised and licenced under the Australian regulatory framework, will exhibit some differences at the detailed level when compared directly to a clearing house primarily regulated under Australian regulations. These differences are due to both the primary place of operations being the United States of America and the primary regulator being the CFTC. Some differences will include timing of margin calls and refunds, currencies used, timing of settlement payments made and the specific rights and remedies of investors in products traded through FGL resulting from the regulatory differences between Australia and the United States of America.”

FGL has issued this Guidance Note to give general assistance to Trading Participants and Clearing Entities in their compliance with the Operating Rules. FGL is not bound by this Guidance Note in any particular case. This Guidance Note is not legal advice and Trading Participants and Clearing Entities should seek their own professional advice on their obligations under the Operating Rules in their particular circumstances. FGL may replace this Guidance Note at any time. Current Guidance Notes are available at www.fex.com.au/Guidance or by contacting FGL on enquiries@fex.com.au or on +61 2 8024 5200

Defined terms in this Guidance Note have the meaning given in the Operating Rules.