

**THE FIX EXPERIMENT – Mix Electronic Geeks
with Alcohol and document the outcome**

Dark Pools

- Defining dark pools
 - How much is actually trading in these venues
 - Australia's biggest dark pool
-

The phenomena of dark pools is still a grey area in that there is still not universal agreement in what classifies a dark pool

But they are here to stay

HFT's

- **When did they arrive?**
 - **How do we reduce the impact of trading in a market with HFT?**
 - **Poor liquidity and volatility is fuelling frustration**
-

Media – Have they got it right?

2 MONDAY, OCTOBER 15, 2012 THE SYDNEY **BUSINESS**

CBD **BEN BUTLER**

ASX boss in trade movements funk

When will cease its dark shadow across the land, when obdurate abominations cradle slumber, what sorcery stalks the earth, lighting all in their path, there is only one man to call.

Taking up the torch against the forces of the night is the ASX boss Elmer Panku Kupper, who has declared war on the enemies of dark pools.

"It's not Star Wars, but Lord of the Rings," he helpfully explains in a recent ASX perf piece.

Panku Kupper is concerned, as are regulators and market watchers, that the movement of trades from the "lit" market to the darkness of MTFs reduces liquidity and price transparency.

However, he seemed to lack concern about that other market trend worrying regulators, super funds and emerging retail market high-frequency trading.

"We're a bit more cautious in our own judgment on that, because the fact that something is high frequency or algorithmic doesn't necessarily make it bad," Panku Kupper helpfully explained.

By sheer coincidence, the ASX charge for a controversial product that the company calls leader-placed insurance but others call forced-placed insurance.

It was this second Friday night special in as many weeks from QBE.

The provision on leverage news that former boss Frank O'Halloran would not be resigning the board is planned because he had swapped to become chairman of the insurance broker group, Stonehenge, which plans an ASX bond.

Pot steamers at kettle

It always goes to someone put economists back in their place, as the Sydney Institute's economic, Gerard Henderson, did on Friday.

The IES's Wacker and former Julia Gillard adviser Stephen

Stephen Koukoudas

"The Kook" Koukoudas wrote to

Elmer Panku Kupper... invokes Lord of the Rings over dark pools.

THE SYDNEY MORNING HERALD

BUSINESS DAY
MONDAY, OCTOBER 15, 2012

ROSS GITTINS
RBA moves to Plan B on interest rates
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SPORT
Drug testers to look at Aussie duo
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DOUBLE
The 2012

Put brakes on super-fast trades: UBS

Fee on 'predatory' share orders
Bid to prevent market flash crash

Exclusive
Stephen Stone and George Lewis

One of Australia's biggest investment banks has called for strict new high-frequency trading rules, including fees for some computerised orders, in a bid to make predatory trading unprofitable.

UBS says HFT remains an important part of modern markets but it will lobby the corporate regulator to make traders abide by new rules or pay a fee for every "misfire" or order they put out to the market.

It is the first time a major investment bank has come up with a potential solution for regulating HFT and comes as brokers prepared themselves to an Australian Securities and Investments Commission consultation paper on automated trading.

Brokers are increasingly receiving client orders off-market in so-called "dark pools" to avoid competition with HFT. The growing use of HFT and dark pools - combined with high-frequency trading - has led to a number of market-wide price movements, including the "flash crash" in May 2010, which saw the Dow Jones Industrial Average fall more than 1000 points in minutes.

The Australian Securities and Investments Commission (ASIC) is seeking to promote market integrity by identifying and taking action against misconduct occurring in the dark, appropriately regulating dark pools, and ensuring participants act in the best interests of their clients.

"ASIC spokesman Andre Khoury said:

"Big stockbroking firms in Australia including Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs and UBS offer clients access to in-house dark pools. The ASIC disclosure notices asked operators for a range of information including details about their clients, their fees and operating systems as well as copies of documents including their marketing material.

The Australian Securities Exchange is pushing for an immediate ban on trading worth less than \$25,000 being made off-market, despite regulation being opposed by the investment banks and other dark pool providers.

Time right for a QBE confession
MICHAEL WEST

Traders would only be exempt if they could prove they were getting a meaningful price improvement, and that their clients' information would become more liquid.

"ASIC's viewpoint of price improvement," the Australian regulator says, "is not that high-speed trading itself is a market-making activity, but that it should be handled differently to other market-makers."

The regulator said for now, a "market-maker" should be a person who is willing to buy and sell securities at a price that is better than the best bid or offer in the market.

"It's not about speed, it's about the quality of the order book," he said. "If you're a market-maker, you should be willing to provide liquidity to the market, not just to yourself."

The regulator said it would be looking at ways to ensure that market-makers are not using their speed to the detriment of other market-makers.

"We're not sure if we can do that," he said. "But we're looking at ways to ensure that market-makers are not using their speed to the detriment of other market-makers."

FINANCIAL
MONDAY 12 OCTOBER 2012

ACCC warns News: 1

Ben Helgate and John McQuinn

Competition regulator Rod Sims has sent a warning to News Limited that it would struggle to get approval for any expansion into free-to-air television after waving through the media giant's \$2.2 billion bid for James Packer's TV company.

Although the Australian Competition and Consumer Commission chairman gave the green light to News's bid for Mr Packer's Consolidated Media Holdings - which owns 50 per cent of Fox Sports and 35 per cent of Foxtel - Mr Sims said world

DOING DEALS
News today mark the last time News Corporation will attempt to do a media deal of any significance in Australia. James Chiswick, page 12

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ASIC eyes dark deals

Patrick Durkin and Matthew Cranston

The corporate regulator met last night with dark pool operators that trade shares away from the open market as the major investment banks come to logbookheads with the ASX over regulation.

The meeting follows the establishment of a special taskforce by the Australian Securities and Investments Commission, which has served disclosure notices across the industry.

The regulator said the move was intended to uncover further evidence of the impact which trading shares away from the open market might have on investors, before making a decision on regulation.

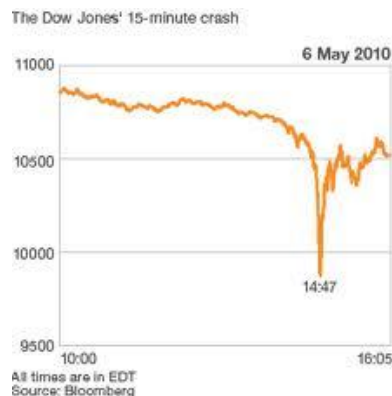
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Regulation

- Controlling errors
- May 6 Flash Crash



- Duty of care by the algo providers
- Consultation of all market participants is imperative
- Broking resources have contracted as a result of market pressures

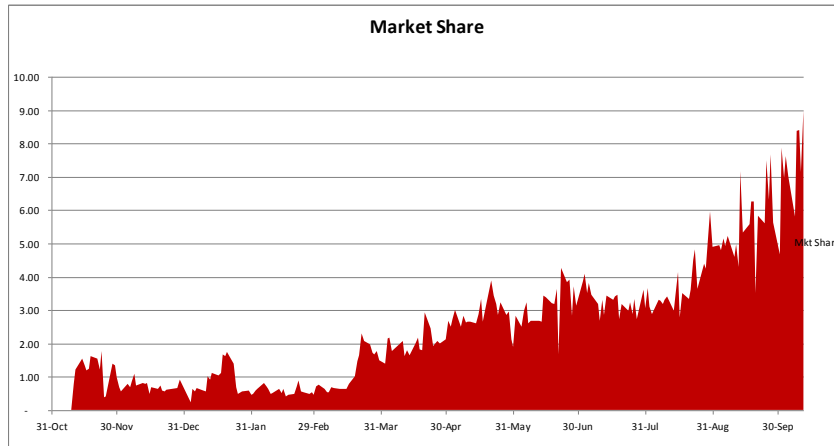
Regulation

Code: FKPASX FKPSTAPLED STAPLED

Last	+/-	VWAP	OpEs	Time	Open	High	Low	Volu
0.395	+0.005	0.3972		5:09.46	0.395	0.410	0.385	3,965

No.	Quantity	Buy	Sell	Quantity	No.
6	324,745	0.395	0.400	102,245,419	3,424
12	472,900	0.390	0.405	380,708	16
11	482,805	0.385	0.410	1,080,226	12
12	137,296	0.380	0.415	191,785	9
8	215,251	0.375	0.420	211,645	10
20	784,107	0.370	0.425	240,202	

Introduction of Chi-X



- **A boost in growth profile**
- **More widely accepted as an alternative venue**
- **Competition is a good thing**

Technological Spend – Time to digest

- **Huge technological, structural and regulatory change over the past 18 months**
 - **The current rate of change is not sustainable**
-

TCA – An important tool

- **Most clients run their own TCA**
 - **A broker can add value via quarterly reviews detailing how their products could be better utilised to improve execution outcomes**
-

Conclusion

- The last 12 months has been about bedding down all the changes
 - Liquidity continues to be an issue
 - Volatility
-

Sell-Side Dinner Update

The Message:



Sell-Side Dinner Update

Thank you!
