



## MARKET ANNOUNCEMENT

5 November 2008

### ASX Monthly Activity Report - October 2008

While October 2008 marked another month of subdued primary listing activity on the Australian Securities Exchange (ASX), secondary capital raising activity rose significantly due to an increase in placements and entitlement issues, and dividend reinvestment plan offers. This included the Commonwealth Bank of Australia's \$2 billion accelerated institutional placement of new equity to fund the acquisition of BankWest and St Andrew's Australia.

Trade execution volumes remained buoyant, despite the ongoing consequences of the interim ban on short selling of equity securities and the consequences for the interest rate futures market of the dislocation in the short-term money market pursuant to Government arrangements to guarantee bank deposits.

ASX's trading, clearing and settlement systems provided market users with reliable uptime availability throughout a month of near-record equity price volatility, and heightened short-term money market and currency uncertainty. In an environment of elevated counterparty risk consciousness ASX also made adjustments, as required, to its operational and risk management procedures to ensure market orderliness, and clearing and settlement facility integrity.

#### Listings and capital raisings

- In October 2008 there were 3 entities admitted for listing, compared to 19 in the previous corresponding period (pcp). Total listed entities at 31 October 2008 were 2,230<sup>1</sup>, up 4% on the 2,143 as at 31 October 2007.
- Total capital raised in October 2008 amounted to \$6.8 billion, up 51% on the pcp, comprising \$185 million in initial raisings, up 3% on pcp, and \$6.7 billion in secondary raisings, up 53% on pcp.

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

Historically high price volatility characterised the equity market in early October 2008. Since the ban on short selling was introduced on 21 September 2008 orders and trades in the cash market have reduced by approximately 13% and 5.5%, respectively, although on a financial year-to-date comparison these declines are offset by significant volume growth overall. ASX is working to put in place systems changes to support the real-time tagging of short sale orders and the daily reporting of all short trades, consistent with the direction outlined in its policy position paper of 2 October 2008 and with ASIC's subsequent market announcement of 28 October 2008.

- Total cash market trades for October 2008 were 9.9 million, up 40% on the pcp, notwithstanding the short-term ban on short selling and current investor sentiment.
- Average daily trades of 429,527 were also 40% up on the pcp.
- Total cash market traded value was \$105.4 billion in October 2008, down 28% on the pcp, with a daily average value of \$4.6 billion, also down 28% on the pcp. The All Ordinaries index fell 13% during the month of October 2008 and was 41% lower than at the end of October 2007.

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

- In October 2008 the average value per trade was \$10,672, down 48% on the pcp (\$20,706 pcp), and the percentage of traded value crossed was 25% (27% pcp).

ASX market participants are being advised today of a number of equity market improvements scheduled to become operational during the first half of calendar year 2009, subject to formal regulatory clearance from ASIC. These are designed to keep ASX at the forefront of contemporary trade execution service offerings and include:

- Upgrades to trading and downstream systems capacity and latency (consistent with the capital expenditure guidance for FY09 disclosed in ASX's 2008 Annual Report); co-location hosting arrangements; operating rules changes; additional order type functionality; and a new large order trade facilitation service offering.

The relevant notice to ASX market participants will be available here: [www.asx.com.au](http://www.asx.com.au)

### Trading - Derivatives markets

The exchange-traded options (ETO) market experienced traded volume growth of approximately 5% during October 2008 compared to the financial year-to-date monthly average to September-end 2008. This is to be expected, given the high volatility present in individual stocks during October.

SPI 200 index futures contract volumes have been strong and continue to facilitate significant price discovery. Index arbitrage has ensured that the pricing correlation between the SPI 200 index futures contract and the physical index has remained relatively consistent since the short selling ban was introduced.

The loss of confidence and heightened uncertainty that prevailed in the Australian money market during October meant that prices in many over-the-counter interest rate products were difficult to obtain. This impacted an already reduced flow of hedge-related and speculative activity into the interest rate futures markets, stemming from increased volatility driving VaR models for both banks and hedge funds, as well as lower A\$ currency-related demand. The unexpected size of the Reserve Bank of Australia's cash rate reduction on 7 October led to a spike in trading volume and high volatility, with yield reductions further accelerated by the continuing flight to quality to short-term Government securities.

- Equity derivatives volume (excluding SPI 200) for October 2008 was 1.8 million contracts, down 16% on the pcp, with a daily average of 79,754 contracts, also down 16% on pcp.
- Total futures and options on futures contracts volume (excluding equity derivatives and CFDs) for October 2008 was 5.3 million, down 8% on the pcp, with a notional value of \$2.2 trillion. Average daily contracts volume during October 2008 of 229,260 was also down 8% on the pcp. This is principally due to much lower bank bill futures volumes during the second half of October. The announcement on 12 October of the unlimited bank deposit guarantee created uncertainty about the homogeneity of the pool of physical short-term bank-issued paper that underlies the bank bill futures contracts. This added to the difficulty in accurately valuing these contracts.

The Government's clarifying announcement on 24 October on the deposit and wholesale funding guarantees resulted in a moderate reversal of this effect, with the three nearest listed bank bill futures contracts (December 2008, March 2009 and June 2009) showing some modest recovery in liquidity and traded volumes towards the end of the month.

- A total of 6,906 ASX CFD trades were transacted in October 2008 comprising a volume of 4.3 million contracts. The total notional value of all CFD trades for October was \$199.2 million, and the value of CFD open interest at the end of October was \$55.4 million.

### Clearing

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

Increased market volatility during October 2008 guided a range of actions and changes to risk parameters by ASX's CCPs. The steps taken by the CCPs to deal with this environment included:

- Intra-day margin calls on the CCPs' clearing participants across all ASX and SFE-traded markets, totalling \$4.3 billion over 17 days (to 30 October 2008), accompanied by increases in initial margin rates on debt, equity and commodity derivatives positions to adjust for increased volatility over the month.

Initial margins have been set at levels that reflect current market volatility and conditions. They are designed to ensure the CCPs are adequately collateralised, given current market volatility and conditions, to appropriately risk-manage clearing participant exposures.

- Ongoing review of, and adjustments to, limits and risk model parameters 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

There has been continued improvement in equity settlement since the temporary impact reported last month following the short selling ban. 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 improved in October.

Short selling related settlement fails were not a large proportion of overall, and already very modest, reported fail rates. Instead, administrative issues, such as obtaining offshore instructions pre-settlement, are a leading factor in observed fail rates.

There were no delays with the completion of batch settlement in the equities market during October. Similarly, fixed income settlement via Austraclear performed as normal, with no exceptions or adverse impacts experienced during the month.

## Supervisory monitoring and enforcement activity

The equity market continued to come under selling pressure throughout the month. The primary focus of ASX's surveillance activity remained on manipulative price support, particularly in less liquid stocks. ASX surveillance also closely monitored trading on 16 October 2008 in the almost 1,000 stocks that had been affected by the administration of Opes Prime Stockbroking, following the decision of the creditors' meeting to place Opes in liquidation.

Although futures markets were highly volatile throughout October, ASX's futures surveillance observed that trading activity in all contracts remained orderly and efficient.

- In October 2008, there were:
  - 13,856 company announcements processed, down 2% on pcp;
  - 33 price queries issued to listed entities, down 25% on pcp; and
  - 74 trading halts granted, down 32% on pcp.

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

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	Oct 2008	Oct 2007	October 2008 Financial YTD	October 2007 Financial YTD
<b>Cash Markets</b>				
Total Trading Days	23	23	89	88
<b>Cash Market Volume</b>				
Total Trades	9,879,116	7,070,052	40,213,318	26,438,682
Change on PCP	40%		52%	
Average Daily Trades	429,527	307,394	451,835	300,440
Change on PCP	40%		50%	
<b>Cash Market Value (including Value of Crossed Trades)</b>				
Total Value (\$billion)	105.434	146.396	476.054	578.066
Change on PCP	(28%)		(18%)	
Average Daily Value (\$billion)	4.584	6.365	5.349	6.569
Change on PCP	(28%)		(19%)	
<b>Cash Market Behaviour Statistics</b>				
Percentage of Turnover Crosses (%)	25%	27%	26%	27%
Off-Market Crossings Represent 12% and On-Market 13% of Turnover				
<b>Non Billable Value (Above Cap) (\$billion)</b>				
Non Billable Value (Above Cap) (\$billion)	3.235	4.692	14.525	21.716
Total Billable Value (\$billion)	102.199	141.703	461.529	556.350
Billable Value - Off-Market Crossings (%)	11%	10%	11%	10%
Billable Value - On-Market Crossings (%)	13%	14%	13%	15%
Note - Cash Market includes Equity, Warrant and Interest Rate Market Transactions				
<b>Derivatives Markets</b>				
<b>Equity Derivatives Total Trading Days</b>				
Equity Derivatives Total Trading Days	23	23	89	88
<b>Equity Derivatives Volume (excluding SPI 200)</b>				
Total Contracts	1,834,333	2,181,447	6,857,714	8,966,298
Change on PCP	(16%)		(24%)	
Average Daily Contracts	79,754	94,846	77,053	101,890
Change on PCP	(16%)		(24%)	
<b>Futures &amp; Options Total Trading Days</b>				
Futures & Options Total Trading Days	23	23	89	88
<b>CFD Market (commenced 5 Nov 2007)</b>				
Total Trades	6,906	N/A	32,926	N/A
Notional Value Traded (\$million)	199.2	N/A	749.8	N/A
Total Open Interest Value as at 31 October (\$million)	55.4	N/A	55.4	N/A
Total Contracts	4,316,786	N/A	21,196,869	N/A
<b>Futures Volume (including SPI 200)</b>				
Total Contracts	5,103,597	5,544,980	25,056,405	29,848,317
Change on PCP	(8%)		(16%)	
Average Daily Contracts	221,896	241,086	281,533	339,185
Change on PCP	(8%)		(17%)	
<b>Options on Futures Volume</b>				
Total Contracts	169,382	207,617	710,307	1,001,815
Change on PCP	(18%)		(29%)	
Average Daily Contracts	7,364	9,027	7,981	11,384
Change on PCP	(18%)		(30%)	
<b>Total Future &amp; Options (Derivatives) Volume</b>				
Total Contracts	5,272,979	5,752,597	25,766,712	30,850,132
Change on PCP	(8%)		(16%)	
Average Daily Contracts	229,260	250,113	289,514	350,570
Change on PCP	(8%)		(17%)	
<b>Listings and Capital Raisings</b>				
<b>New Listed Entities Admitted</b>				
New Listed Entities Admitted	3	19	28	92
Change on PCP	(84%)		(70%)	
<b>Total Listed Entities (at End of Month)</b>				
Total Listed Entities (at End of Month)	2,230	2,143		
Change on PCP	4%			
<b>Initial Capital Raised (\$million)</b>				
Initial Capital Raised (\$million)	185	179	1,400	5,487
<b>Secondary Capital Raised (\$million)</b>				
Secondary Capital Raised (\$million)	6,659	4,360	20,047	22,850
<b>Total Capital Raised (\$million)</b>				
Total Capital Raised (\$million)	6,844	4,539	21,447	28,337
<b>Margin Balances - at End of Month</b>				
<b>Cash Margins Held (\$billion)</b>				
Cash Margins Held (\$billion)	6.4	4.2		
<b>Cash Equivalents Held (\$billion)</b>				
Cash Equivalents Held (\$billion)	0.0	0.0		
<b>Collateral Cash Cover Held (Equities and Guarantees)</b>				
Collateral Cash Cover Held (Equities and Guarantees)	2.1	3.2		