Appendix 4

(Ref: Para.21(a))

TAILORED CASH REQUIREMENTS

This appendix *summarises* the tailored cash requirements needs for Responsible Entities, Operators of Investor Directed Portfolio Services (IDPS), Custodial or Depository Service Providers and retail Over the Counter (OTC) Derivative Issuers. A responsible entity authorised to operate a managed investment scheme and IDPS operators are required to comply with the financial requirements as set out in RG 166 Appendix 2 and 3, and ASIC Class Order CO 13/760. The financial requirements for custodial or depository service providers are set out in RG 166 Appendix 4 and ASIC Class Order CO 13/761. The financial requirements for retail OTC derivative issuers are set out in RG 166 Appendix 8 and ASIC Class Order CO 12/752. This appendix may not be a complete summary of all legislative requirements. Practitioners are advised to refer to the current legislation and ASIC Regulatory Guides in place as issued from time to time.

To meet the cash needs requirement, the licensee is required to:

(i) prepare a projection of the licensee's cash flows over at least the next 12 months (for retail OTC derivative issuers this is required to be done quarterly in March, June, September and December) based on the licensee's reasonable estimate of what is likely to happen over this period (retail OTC derivative issuers – revenue and expenses);

(ii) have the projection approved in writing at least quarterly by the licensee's directors (unless the licensee is a retail OTC derivative issuer or custodial or depository service provider who may then have the projection approved by partners or trustees of the licensee if the licensee is a partnership or a trust, or a person if the licensee is a natural person) as satisfying the requirements of paragraph (i);

(iii) document the calculations and assumptions used in preparing the projection, and describe in writing why the assumptions are appropriate;

(iv) update the projection of the licensee's cash flows if:

- the projection ceases to cover at least the next 12 months (not a requirement for retail OTC derivative issuers); or
- there is reason to suspect that an updated projection would differ materially from the current projection (not a requirement for retail OTC derivative issuers) or show that the licensee was not meeting the requirements in subparagraphs (v) below;

(v) document whether (retail OTC derivative issuers require a certification in writing by the persons referred to in (ii) above), based on the projection of the licensee's cash flows, the licensee:

- will have access when needed to enough financial resources to meet its liabilities over the projected term of at least the next 12 months; and
- will hold at all times during the period to which the projection relates in cash or cash equivalents, an amount equal to or greater than the current amount the licensee is required to hold in cash or cash equivalents under the licensee's liquidity requirement;

(vi) make the projections available to ASIC on request (requirement for retail OTC derivative issuers only).