



Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
SYDNEY NSW 2001

By email: pysubmissions@rba.gov.au

Dear Mr Connolly

Submission to the Consultation Paper on Increasing the Threshold for the Application of the Financial Stability Standards for Securities Settlement Facilities

We refer to the consultation paper released on 24 November 2023, in which the Reserve Bank of Australia (**RBA**) proposes to increase the threshold value for the application of the Financial Stability Standards (**FSS**) for securities settlement facilities (**SSFs**), from \$200 million to \$40 billion per annum (**Proposal**).

FCX welcomes and supports the Proposal.

About FCX

FCX has developed a centralised platform for private companies to raise capital. FCX supports companies' capital raising transactions with full digital automation instead of manual processing and book building – for better accuracy and security, reduced costs, and zeroed settlement burdens. FCX is powered and owned by Australia's leading financial market technology and infrastructure provider, FinClear.

FCX is in the process of applying for an Australian market licence to support secondary market activity on its platform. It will also apply for a clearing and settlement facility licence (**CSFL**) to support settlement on the platform. Relevantly, FCX will not clear transactions, but it is the settlement activity on the platform which triggers the requirement for a CSFL.

The Proposal to raise the FSS threshold is therefore directly relevant to FCX, given the on-going discussions with the Australian Securities and Investments Commission (**ASIC**) and the RBA in respect of its licence applications.

Submissions in support of the Proposal

The FSS are designed to ensure the stability of the financial system, through the appropriate management of risks associated with the operation of SSFs. The FSS rightly impose high standards on regulated settlement facilities to ensure these risks are adequately managed.

We acknowledge that the arrival of new entrant, such as FCX, does carry some risk. In its application for its licences, FCX will address in detail how those risks will be managed. However, it is important to strike the right the balance between the public interest in managing risk to financial stability, and the significant regulatory burden on emerging providers such as FCX. A proportionate response to risk is important to ensure that the Australian market remains innovative and competitive.

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Applying the FSS to facilities with turnover as low as the present threshold of \$200 million represents a material barrier to the emergence of effective competition, such as FCX. At this level of turnover, the FSS impose standards and requirements which are disproportionate to the level of risk which a small settlement facility presents to the financial system.

The Proposal would, if implemented, set the threshold at \$40 billion. This represents around 1% of the annual settlement activity for Australian equity securities. We support the RBA's view that 1% of annual settlement activity is unlikely to have an impact on the overall financial stability of the economy. The Proposal represents the proportionate approach which we unequivocally support. We note that this type of proportionate approach to enabling new and innovative players to enter the capital markets service provider ecosystem while maintaining financial system stability is widely and successfully used in major international jurisdictions around the world, and we welcome its adoption in Australia. The proposed threshold is at a level which is appropriate to ensure that the FSS apply only to those SSFs which have the potential to affect the overall stability of the Australian financial system.

Please contact me if you wish to discuss any aspect of these submissions.

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'D Ferrall'.

David Ferrall
CEO – FinClear Group

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