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BOND AND REPO CLEAR – DAILY SETTLEMENT MODEL

Bond and Repo Clear (BRC) delivers a multilateral netting capability that facilitates trading activity, liquidity management and capital efficiency within the regulatory framework of a Central Counterparty model (CCP). BRC settles daily using the BIS Delivery versus Payment (DVP) Model 1 as promulgated in the Financial Stability Standards for Central Counterparties and Securities Settlement Facilities. Accordingly, BRC activity is settled DVP with shaping employed to facilitate the timely completion of daily activity.

SFE Clearing Corporation would like to draw to the attention of BRC participants that in relation to 'stock circles' the DVP settlement model (that requires the simultaneous irrevocable exchange of cash and stock), contrasts with the OTC market practice where securities are deemed to have moved in response to cash that passes through a series of counterparties and ultimately returns to the originator.

In circumstances where potential 'circles' are identified in respect of trades that have been lodged in BRC, the opportunity exists for participants to execute contra transactions that have the effect of reducing the settlement process to a movement of the net cash and thereby even further reducing the need to access both cash and stock that would otherwise be required to complete the daily settlement process, in either BRC or the OTC market.

For further details as to how BRC can be used to the maximum benefit of the market please contact Martin Stockley-Smith on 9256 0618 or mstockley-smith@sfe.com.au

A handwritten signature in black ink, appearing to read 'Philip Galvin'.

Philip Galvin
General Manager – Business Operations