



**Edited Transcript of ASX 2011 Media Briefing on the Appointment of Elmer Funke Kupper as the next ASX
Managing Director and CEO**

26 August 2011

David Gonski – Chairman, ASX Ltd:

Ladies and gentlemen, welcome to all of you who are in the room and also those of you on the phone. For those on the phone, this is David Gonski and I am very pleased that you took the time to come on what is a very significant day, and a significant announcement, for the ASX.

Today, as you would all know, we have announced that we have a new CEO - Elmer Funke Kupper - who we welcome wholeheartedly to the ASX.

I should say that finding Elmer was something that came from a worldwide search. We formed a committee, we spent a lot of time and looked wherever we felt was reasonable and relevant, and we have no doubt in our minds that we have chosen the person who is right for the next chapter for the ASX.

We are very pleased. I must tell you that he brings to this role a multiplicity of the facets that we believe are needed. Firstly he is a man who is well aware of the financial services industry. He was involved, as most of you would know, with the ANZ for many years and was very successful there. He understands companies and groups that are involved with many stakeholders, and he understands also groups that are involved with regulation, he having a recent experience obviously with TABCORP. I think also he has developed a very good standing as a CEO in Australia. When I started to ring around this morning to tell people that we had made this appointment, firstly I have got to say people were very excited by it, but the interesting thing is they all knew Elmer. Perhaps he is better known than any of us. So that is a very good thing.

I think the best thing for me to do is to just say that we believe the ASX is in an excellent position and we think that with a good person like Elmer at the helm to take us to the next chapter, this should be very exciting and very rewarding for all stakeholders.

I should also mention that obviously there is a sadder side to this, and that means that Rob Elstone's term will be coming to an end which has been well discussed and obviously he has given us plenty of time to find replacement. He was due to leave on 11 October, I think he may be leaving on 10 October, but Elmer will be starting on 6 October and I think we have got it in terms of timing and proper succession well worked through.

With that brief introduction I think maybe the best thing is I might ask Elmer if he would like to say a few words and then we will open it for questions. So Elmer, over to you.

Elmer Funke Kupper – Incoming Managing Director and CEO, ASX Ltd:

Thanks David, obviously I am delighted to be appointed to be the next Chief Executive Officer of the ASX. I am inheriting a business that is in very good shape and has been performing very well. You only have to look at the results of last week to see how strong this business is and that comes from having a very strong management team that has run this business for a considerable period of time.

I am joining at a time of significant change in the exchange market here in Australia and worldwide. We have seen significant regulatory change around us, we have seen the introduction of competition as of later this calendar year and of course globally we see continued international consolidation with the Asian region really becoming increasingly at the heart of financial stability in the world. The ASX has, better than any other exchange - and you should assume that I have done my own due diligence before accepting the job - has prepared itself extremely well for the changes that are happening around it and it is a change that needed to happen for the business and that shows you that the management team has embraced change and has been prepared for it for some time. I come in at a time when all of that is coming together very, very well and so for me the timing is good and I hope for the business the timing is good. Finally I would say that my background is in financial services originally and so for me personally it feels good to be part of a business that is really at the very heart of the financial infrastructure in Australia and its capital markets. So I am delighted to be selected for the role and excited to commence in early October. That's where I will leave it I think David.

David Gonski – Chairman, ASX Ltd:

I think the objective of today is to allow you to ask questions. Obviously we have put out an announcement this morning which I hope you all have, for those in the room it is sitting on the seat, I am sure it is on all screens. So within the room to begin with, I will ask for any questions.

Tony Boyd – Australian Financial Review:

Is this proof that the stock exchange is a casino? (Much laughter). No is the answer. More seriously, what do you see as your three biggest challenges? Is it the imminent competition from Chi-X; is it the uncertainty about the fact that we don't know how the government is going to regulate clearing and settlement; or is it the opportunities that are presented by the fact that this exchange is so profitable and is such a large one relative to others in the region?

Elmer Funke Kupper – Incoming Managing Director and CEO, ASX Ltd:

It's almost a rhetorical question and I should say that I am a month away from starting so I can only say so much about the business. Much of the information I have is of course public information from my own observations and conversations here. The business is in good shape and I think maintaining that performance is going to be very important. I think the business has done that very, very well but at the same time we have to recognise that the things you have just raised like the entry of Chi-X, the change of regulation and also I think the world around us changing at a pace that's probably new to the company as well so we have been preparing very well for it. But it will only accelerate, I suspect, and I hope that my experience in leading organisations through significant regulatory and competitive change could add to what is a terrific business and a very strong leadership team that we have in place. I think to put the two together we should be in a very strong position to navigate all the things you have just raised.

Tony Boyd – Australian Financial Review:

Just a quick follow-up. The exchange has a 20% shareholding in information services company IRESS. How do you see that going forward? Is that something you will continue to hold as a sort of barrier to others?

Elmer Funke Kupper – Incoming Managing Director and CEO, ASX Ltd:

I think it's a bit early for me to speculate on how I might look at that so all I can do is refer you to the business, as I said about it before, which would be my starting position on that. It's too early for me to get my mind around it.

Tony Boyd – Australian Financial Review:

And one for you David. Were you a director of ANZ when Elmer was an executive there? And could you just tell us what your experiences were?

David Gonski – Chairman, ASX Ltd:

The first answer is yes I was and it was obviously an experience that I thought was excellent otherwise I wouldn't have allowed him to have it a second time round. He took on, during the time I was there, the retail part of the bank. I still remember his energy, I still remember his ability to work which was legendary, I still remember his way with the people and the way he analysed things and I must say I thought he did a wonderful job there. Was I, somebody once asked me, so captivated that this was a foregone conclusion? Absolutely not. We did our search and he shone from that search.

John Kehoe - Australian Financial Review

We are seeing a lack of confidence in equity markets at the moment and your predecessor Robert Elstone said last week at the company's results that we could see volatility continue for up to another three years he thought. How does that sort of mentality, in terms of the investor psyche, play into your sort of strategies going forward to deal with where the ASX is going ahead?

Elmer Funke Kupper – Incoming Managing Director and CEO, ASX Ltd:

Let me say three things. First I think Robert is right and I was listening on the call myself. I think he is absolutely right and that is simply because the forces at work that we see in the world today are probably increasing rather than reducing volatility, and the economic climate around the world is telling us that, and the issues that are creating that will probably take years to work out. That is not a quick fix so I think he is right on that.

The second thing I would say is that as a corporation we play a vital part as the ASX in providing confidence in the financial system and the transactions that take place in there, so bringing together the providers and users of capital in a way that people can absolutely trust I think is going to continue to be very, very important. I was not here during the global financial crisis but I was just chatting to Robert this morning, they were interesting times for this company as well and I think it really shone through how good this business is.

And I think the third thing is that these things create problems for the world but they also create opportunity, and I think if we look at what was said last week about the early weeks of this financial year, you can see that volatility also creates opportunity for a business like this. And so for us it's a little bit of a double-edged sword in that respect. So that is what I would say about it, but I agree with him that we should expect this to continue.

John Kehoe - Australian Financial Review

And just as a follow-up question could I come to, I guess, the inevitable question that I am sure lots of journalists here and on the telephone would probably like to ask as well. How are you going to deal with the inevitable

question of consolidation, bearing in mind that I think the board has made it quite clear that the ASX has to participate in regional or global consolidation at some stage?

Elmer Funke Kupper – Incoming Managing Director and CEO, ASX Ltd:

Again, it is probably too early for me to speculate how I will think about it but I am not blind to what is happening around the world, particularly in the United States. I should first of all say that the business model that the ASX has today has served the business and its shareholders, as well as the country very, very, well and it puts itself in a very strong position, strong management, strong reputation and strong financially. And therefore depending on what opportunities might arise it is probably amongst the best placed in the world to capture them. What I can't tell you today is what those opportunities might look like. We know about one that appeared recently and has not gone through. So I am here to run the business but I am also here to think about that long-term future. All I can say today is the business is in a terrific place to participate in whatever that might look like and I don't want to speculate today about what that would be.

Shani Raja - Bloomberg News

What would you say to people who might have preferred a candidate who had a deeper industry experience?

David Gonski – Chairman, ASX Ltd:

He has asked you but I am happy to comment. As it was our choice why don't I. Firstly, as I said earlier, we looked at people who had deeper experience, we looked people who came from all walks of life and I might say pretty well all geographies. Our choice was made much easier when we realised that we have got a wonderful staff here already. And whilst the staff is deep in talent I do wish to mention Peter Hiom who is obviously the deputy CEO and who remains in that position, and who has a depth of experience and has been with us for a long time and is very, very adept in all of the things we do. I think with the basis that we have got with such excellent executives, to have somebody coming from outside, somebody who has got a clear understanding of the financial systems, but at the same time a very open mind. And if you look at the way he took on TABCORP and learnt that industry, to be blunt if you look at the way he took on banking when he left consultancy, again an open mind, and he became the subject leader very quickly. We feel that he has got the talents and we feel we have got the depth in the company to absolutely take this forward.

Elmer Funke Kupper – Incoming Managing Director and CEO, ASX Ltd:

I would agree. That wouldn't surprise you. (Much laughter)

Eric Johnston - Fairfax Media

Maybe one for David? I am just wondering in terms of the future of Peter Hiom at the ASX, is he likely to remain with the firm?

David Gonski – Chairman, ASX Ltd:

Let me say that is probably a better question for Peter but as far as I am concerned we want him to remain, he has indicated he wishes to remain and he is a very important and in my view a very, very good contributor in this place.

Eric Johnston - Fairfax Media

Elmer, would you characterise the exchanges as just pure technology businesses now or are they a bit more complex than that?

Elmer Funke Kupper – Incoming Managing Director and CEO, ASX Ltd:

I think if you look at what makes this business tick, of course it is a big technology business and it's got lots of wires and boxes that make transactions work. But if you look at what it does in bringing together, you know the providers and users of capital that allow people to invest and to trade, it performs an absolutely critical function to capital markets and in a time of volatility that really stands out. I think also, it has a complex stakeholder base and so for our business it is going to be critical that we become very externally focussed in engaging with those stakeholders and our key customers, critical at a time when competition is of course being introduced in the market as well so it's taking its strengths and turning it outside, if you want, pointing it outside.

Now the business has been doing this very well but if you look at the product and service initiatives that have been started being delivered now and will be delivered in the next three to six months, I don't know of any other exchange in the world that has prepared itself so well for change in regulation and competition. So the business has clearly put its mind to it but I will play, hopefully, some role in turning our focus very much externally and making sure we manage those relationships and make the most of the opportunities as a business and technology is just the enabler that delivers that.

Eric Johnston - Fairfax Media

Finally from me, on high frequency trading, what are your thoughts around that? Is that a positive development for the market or one of a more watching brief?

Elmer Funke Kupper – Incoming Managing Director and CEO, ASX Ltd:

Again I will put my mind around that when I join. All I can say is it is a reality of life right now. It is a function of two things; it is a function of regulation that allows it to happen and a function of technology which makes it possible. And therefore as a business that is something that we facilitate as a result of those two things. And I notice divergent views in the world about the balance between investing and trading, and that balance is clearly shifting and that is just a function of those two drivers. Otherwise I don't quite yet have a view on how it will pan out in the Australian market but I will develop one shortly after I join.

John Durie - The Australian

Congratulations Elmer. Two questions if I may. Firstly, I was interested in what you think the role of the Australian Stock Exchange is?

Elmer Funke Kupper – Incoming Managing Director and CEO, ASX Ltd:

I think at the end of the day we facilitate the capital flows within Australia, in fact globally, we allow users and providers of capital to get together both to invest and to trade and as part of the hedge to risks and so forth. I think the ASX has a unique position in the world today that it is both multi-product and vertically integrated, and I think there are few examples of this around the world. It has put itself in a very good position, both as a business and for the country, because it gives us the financial strength and the size to both grow that business and perform in times of volatility. That's how I look at that business. It is a customer business and it is increasingly so a customer business and introduction of competition creates that focus, greater probably, than in the past.

John Durie - The Australian

The second question, in the ASX charter it says quite clearly that the Chief Executive of the ASX should not be on another board, yet you are going to remain on the TABCORP board. I was just wondering, it would seem that that

is in breach of the charter and a lot of people would say open for you to potential conflicts of interest, not to mention the fact that going back onto the TABCORP board puts your successor in a difficult position as well. I was interested in your comments there please?

Elmer Funke Kupper – Incoming Managing Director and CEO, ASX Ltd:

I will ask David [Gonski] to answer the first part and I can answer the succession at TABCORP part.

David Gonski – Chairman, ASX Ltd:

As to the first part John, I think I would answer it in two ways. You ask the question is it in breach of the charter? The charter is, and we believe very strongly in it, a board charter. It's a charter that we have devised ourselves, it's a charter that we have every right to amend and bring into focus each time there are developments. We think that in this particular case we have found the right person for this job, that person had already had made a commitment prior to coming to us that he would go on the board of TABCORP. To his credit he doesn't just dump things. He says, I would like to take on the job of CEO but at the same time I have this commitment.

We believe that with the safeguards that we have put into place which are in his contract, namely that if it brings into disrepute or conflict - as you suggest - in terms of our company we have the right to ask him to step down from that situation, or if it affects his work generally. We believe on that basis that we can exempt him which we have the right to do from our charter. That doesn't mean that we will be giving other exemptions or whatever.

John, I would like to answer the second part of that question because it may be in your mind. I am a strong believer that CEOs should have other involvements and there are now many, many CEOs and top executives who do. In my experience it is an old fashioned concept that the CEO must come in every morning, stay there till very late and just do that job. The CEO you want is a hardworking person who does work many, many hours but it is also a broad person. And often being on another board they can see much wider than the focus of what they are on about, which allows them, in my view, to focus better. So I have a philosophy that that's not a bad thing. In terms of our particular company we have as you would know set up a completely separate compliance company. That's the one that looks at the question of compliance. If there was any conflict at all and I don't believe there will be, it would come to that company. Elmer will not be on that board, his predecessor was not on that board either.

We have one director that's on our board, that is the ASX Ltd, and on that board is Jillian Segal and it is chaired by a former chairman of ASIC in Alan Cameron. We have put in place very good arrangements to make sure that we can be part of the business situation in Australia and at the same time give the reliability and properness to our customers and stakeholders.

Elmer Funke Kupper – Incoming Managing Director and CEO, ASX Ltd:

In terms of succession at TABCORP we made the announcement and the commitment for me to return to the board after a six month break at the time the merger was announced. That was announced, I think, late October last year so we are getting towards the anniversary of that announcement and the company's had a lot of time to get used to the fact that I won't be there. My successor is in charge and from what I have observed, because as you know I am not part of TABCORP either as an executive or non-executive capacity today, he has taken the reigns very, very well and is firmly in charge of that business. And again I will be able to lend some of my experience both in that industry and its stakeholders to the board and what will at that stage be, a more experienced but still relatively new Chief Executive. And there is no issue with that.

David Gonski – Chairman, ASX Ltd:

It would appear there are no further questions from the phones. Thank you. So unless there are any other questions, I would like to thank all of you for coming either in person here or on the phone. It is a big day for us. We are very pleased and we look forward to Elmer starting on the 6th October and we look forward to many, many years together. Thank you.