



ASX

AUSTRALIAN SECURITIES EXCHANGE



ASX Presentation: FPL Australia Conference

David Stocken

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Disclaimer

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TOPIC

Global Exchanges Trends & their impact on the Australian Market



ISSUES

- Order Fragmentation; Platform Capacity
- Innovations; New Products/Services
- Changing Fee Structures
- Dark Pools
- US Bill; Prop v Agency
- Best execution?
- OTC Derivatives Clearing
- Global ETF explosion
- Exchange Participation Memberships

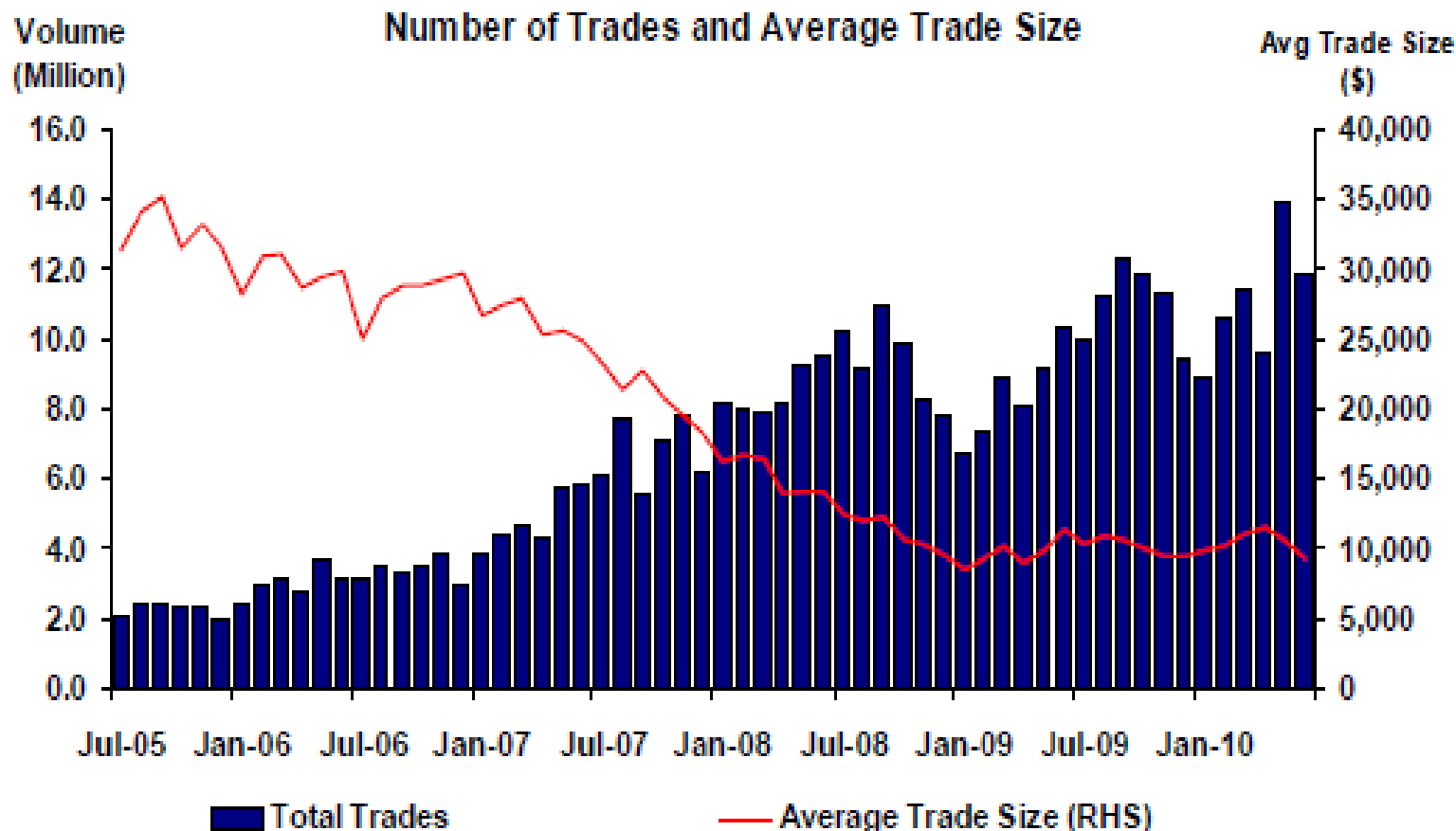


ASX Perspective

- Technological development = rapidly changing environment.
- One size does not fit all.
- Different market users have different needs/requirements.
- Exchanges must innovate in a competitive environment.



Equity Trades and ATS

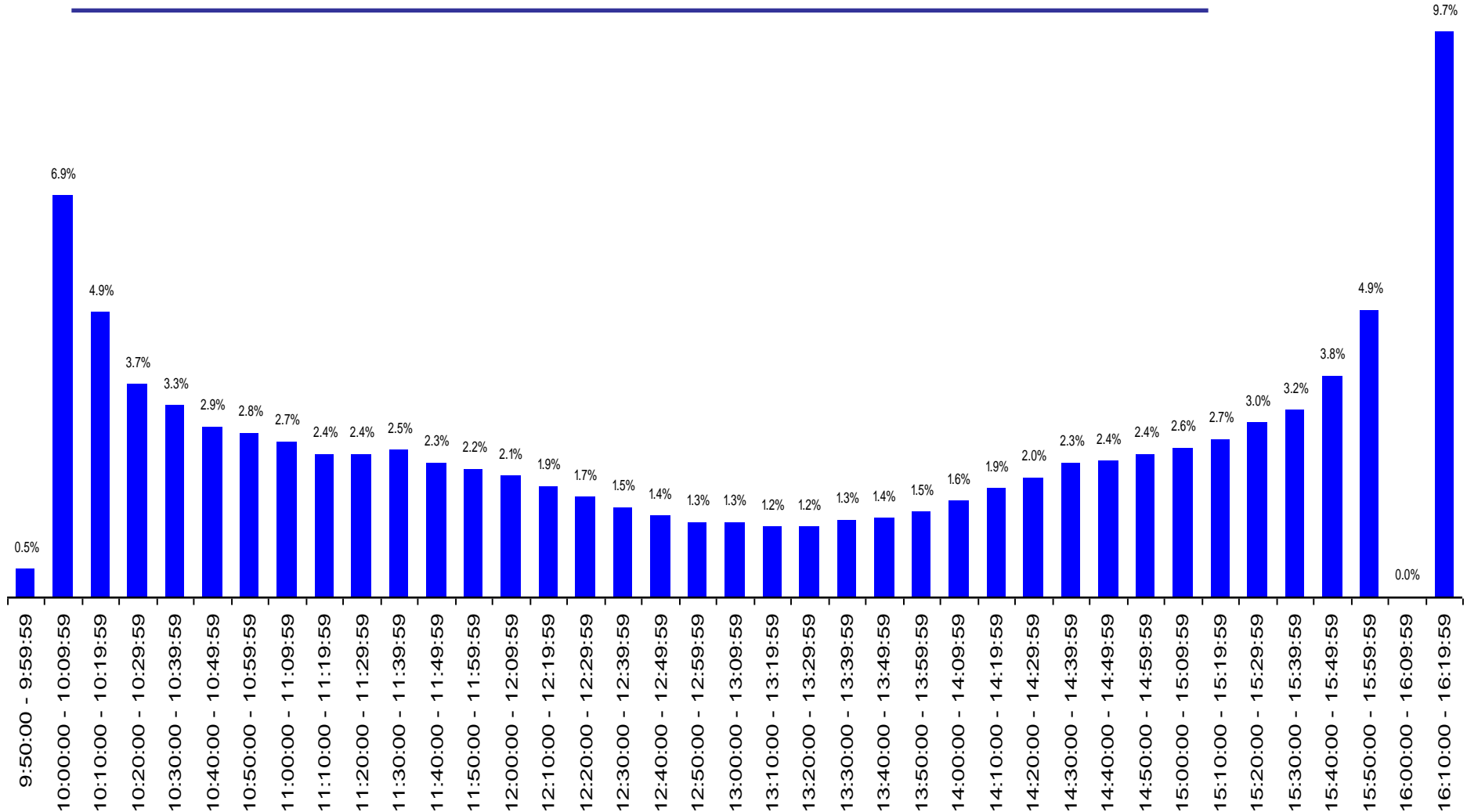


Continued growth in number of trades

ASX Distribution Smile FY 10



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Coming Equity Developments

- **ASX Net**
(New low latency, high capacity, multiple data feed connectivity; currently rolling this out)
- **ASX Trade**
(New OMX Genium Equity Trading Platform; 500 million orders, 5 million trades, 250 microsecond latency = 8 Nov 2010)
- **ASX PureMatch**
(New HFT Equity trading platform with different pricing model e.g. Maker/Taker=Q4 2011)
- **ASX Co-Lo**
(New centre, 400 racks, more power, to both ASX & SFE trading platforms=Q3 2011)
- **ASX Best**
(Equity Markets Smart Order Router=TBC)

ASX CoLo

**ASX Market Participants and
Low Latency DMA Clients**

ASX BEST

VolumeMatch

**TradeMatch
Including Centre Point**

PureMatch

ASX TRADE

New Order Types

Order Type	Go-Live Date	Trading Statistics*	Most traded stocks
Centre Point	28 June	\$743 mill	TLS, ITO, AOE & CEY
Centre Point Crossing	28 June	\$1.17 billion	ITO, AOE, TLS & CEY.
Undisclosed	28 June	\$186 million	WDC, TLS, BHP & BXB.
VolumeMatch	28 June	\$18 billion orders routed. 1 trade	MAP

- * Trading Statistics are up to date as at COB 8 October 2010
- The Iceberg order Type is scheduled to go-live 29 Nov 2010.





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New Cash Trading Fee Structure

- Fee differentiation expanded at the order type level

Order/Trade Type	ASX Fee (pre GST)
General Order/Trade	.15bps (capped at \$75)
Auction Trade	.28bps (capped at \$75)
Undisclosed Trade	.50bps
Centre Point Trade	.50bps
Off Market Cross	.05bps (capped at \$75)
On Market Cross	.10bps (capped at \$75)
Centre Point Cross	.15bps (capped at \$75)
VolumeMatch Trade	Between .025bps & 1.5bps dependant on Participant's order routing

- Headline Fee cut from .28bps to .15bps
- On market crossing fee cut from .15bps to .10bps
- Off market crossing fee cut from .075bps to .05bps
- Large Volume broker rebate scheme retired



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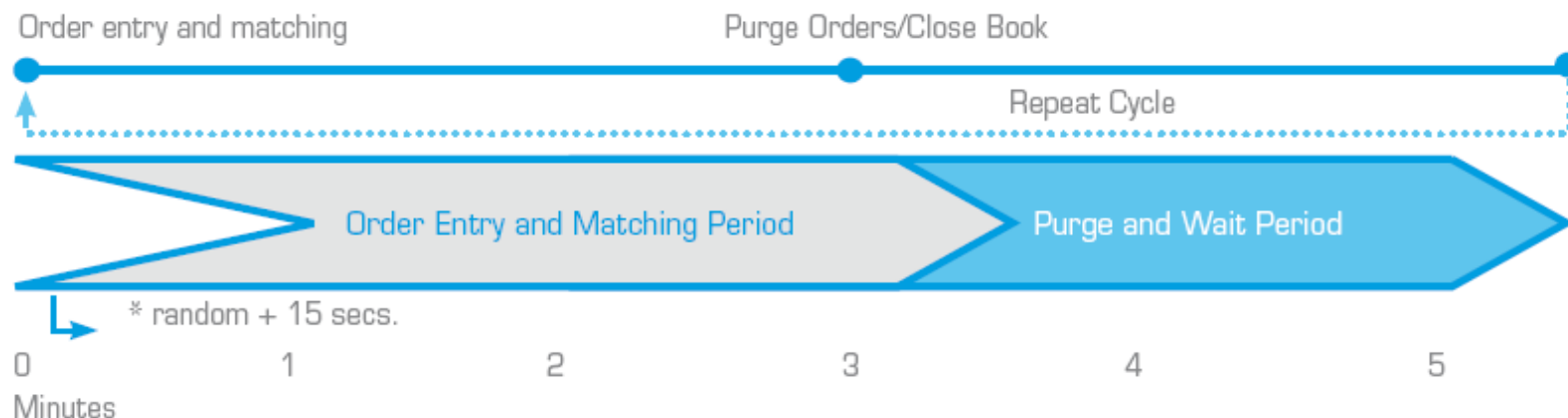
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Dark Pools (according to Wikipedia)

Independent;	Instinet, Posit, SmartPool, Liquidnet, NYFIX, Pulse Trading BlockCross, Rivercross & Pipeline.
Broker-Dealer;	Barclays, BNP, BNY, Citi, Credit Suisse, Fidelity, Goldman Sachs, Knight Capital, Deutsche, Merrill Lynch, Morgan Stanley, Nomura, UBS, Ballista ATS, BlocSec & Bloomberg Tradebook.
Consortium Owned;	BIDS ATS & LevelL ATS.
Exchange Owned;	ISE, NYSE Euronext, BATS Trading, Direct Edge.
Other;	Chi-X & Turquoise.
DP Aggregators;	Quod Financial, Progress Apama, Onepipe, Xasax & Crossfire.



What is VolumeMatch?



- The ASX Anonymous-Multi/Broker Block execution service
- Execution occurs at the predetermined VolumeMatch® price
- The VM price is generated from recent CLOB pricing activity
- Not an auction; Continuous matching for 3 minutes
- Orders can be cancelled at any time during the matching cycle
- Strict order segregation requirements to ensure order confidentiality
- Minimum order size = \$1m; Minimum trade size = \$500k

VolumeMatch Prices

How do we set the VM price?

BID	ASK	LAST	VM PRICE
4193	4194	4194	4194
4193	4194	4192	4193
4193	4194	N/A	4194
4193	N/A	4196	No VM

Where can you see the VM price?

- Reuters (stock specific)
- Iress Info Page for top 200="VM200"
- Iress Info Page for all stocks="volumematch"



VolumeMatch Access

Access Type	ASX Participant
“Agency & Prop”	UBS
“Agency”	BBY, Bell Direct, Bell Potter, Bridges, BTIG, Baillieu, CCZ Statton, Instinet, ITG, ORD, Petra, Stonebridge, Shaw & Taylor Collison
“Prop”	Burrell, Deutsche, IMC, JP Morgan, Liquid Capital, Morgan Stanley, Optiver, Patersons, RBS, Susquehanna & Tibra.

The Volker Rule



- Banks not to engage in “Prop Trading”.
- Restrictions on Bank’s Hedge Funds or Private Equity ownership.
- Limitations on a Bank’s liabilities.



Best Execution

Watch this space



ASX Trade Cancellation Policy

- ASX proposing a Pan-Exchange (i.e. ASX & SFE) Cancellation Policy.
- Objectives;
 - To deal with “clearly erroneously priced” trades.
 - Provide certainty
 - Save time
- Introduction of fixed price bands.
 - An NCR (No Cancellation Range)
 - A CCR (Confirmed Cancellation Range).

http://www.asx.com.au/about/pdf/20101006_trade_cancellation_policy.pdf

OTC Regulation

- Global Regulators wanting more transparency & standardisation.
- RBA, APRA & ASIC release their “Survey of the OTC Derivatives Market in Australia” (May 2009).
- Call for;
 - More transparency
 - Standardisation of contract terms
 - Better use of Electronic Trading Platforms

OTC Trade Report

(of ASX Equity ETOs)

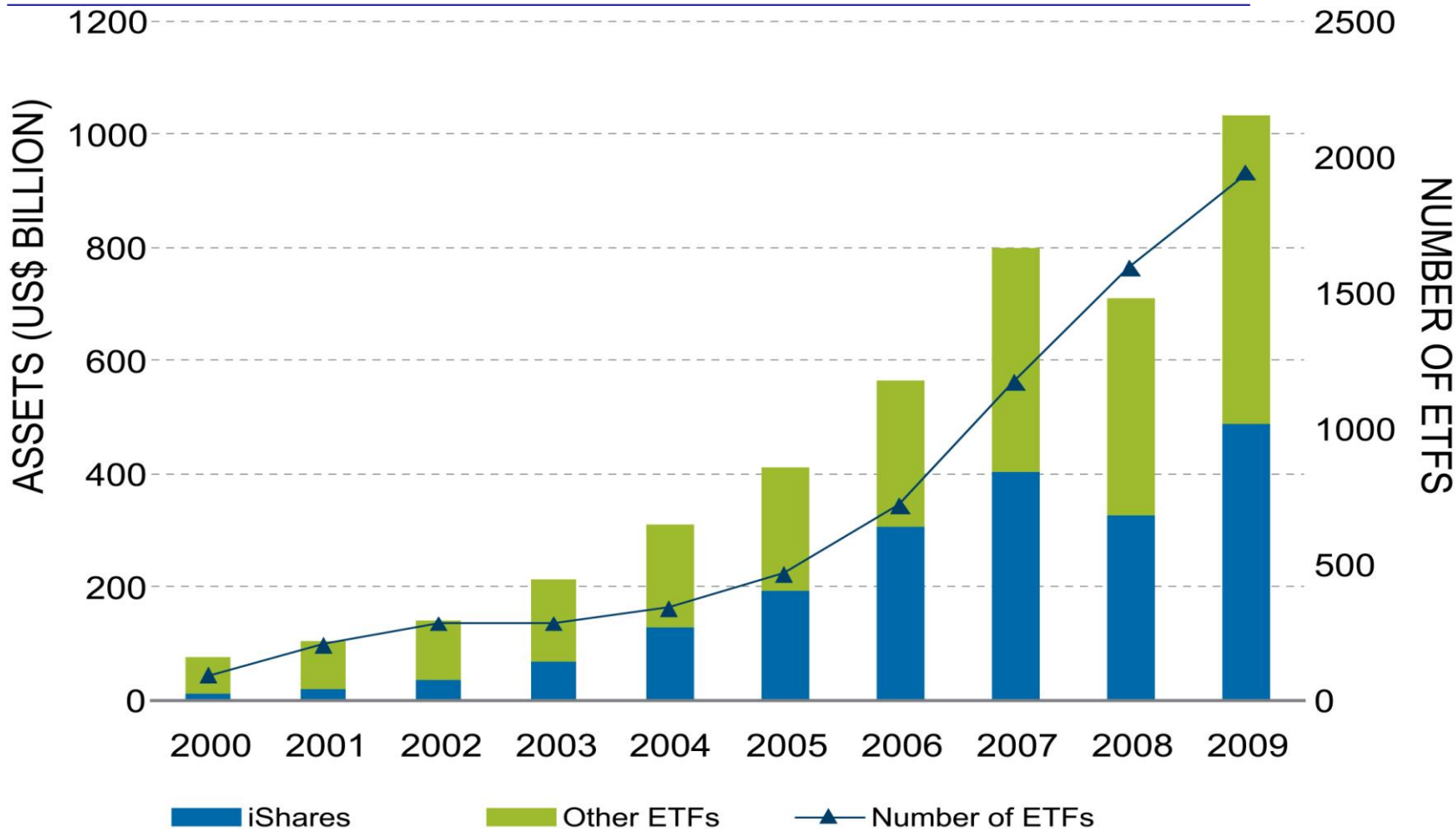
- Anonymous trade report (in special size);
- Into a standard ETO contract
- Elective strike, elective expiry date, elective style (e.g. American or European).
- Contracts settle, exercise etc like standard ETOs
- Contracts cross margin against other ETOs.
- Scheduled 2nd Half 2010.
- Initial offering; top 20 stocks out to 12 months.
- Proposed subsequent offering; all ETO stocks out to 3 years.



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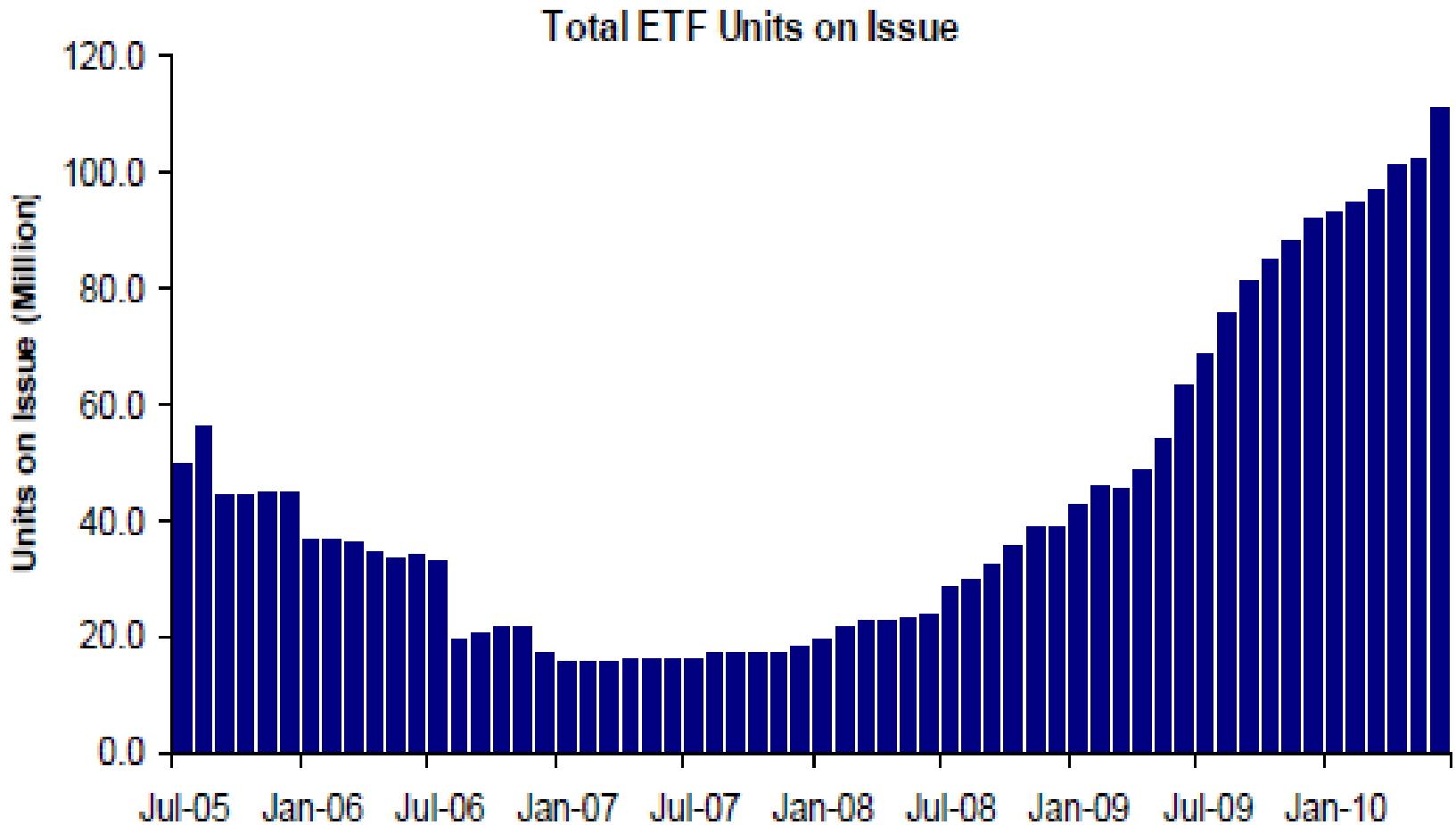
Strong Global ETF Growth



Global ETF assets hit US\$1,032.3 bn at the end of Q4 2009
Over 1,900 ETFs with over 3,700 listings 109 providers on 40 exchanges throughout the world

Source;
Blackrock
Bloomberg

Strong ETF Growth



ASX ETF Issuance Pipeline

- New ETF Market Making scheme went live August 2010
- A range of issuers are applying to list more sector specific ETFs
- Applications for Inversed & Leveraged ETFs are on the way
- New State Street ETF launched Sept 29. SYI ETF over the MSCI Australia Select High Dividend Yield Index.
- SYI launched with \$37.5m of seed capital which makes it the largest new primary listing of ETFs on ASX since 2001.
- Vanguard are listing an S&P/ASX 300 A-REIT ETF on October 15
- ASX Market Insights 33 issued; compares Cash Equitisation opportunities between SPI Futures & STW ETF

http://www.asx.com.au/products/futures/market_insights_research.htm



ASX Participant Structure

- Now offer remote Participation from Singapore & HK.
- Both for Agency Participants & ETO Market Making Participants.
- Several High Frequency style trading specialist firms enquiring or lodging Participant applications.
- Buy-Side Participation?

What does competition really mean?



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- New products??
- Hooking up??
- Smart order routing??
- New Regulations??
- Best execution??
- Differential pricing??
- New Market Making Schemes??

