



MARKET ANNOUNCEMENT

2 October 2008

ASX Monthly Activity Report - September 2008

September 2008 marked a month of buoyant trade execution and subdued listing and capital raising activity on the Australian Securities Exchange (ASX). Trade execution activity was impacted by orderly quarterly derivatives expiry processes and globally-coordinated regulatory bans, of varying duration, on the short selling of listed stocks.

This activity occurred during a heightened period of global equity and credit market volatility, which saw a number of US and European financial institutions require capital support from sovereign governments or from orchestrated intra-market merger initiatives with more strongly capitalised institutions.

ASX's trading, clearing and settlement infrastructure provided market users with 100% systems uptime, in both the cash equities and fixed income markets. Market turbulence (including the largest single day points decline – on 29 September 2008 - in the Dow Jones Composite Index since October 1987) and temporary changes to the international and domestic short selling regulatory framework required additional operational and risk management measures to facilitate orderly market operation in an environment of heightened volatility and counterparty risk consciousness. These measures included a one-hour delayed opening of the Australian equity market on the morning of 22 September 2008.

Listings and capital raisings

- In September 2008 there were 6 entities admitted for listing, compared to 17 in the previous corresponding period (pcp). Total listed entities at 30 September 2008 were 2,234¹, up 5% on the 2,131 as at 30 September 2007.
- Total capital raised in September 2008 amounted to \$2.64 billion, down 43% on the pcp, comprising \$24 million in initial raisings, down 96% on pcp, and \$2.62 billion in secondary raisings, down 35% on pcp.

Trading – Cash markets (including equities, interest rates and warrants trades)

Following ASIC's 21 September 2008 interim prohibition on short selling of ASX-listed stocks, the orders entered into the ASX equity market returned to pre-prohibition levels after initially declining by approximately 25%. Total equity market trades have been largely unaffected by the prohibition compared to financial year-to-date activity - notwithstanding anecdotal reports from trading participants that they have disabled a proportion of their Direct Market Access clients.

The initial sizeable reduction in order volumes observed on 21 September 2008 did not impact on price discovery, as evidenced by continued alignment between the S&P/ASX 200 physical and SPI 200 futures index values. In addition, requests for cancellation of trades by participants resulting from error or objection were consistent with pre-prohibition levels.

- Total cash market trades for September 2008 were 11.0 million, up 98% on the pcp. Average daily trades of 498,184 were 80% up on the pcp. A daily cash market trade record was set on 18 September 2008 of 794,631 trades.

¹ Entities include companies and trusts with quoted equities (including individual entities that trade as stapled securities) and also other entities with debt securities only.

- Total cash market traded value was \$135.1 billion in September 2008, up 7% on the pcp, with a daily average value of \$6.1 billion, down 3% on the pcp.
- In September 2008 the average value per trade was \$12,327, down 46% on the pcp (\$22,730 pcp), and the percentage of value crossed was 27% (27% pcp).

Trading - Derivatives markets

Immediately following the interim prohibition on short selling, exchange-traded-option (ETO) order volume evaporated due to uncertainty regarding permitted trading activity. Volume quickly returned to levels marginally above pre-prohibition levels after clarifying statements from ASIC in the days after the prohibition announcement. ETO traded volume increased subsequent to the prohibition, although this is more likely explained by the September ETO expiry cycle on 25 September, after which option trading volume has remained buoyant but within normal activity ranges.

Similarly, traded volume for the SPI 200 index futures contract increased after the 21 September prohibition was announced. This is more likely to be explained by a substantial increase in implied volatility late in September due to global market uncertainty than by the specific impact of the prohibition on short selling activity.

Interest rate derivatives volume was strong during the month, due partly to contract expiries and partly to outright as well as offshore and domestic interest rate differential (spread) volatility. Australian cash rate futures contracts mirrored heightened interbank overnight swap activity associated with bank funding cost pressures, and signalled rising market expectations of an imminent cut in the official cash rate in response to slowing growth.

- Equity derivatives volume (excluding SPI 200) for September 2008 was 1.9 million contracts, up 1% on the pcp, with a daily average of 85,865 contracts, down 8% on pcp.
- Total futures and options on futures contracts volume (excluding equity derivatives and CFDs) for September 2008 was 9.1 million, up 4% on the pcp, with a notional value of \$3.5 trillion. Average daily contracts volume during September 2008 of 414,676 was down 5% on the pcp.
- A total of 9,846 ASX CFD trades were transacted in September 2008 comprising a volume of 4.9 million contracts. The total notional value of all CFD trades for September was \$210.4 million, and the value of CFD open interest at the end of September was \$59.5 million.

Clearing

All on-market trades are novated by ASX's two central counterparty clearing houses (CCPs), which act as counterparties to those trades and replace bilateral counterparty exposures.

Proactive clearing risk management oversight by ASX's CCPs produced a range of actions and risk parameter changes to deal with increased market volatility during September 2008. The steps taken by the CCPs included:

- A record number of intra-day margin calls on the CCPs' clearing participants across the fixed income and equity markets, accompanied by increases in risk margin rates on debt and equity derivatives positions where deemed necessary.
- Adjustments to limits and risk model parameters where necessary to ensure the CCPs' variable capital protection levels remained appropriate.
- Close monitoring of specific clearing participants undergoing ownership changes associated with parent entity financial distress.

Settlement

Equity settlement performance measures indicated a temporary impact on the efficiency of the daily batch settlement immediately following the announcement of the short selling prohibition. However, initial (ie source of failure) settlement failure rates remained well below the normal average (of less than 1%) and subsequent 'knock-on' (ie rescheduled)

settlements were only marginally higher than the generally observed average. There were no noted delays with the completion of batch settlement prior to or after the short selling prohibition announcement.

Uncertainty surrounding stock lending activity was evidenced post the short selling prohibition by significant increases in the average daily value failure of bi-lateral (ie off-market, non-novated) settlements. Bi-lateral settlements are the operational means used to facilitate stock lending activity. The timely provision of exemptions to the initial ASIC Class Orders resulted in settlement performance measures returning to normal levels in the final days of September 2008.

Fixed income settlement via Austraclear performed as normal with no exceptions or adverse impacts experienced during the month.

Supervisory monitoring and enforcement activity

With much of the equity market under selling pressure throughout the month, and the month itself being a quarter end reporting month, a particular focus of ASX's surveillance activity was on detecting manipulative price support behaviour, particularly for less liquid stocks. ASX surveillance also monitored stocks that may have been the subject of covered short selling, testing for compliance with ASIC's short selling prohibition.

There was an orderly expiry process for the entire suite of exchange-traded derivatives contracts that expired in September 2008. This included the SPI 200 index futures, 3 and 10 year bond futures, and 90 day bank bill futures, which all expired before the equity short selling prohibition was announced, and ETOs and 30 day interbank cash rate futures that expired after the prohibition was announced.

- In September 2008, there were:
 - 11,013 company announcements processed, up 5% on pcp;
 - 23 price queries issued to listed entities, down 15% on pcp; and
 - 60 trading halts granted, down 31% on pcp.
- During the quarter ending 30 September 2008, the ASX Disciplinary Tribunal and Appeal Tribunal finalised seven matters, imposing \$330,000 in fines against seven participants.
- During the quarter ending 30 September 2008, ASX referred the following to ASIC:
 - 7 suspected contraventions for insider trading;
 - 6 suspected contraventions of continuous disclosure; and
 - 4 suspected contraventions for market manipulation.

A detailed activity statement for ASX group markets for September 2008 is attached.

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	Sep 2008	Sep 2007	September 2008 Financial YTD	September 2007 Financial YTD
Cash Markets				
Total Trading Days	22	20	66	65
Cash Market Volume				
Total Trades	10,960,045	5,547,012	30,334,202	19,368,630
Change on PCP	98%		57%	
Average Daily Trades	498,184	277,351	459,609	297,979
Change on PCP	80%		54%	
Cash Market Value (including Value of Crossed Trades)				
Total Value (\$billion)	135.108	126.085	370.620	431.670
Change on PCP	7%		(14%)	
Average Daily Value (\$billion)	6.141	6.304	5.615	6.641
Change on PCP	(3%)		(15%)	
Cash Market Behaviour Statistics				
Percentage of Turnover Crosses (%)	27%	27%	27%	27%
Off-Market Crossings Represent 15% and On-Market 12% of Turnover				
Non Billable Value (Above Cap) (\$billion)	5.667	5.578	11.290	17.024
Total Billable Value (\$billion)	129.441	120.507	359.331	414.646
Billable Value - Off-Market Crossings (%)	12%	11%	12%	11%
Billable Value - On-Market Crossings (%)	13%	14%	13%	15%
Note - Cash Market includes Equity, Warrant and Interest Rate Market Transactions				
Derivatives Markets				
Equity Derivatives Total Trading Days	22	20	66	65
Equity Derivatives Volume (excluding SPI 200)				
Total Contracts	1,889,033	1,861,776	5,023,381	6,784,851
Change on PCP	1%		(26%)	
Average Daily Contracts	85,865	93,089	76,112	104,382
Change on PCP	(8%)		(27%)	
Futures & Options Total Trading Days				
	22	20	66	65
CFD Market (commenced 5 Nov 2007)				
Total Trades	9,846	N/A	26,020	N/A
Notional Value Traded (\$million)	210.4	N/A	550.6	N/A
Total Open Interest Value as at 30 September (\$million)	59.5	N/A	59.5	N/A
Total Contracts	4,874,707	N/A	16,880,083	N/A
Futures Volume (including SPI 200)				
Total Contracts	8,981,756	8,529,325	19,952,808	24,303,337
Change on PCP	5%		(18%)	
Average Daily Contracts	408,262	426,466	302,315	373,897
Change on PCP	(4%)		(19%)	
Options on Futures Volume				
Total Contracts	141,118	223,180	540,925	794,198
Change on PCP	(37%)		(32%)	
Average Daily Contracts	6,414	11,159	8,196	12,218
Change on PCP	(43%)		(33%)	
Total Future & Options (Derivatives) Volume				
Total Contracts	9,122,874	8,752,505	20,493,733	25,097,535
Change on PCP	4%		(18%)	
Average Daily Contracts	414,676	437,625	310,511	386,116
Change on PCP	(5%)		(20%)	
Listings and Capital Raisings				
New Listed Entities Admitted	6	17	25	73
Change on PCP	(65%)		(66%)	
Total Listed Entities (at End of Month)	2,234	2,131		
Change on PCP	5%			
Initial Capital Raised (\$million)	24	622	1,216	5,309
Secondary Capital Raised (\$million)	2,620	4,041	13,387	18,490
Total Capital Raised (\$million)	2,644	4,663	14,603	23,799
Margin Balances - at End of Month				
Cash Margins Held (\$billion)	4.0	4.1		
Cash Equivalents Held (\$billion)	0.7	0.6		
Collateral Cash Cover Held (Equities and Guarantees)	2.3	3.0		