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OSTTRA's response to ASIC's Simple Consultation 33 – Proposed Remake of the  
ASIC Derivative Transaction Rules (Clearing 2015)

Dear ASIC,

**Introduction**

OSTTRA is a leading provider of progressive post-trade solutions for the global OTC markets across interest rate, FX, equity, credit and commodity asset classes, as well as ETDs. OSTTRA brings together the people, processes and networks to solve the market's most pressing problems through innovating, integrating and optimising the post-trade workflow. The combined force of the product suite ensures a streamlined post-trade ecosystem that helps clients drive even greater efficiencies. As the demands for automation continue to transform the post-trade landscape, OSTTRA is at the forefront of helping market participants build a secure and sustainable market infrastructure.

Headquartered in London, with a substantial global presence, including regulated entities in the UK and Sweden, OSTTRA employs almost 1,600 staff in 8 countries.

OSTTRA is the home of:

MarkitServ: Our end-to-end trade processing and workflow solutions connect more than 2,500 counterparties across the global OTC derivatives and FX markets. We process 10 million trades per month and have \$500 trillion of the notional outstanding on our platforms.

Traiana: A network of over 2,000 counterparties, Traiana processes 37 million trades and \$22 trillion in notional per month.

TriOptima: We have supported the OTC industry for over 20 years, compressing more than 2 quadrillion gross notional across 28 currencies and connecting 2,000 counterparties to reconcile 34 million trades per month. We are the market leader in counterparty risk optimisation and collateral management.

Reset: Reset provides leading basis risk mitigation services in the derivatives marketplace. We connect 2,500 counterparties, 145 banking groups and 38 countries with our state-of-the-art matching engine.

As the leading end-to-end post-trade solutions provider and the leading post-trade risk reduction services provider, OSTTRA is pleased to provide its comments to ASIC's consultation paper on ASIC's Simple Consultation 33 – Proposed Remake of the ASIC Derivative Transaction Rules (Clearing 2015) (the **Consultation**).

## **Summary**

OSTTRA welcomes the Consultation and we are generally supportive of the draft ASIC Derivative Transaction Rules (Clearing) 2026<sup>1</sup> ("the draft 2026 Rules"), which broadly includes limited, minor and administrative updates to the 2015 Rules.

The draft 2026 Rules also proposes one policy update to extend exemptive relief to clearing derivative transactions resulting from post-trade risk reduction exercises. In this regard, we would like to respectfully suggest certain amendments to Rule 2.1.5 as set out below to align ASIC's framework with international practice as well as improve clarity and consistency across Rule 2.1.5.

<b>Suggested amendments to the draft 2026 Rules</b>	<b>Rationale</b>
<b>2.1.5 Exceptions to Clearing Requirement—<del>Multilateral portfolio compression and p</del>Post-trade risk reduction exercises</b>	We suggest classifying multilateral portfolio compression as a post-trade risk reduction ("PTRR") exercise/service (and not treat it separately), in line with EU <sup>2</sup> and UK <sup>3</sup> definitions.

<del>(1) A Clearing Entity is not required to comply with Rule 2.1.1 in relation to a Clearing Transaction if:</del>  <del>(a) the Clearing Transaction is entered into by the Clearing Entity as a result of the Clearing Entity modifying or terminating and replacing Derivatives under a Multilateral Portfolio Compression Cycle; and</del>  <del>(b) for each of the Derivatives that was modified, or terminated and replaced—entry into the Derivative was not a Clearing Transaction that was required to be Cleared Through a Clearing Facility in accordance with Rule 2.1.1 or subrule 2.1.6(2); and</del>  <del>(c) the Clearing Transactions entered into by the Clearing Entity as a result of the Multilateral Portfolio Compression Cycle are only entered into with persons who were counterparties to those Derivatives; and</del>	(1): Portfolio compression is covered as a Post-trade Risk Reduction Exercise in section (4), suggest deleting section (1) to avoid duplication.
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<sup>1</sup> <https://download.asic.gov.au/media/ttaddooj/attachment-1-to-cs33-published-28-october-2025.pdf>

<sup>2</sup> <https://www.esma.europa.eu/publications-and-data/interactive-single-rulebook/emir/article-4b-post-trade-risk-reduction>

<sup>3</sup> <https://handbook.fca.org.uk/handbook/mar12?timeline=true>

<p><del>(d) the Multilateral Portfolio Compression Cycle was conducted in accordance with the rules of a third-party operator of Multilateral Portfolio Compression Cycles and involved more than two participants, none of which was the operator; and</del></p> <p><del>(e) the Multilateral Portfolio Compression Cycle was conducted in compliance with the counterparty credit risk tolerance levels set by the participants in the Multilateral Portfolio Compression Cycle.</del></p>	
<p><del>(2) In subrule (1), <b>Multilateral Portfolio Compression Cycle</b> means a process under which portfolios of Derivatives between participants in the process are modified to reduce their notional value or terminated and replaced with new Derivatives providing for reduced notional exposures between the participants, conducted for the purposes of reducing operational risk or counterparty credit risk for the participants.</del></p>	<p>(2): This is covered under suggested revisions to section (4), whereby compression is included in the scope of a Post-trade Risk Reduction Exercise. Hence, we suggest for all of section (2) to be deleted.</p>
<p>(3) A Clearing Entity is not required to comply with Rule 2.1.1 in relation to a Clearing Transaction if:</p> <p>(a) the Clearing Transaction is entered into by the Clearing Entity as a result of the Clearing Entity participating in <del>modifying or terminating and replacing Derivatives under</del> a Post-trade Risk Reduction Exercise; and</p> <p><del>(b) for each of the Derivatives that was modified, or terminated and replaced entry into the Derivative was not a Clearing Transaction that was required to be Cleared Through a Clearing Facility in accordance with Rule 2.1.1 or subrule 2.1.6(2); and</del></p> <p>(c) the Clearing Transactions entered into by the Clearing Entity as a result of the Post-trade Risk Reduction Exercise are only entered into with persons who <del>are participants in the Post-trade Risk Reduction Exercise were counterparties to those Derivatives</del>; and</p> <p>(d) the Post-trade Risk Reduction Exercise was conducted in accordance with the rules of a third-party <del>service provider operator</del> of a Post-trade Risk Reduction service and involved <del>at least more than</del> two participants, none of which was the <del>service provider-operator</del>.</p>	<p>(3): Suggested amendments to provide better clarity and ensure consistency across the rules.</p> <p>3(b): Please refer to our clarification below.</p>
<p>(4) In subrule (3), <b>Post-trade Risk Reduction Exercise</b> means a process:</p> <p>(a) operated by a third-party service provider; and</p> <p>(b) under which portfolios of Derivatives <del>or positions between, and submitted by,</del> participants</p>	

<p>are submitted to the service provider; <del>in the process are:</del></p> <p><del>(i) modified to reduce their notional value; or</del></p> <p><del>(ii) terminated and replaced with new Derivatives providing for reduced notional exposures between the participants; or</del></p> <p><del>(iii) terminated and replaced with new Derivatives providing for redistributed counterparty risk between the participants; or</del></p> <p><del>(iv) terminated and replaced with new Derivatives providing for reduced basis risk between the participants; and</del></p> <p><del>(c) conducted for the purposes of reducing operational risk or counterparty credit risk for the participants; and</del></p> <p>(d) in relation to which the following apply:</p> <p>(i) the process achieves a reduction in <del>operational risk or counterparty credit</del> risk in relation to each of the submitted portfolios;</p> <p>(ii) a participant is not able to choose which Derivatives <del>or positions</del> are modified, <del>or</del> terminated, <del>and</del> replaced, <del>or</del> created as offsetting Derivatives, and where acceptance is required from participants, a participant <del>under the process, but</del> may only <del>choose to</del> accept or reject the result of the process in its entirety as it relates to their submitted Derivatives <del>or positions</del>;</p> <p>(iii) once the process commences, no further Derivatives may be added to the process;</p> <p>(iv) the process is market risk neutral <del>within pre-defined tolerances</del>;</p> <p>(v) the process does not contribute to price formation;</p> <p>(vi) the process takes the form of a compression, rebalancing or optimisation exercise or a combination of those exercises;</p>	<p>4(b)(i)-(iv): These elements create unnecessary restrictions and could limit the operation of the exemption as Post Trade Risk Reduction Services (PTRRS) develop in the future.</p> <p>4(c): Not needed as this is covered under 4(d)(i).</p> <p>4(d)(i): Removed to allow for flexibility in the scope and development of PTRRS (also in line with EMIR Article 4b Post-trade risk reduction services<sup>4</sup>).</p> <p>4(d)(iv): Amended to reflect that some PTRRS may carry de minimis market risk adjustments.</p>
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<sup>4</sup> <https://www.esma.europa.eu/publications-and-data/interactive-single-rulebook/emir/article-4b-post-trade-risk-reduction>

(vii) under the process, Derivatives may be modified, <del>or terminated,</del> <del>and</del> replaced, and/or offsetting Derivatives may be created on a bilateral or multilateral basis.	
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### **Clarification for paragraph 3(b)**

We would like to enquire about the policy intent of paragraph 3(b), which is currently drafted as *“for each of the Derivatives that was modified, or terminated and replaced—entry into the Derivative was not a Clearing Transaction that was required to be Cleared Through a Clearing Facility in accordance with Rule 2.1.1 or subrule 2.1.6(2)”*.

Our understanding is that the policy intention of paragraph 3(b) was to ensure an exemption only applies where the original trades entering the PTRR process are not required to be mandatory cleared in accordance with Rule 2.1.1 or subrule 2.1.6(2) (i.e. where the original trades are uncleared or cleared but not in-scope of the clearing obligation). While we appreciate that paragraph 3(b) may be intended to ensure that PTRR service is not used to circumvent clearing obligation, the drafting significantly narrows the practical application of the exemption.

In practice, many PTRR cycles include cleared derivatives, such as cleared compression runs carried out at CCPs or facilitated by PTRR service providers, and PTRR exercises may also generate new trades as part of the optimisation. Future PTRR services might optimise portfolios between cleared and uncleared portfolios. These features are integral to risk reduction. Under the current drafting of 3(b), PTRR services involving cleared portfolios may fall outside the scope of the exemption, potentially limiting the operational value of the PTRR service. The Australian framework would also diverge from established international practices.

For example, under the EU regime, paragraph 1 of Article 4b states that the clearing obligation shall not apply to an OTC derivative contract that is initiated and concluded as the result of an eligible PTRR exercise. The Article then states a set of safeguards to ensure that PTRR services are not used to circumvent clearing obligation. This includes characteristics which an eligible PTRR exercise must have<sup>5</sup> as well as obligations of a PTRR service provider, involving record keeping and monitoring<sup>6</sup> for the resulting contract to be exempted. Notably, Article 4b does not impose a backward-looking test whether the original trades of a PTRR exercise are in-scope of the clearing obligation but mandates that PTRR exercises “achieve a reduction in risk in each of the portfolios submitted to the PTRR exercise”.

Hence, we suggest that ASIC consider removing paragraph 3(b) of Rule 2.1.5 to reflect practical feasibility and align with international standards.

Thank you for considering our response. We would be happy to further discuss our comments with you or your colleagues at ASIC. If you have any comments or questions regarding this submission, please feel free to contact us at your convenience.

Yours faithfully,

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<sup>5</sup> See paragraphs 3(a)-(h) of Article 4b

<sup>6</sup> See paragraphs 4(a)-(f) of Article 4b. Paragraph 4(f) states that a PTRR service provider shall “monitor the transactions resulting from the PTRR exercise in order to ensure, to the extent possible, that the PTRR exercise does not result in any misuse or circumvention of the clearing obligation.”

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]