



## MARKET ANNOUNCEMENT

11 December 2006

### Changes to ASX Group Fees and Rebates

ASX Limited today announced a number of changes to its fees, charges and rebate mechanisms across the ASX and SFE traded markets, and Austraclear. These changes demonstrate ASX's intention to share with users the cost synergy benefits of the ASX/SFE merger, which have started to be realised, and to continue to share with users the benefits of increasing trading activity levels in both markets.

The changes to ASX Group fees will for the most part become effective from the start of the next financial year (i.e. 1 July 2007). However, the need to align SFE's reporting period with the ASX Group's means that some changes to SFE's (and Austraclear's) fee structure will take effect from 1 January 2007 and relate to the six month period to 30 June 2007.

These fee changes occur as ASX prepares to pay record fee rebates to Participants following expected record trading activity levels on both markets for the period to 31 December 2006, and follow a number of SFE fee reductions that were announced on 16 August 2006.

Full details of the fee changes can be found on [www.asxonline.com](http://www.asxonline.com) (ASX); or [www.sfe.com.au](http://www.sfe.com.au) (SFE). The more significant changes are:

#### SFE Markets

- **Large Volume Rebate Scheme** – The SFE market Large Volume Rebate Scheme (LVR) will be realigned to a July to June cycle. To achieve this, thresholds have been set for an interim period of six months to 30 June 2007. Consistent with the gain-sharing principles referred to above, the LVR hurdles have been raised by the smallest amount since the scheme was introduced in 2000. ASX will share 50:50 with users all revenues earned from eligible traded volumes above 39.1 million contracts during the six month period to 30 June 2007 (compared to 34.4 million for the six months to 30 June 2006). Additionally, a higher gain-share ratio (75:25) in favour of market Participants will apply to eligible volumes in excess of 42.5 million (about a 12% increase over the six months to 30 June 2006).

ASX estimates that volume growth of approximately 6% over the prior comparable six months to 30 June 2006 will be required in order to pay an equivalent rebate as in 2006 on a pro-rata basis. This compares to total volume growth of 24% for the 11

months to the end of November 2006, 18% in calendar 2005, and 20% in calendar 2004.

ASX estimates that if volume growth of 10% over pcp<sup>1</sup> is achieved for the six month period to 30 June 2007 the average SFE market transaction fee would fall from \$1.45 per contract to \$1.40. If growth of 24% is achieved (i.e. the rate experienced in 2006 to date) average transaction fees would fall by 10% to \$1.30.

As a further improvement to the Scheme, the threshold for participation has been lowered, thereby widening the range of qualifying Participants. A new tiering system has also been introduced, with the result that the largest users will receive proportionately higher average rebates.

- **Other fee reductions** – Significant (33%) fee reductions for Exchange for Physicals transactions (EFPs) and certain SFE options will also be effected in stages commencing from 1 January 2007. For LVR participants this is approximately equivalent to a 50% fee reduction for this transaction type.
- **New Zealand products** – Consistent with the gain-sharing principles described earlier, and with recent robust growth in trading volumes, it is intended that a large volume rebate scheme will be introduced for NZ dollar denominated products from 1 July 2007. Further detail will be provided in early 2007.

The net revenue impact of all the above SFE market fee changes for the balance of the financial year to 30 June 2007 is dependent upon actual levels and composition of market activity. Assuming that the growth in exchange volumes observed in the first half of calendar 2007 is of the following orders of magnitude, the net revenue impact including these changes is estimated to be:

<i>(All changes vs. pcp<sup>1</sup>)</i>	“Gain-share”			Estimated average SFE exchange fee per matched contract
	Estimated increase in revenue net of rebates	Estimated increase in all rebates payable to users	Gain-share ratio SFE: Users	
Growth in total SFE exchange volumes				
+10%	+\$3.7m	+\$3.7m	50:50	\$1.40
+15%	+\$4.9m	+\$6.1m	45:55	\$1.37
+20%	+\$5.8m	+\$8.7m	40:60	\$1.33

*Caution is urged in the use of these estimates, as there are many variables; for example the composition of traded volumes by Participants, which can affect the actual outcome. These estimates are therefore provided for the purpose of general guidance only and are not a prediction of future actual outcomes.*

## ASX Markets

- The principal changes in respect of ASX traded markets relate to the cash market Volume Incentive Program (VIP) and Supplementary Volume Incentive Program (SVIP). Henceforth rebates will be payable in six monthly instalments commencing in January 2007 (i.e. for the six month period to 31 December 2006). From 1 July 2007

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<sup>1</sup> Previous Corresponding Period

annual qualification thresholds will be re-set on a consistent principle as applies in SFE markets (incremental gain-sharing in favour of market users at higher activity levels) and eligible trades will include all crossings.

- Whilst ASX will continue to review the relationship between trade volume and trade value, based on the first six months of operation of the revised pricing structure, ASX has formed the preliminary view that the relationship between trade volume and trade value is one (albeit important element) of a number of complex variables that need to be considered when formulating any case for modifying the fee regime that was introduced on 1 July 2006. For example, the market micro-structure provided by ASX and the value placed upon this by customers with differing trading styles needs to be considered. Having further considered these pricing issues, any refinements deemed necessary will be announced to coincide with the implementation of the modified rebate structure to apply from 1 July 2007.
- Other changes include new revenue sharing initiatives in relation to exchange traded options (to be detailed in 2007) and a reduction in the warrant market Research and Education Program fee (from November 2006).

#### **Austraclear**

- Transaction fees remain unchanged. This has the effect that Austraclear fees, when expressed as a percentage of the value transacted, will continue to decline as transaction values continue to rise. (They have declined by approximately 50% on this measure since 2000.) However there has been some realignment of portfolio holdings charges and modest increases to registry fees commensurate with ensuring adequate returns on investment in the new clearing, settlement and depository platform (EXIGO) introduced in August 2006.

Full details of the fee changes can be found on [www.asxonline.com](http://www.asxonline.com) (ASX) or [www.sfe.com.au](http://www.sfe.com.au) (SFE).

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