



# MARKET ANNOUNCEMENT

26 June 2007

## ASX Derivatives and Austraclear Fees and Rebates Update

Following an annual review, ASX Limited (ASX) today announces a number of changes to fees and rebates for the Sydney Futures Exchange (SFE) derivatives market and Austraclear. In addition, ASX today announces the introduction of new access arrangements for SFE Derivatives Market Participants to commence from 1 July 2008.

The following fee changes occur following the payment of record fee rebates both in nominal terms and average fee per contract paid through the Large Volume Rebate Scheme (LVR), Local Participant Scheme and Proprietary Trader Rebate Scheme, and follow a number of SFE fee reductions announced in December 2006 that were implemented on 1 January 2007. A summary of the changes and initiatives is outlined below.

### SFE Market Fees and Rebates

Taking into account the increase in exchange volumes in the first six months of calendar 2007, and consistent with previous periods, the LVR scheme will be adjusted as follows:

- The LVR scheme will be realigned to a 1 July 2007 to 30 June 2008 cycle and will remain consistent with gain-sharing principles introduced on 1 January 2007.
- The minimum eligibility for inclusion in the LVR scheme has remained at 1 million contracts for FY08, for each participant's house or individual client's transactions. Local Participants will continue to be excluded from this scheme.
- Once eligible contracts have reached 73.38 million contracts, an LVR rebate pool will be made available for distribution to eligible participants.
- The LVR pool will again be allocated on a basis of different weightings for customers' volumes. LVR participants whose annual volumes are between 1.0 and 3.5 million contracts will receive a weighting of 1 unit per contract; those LVR participants whose volumes are between 3.5 and 7.5 million will receive a weighting of 1.5 units per contract; and those LVR participants above 7.5 million will receive a weighting of 2 units per contract. The LVR pool will be divided proportionately based on each qualifying LVR participants' adjusted volume in the pool.
- ASX will share 75:25 in favour of LVR participants all exchange fees earned from eligible traded volumes above 73.38 million contracts.
- Eligible volumes (for the purpose of comparison to the total volume hurdles above) include SFE annual aggregate volumes but exclude New Zealand dollar denominated products (where a separate New Zealand LVR Scheme will operate – details below), commodity products, CFDs<sup>1</sup>, and contracts traded by market-makers which are eligible for specific market-maker rebates.
- The total possible rebate pool is uncapped but is subject to the average fee not reducing below 35 cents per contract side (excluding GST) for the largest customers.

<sup>1</sup> Contracts for Difference

- The aggregate LVR pool will continue to fund the proprietary rebate scheme before distribution of the balance to eligible large volume customers.
- Depending on the mix of volumes contributed by participants, ASX estimates that in order to pay similar pro-rata total rebates in the 12 months to 30 June 2008 as it expects to pay for the first 6 months of 2007, exchange traded volumes need to rise by approximately 8%. This is significantly lower than the growth experienced in previous reporting periods and once again provides high trading volume clients with the likely prospect of larger rebates and lower average transaction fees.

#### **Other SFE Market Fee reductions**

- As announced in December 2006, fees for Exchange for Physicals transactions (EFPs) will be reduced from 75 cents to 60 cents per side from 1 July 2007. EFPs will continue to be rebated in overall volumes in the LVR scheme.
- As announced in December 2006, headline fees for quarterly and serial options were to be gradually reduced from 75 cents to 60 cents per side by 1 July 2008. These option fees reductions will now be accelerated to commence from 1 July 2007. Options will continue to be rebated in overall volumes in the LVR scheme.

#### **New Zealand Large Volume Rebate Scheme (NZLVR)**

Consistent with the gain-sharing principles described earlier and recent robust growth in trading volumes, an LVR scheme will be introduced from 1 July 2007 for New Zealand dollar denominated interest rate products, enabling customers to access lower average fees. The requirements for the 12 month period to 30 June 2008 are as follows:

- The minimum eligibility criterion for inclusion in the NZLVR scheme is set at 150,000 contracts for each participant's house or individual client's transactions.
- Once eligible exchange volumes have reached 1.83 million contracts, a total NZLVR rebate pool will be made available for distribution to eligible participants.
- ASX will share 75:25 in favour of participants all exchange fees earned from eligible traded volumes above 1.83 million contracts.
- The total possible NZLVR rebate pool is uncapped but is subject to the average fee not falling below 75 New Zealand cents per contract side (excluding GST).
- Eligible volumes include all New Zealand Interest Rate denominated products excluding contracts traded by market-makers which are eligible for specific market-maker rebates.

#### **Changes to SFE Market Participation Arrangements**

For the FY08 year, there will be no changes to fee rebates for Local and Proprietary Participants but the following changes on Access and Risk Management will come into effect on 1 July 2008.

From 1 July 2008, ASX will remove the Local Participant category from the SFE Business Rules. Nominating Full Participants will no longer be able to provide access for Local Participants. This provides a full 12 months for participants to transition into the new Participation framework.

ASX has changed access arrangements to align risk management practices across both ASX and SFE Derivatives markets thereby improving overall market efficiency.

From 1 July 2008, there will only be Full and Proprietary Full Participation classes on the SFE market. As is currently the case, Full Participants will be able to execute on their own account and on behalf of clients and Proprietary Full Participants will be only able to execute on their own account.

Proprietary traders will be required to gain access either as a client of a Full Participant, or as an employee or shareholder trading via a Proprietary Full Participant. SFE will continue to provide fee

rebate incentives to proprietary traders, but only to those trading directly on SFE as a Proprietary Full Participant.

After 1 July 2008, ASX will no longer be providing SYCOM® Workstations to Full Participants or Proprietary Full Participants. Instead, participants will gain access to the market via independent software vendor (ISV) software applications connected to the SYCOM® Automated Order Entry Interface (AOEI).

Proprietary Full Participants will need to have a direct clearing arrangement with an SFECC Clearing Participant and to meet Net Tangible Assets (NTA) requirements. The NTA requirements for participants are currently under review and details will be advised in the coming months.

A new rebate scheme structure for Proprietary Full Participants, also to come into effect from 1 July 2008, will be announced in September 2007.

Appendix A provides further details on the changes to Participant status and access.

### **Austraclear Fees**

The implementation of the EXIGO system in August 2006 has provided a wide array of additional functionality to participants ranging from system reports to straight-through processing benefits. This increasing system functionality also applies to the branch and sub-account structures that different classes of participants are able to create on the system to facilitate their Austraclear activities and to simplify their account keeping processes.

The increasing use of branch and sub-account structures reflects this value for participants and at the same time is creating increased resource demands within Austraclear. Consequently, annual fees for Public Trust Participants and Sub-Participant Branches are being raised from 1 July 2007 reflecting both the value of these services and the associated resource costs:

- The Public Trust Participant Annual fee will be increased from \$1,500 to \$2,000 (excl GST).
- Each additional Sub-Participant Branch annual fee will increase from \$700 to \$1,000 (excl GST).

Notwithstanding additional value provided, over 95% of Austraclear fees (including infrastructure fees) will remain unchanged for the coming 12 months.

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## **Appendix A – Changes to Risk Management Obligations**

From 1 July 2008, ASX will introduce within the SFE Business Rules the same certification requirements in relation to risk management systems and processes that currently exist within the ASX Business Rules. It is expected that participants will comply with these requirements through a combination of operational processes and functionality provided via ISV applications.

Whilst many participants already utilise ISV applications, some do not have such systems, or use a combination of ISV applications and SYCOM® Workstations. ASX is providing 12 months' notice to allow sufficient time for participants to select an ISV application, to establish their preferred method of access going forward (i.e. as a participant or as a client of a participant), and to ensure that they have the systems and processes in place to be able to comply with the new risk management requirements.

Any Market Participant questions on the new Access model and Workstation replacement should be directed to Michael Peters on 9227 0128 or michael.peters@asx.com.au. Questions on the changes to Risk Management should be directed to Robert Coaldrake on 9227 0223 or robert.coaldrake@asx.com.au.