



## **MEDIA RELEASE**

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### **ASX ready for market competition**

The ASX Group (ASX) acknowledges today's announcement by ASIC regarding the timetable for the introduction of competition for market services. ASX is well positioned to operate within the proposed competitive environment, as well as to offer new products and services to its customers and new market operators.

In recent years ASX has:

- Delivered new trading functionality that has reduced transaction costs;
- Implemented new trading platforms and a high performance network that have significantly increased throughput capacity and reduced execution latency; and
- Substantially reduced transaction fees.

ASX has had a new trade acceptance service (TAS) operationally-ready since October 2010 that provides access to clearing and settlement services for Chi-X (and any other new market operator). The TAS allows trades executed on Chi-X's market to be cleared and settled in an identical manner to trades executed on ASX's own cash equity market.

Later this year ASX will:

- Commence operating a new state-of-the-art data centre that will enable expanded co-location and connectivity services to customers and other service providers;
- Deliver ASX PureMatch, a new trade execution facility designed for high frequency traders; and
- Continue to develop large order execution facilities, such as VolumeMatch, for institutional customers seeking to reduce market impact costs, and a smart routing service - ASX Best - to enable intermediaries to comply with their best execution obligations.

ASX will also offer a range of new data products to deliver information at high speed, and in a form that allows market users to access a consolidated view of prices across multiple markets.

ASX will provide these new services mindful that the introduction of competition presents significant technology, operational and regulatory challenges for customers and the whole market. The competition benefits of service innovation and lower transaction fees are unavoidably accompanied by greater complexity and the risks that attracts. It is essential that the new regulatory framework provides adequate safeguards to manage those risks.

#### **New market integrity rules**

ASX welcomes the provisions contained within ASIC's market integrity rule framework that ensure investors' interests are protected by a best execution obligation and the alignment of approaches to trading halts, suspensions and cancellations.

ASX believes that some sensible proposals contained in ASIC's consultation paper released in November 2010 remain unresolved. These include protections to ensure that trades executed in dark pools are subject to adequate regulation. All market users have an interest in ensuring that traders which are attracted by certain fee incentives and fragmented liquidity do not have a detrimental effect on the integrity and quality of the price discovery process.

Overseas regulators are now seeking to understand the issues presented by increased trading in poorly regulated dark pools, complex market surveillance environments, and questionable incentive arrangements. An opportunity exists in Australia to avoid these issues occurring locally, and to prevent market quality and integrity from being impaired.

ASX remains committed to working with local regulators and market users to resolve these critical outstanding issues as soon as possible.

### **ASX-SGX merger**

The announcement of the timetable for competition and the prospect of global exchange operators providing market services to Australian investors reinforce the rationale for ASX to participate in exchange consolidation through its proposed combination with the Singapore Exchange (SGX).

As a natural response to the competitive environment, ASX has previously outlined how the ASX-SGX combination will deliver further efficiencies and new opportunities, both domestically and regionally, for Australia's capital markets. These would be achieved while maintaining all of the existing regulatory protections. Those protections will include the new market integrity rules.

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