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Australian Securities and Investments Commission
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ASX Clearing Fees

Today's Australian Financial Review reports that ASX is engaging in discussions to lower its clearing fees for cash equities, if the current market structure for equities clearing is extended for five years.

ASX is consulting with its customers and other stakeholders in conjunction with a review by the Council of Financial Regulators, and decision by the Government, on the market structure for cash equities clearing and settlement. The Council's review is expected to be completed in the first half of 2015.

ASX is discussing a new tiered clearing fee structure which will apply to all customers in the event that the Council recommends, and the Government adopts, a five-year extension to the Code of Practice that ASX put in place in August 2013. The proposed changes to cash equities clearing fees will share the upside from growth and scale economies with the market. Based on the FY15 year to date value cleared of \$3.8 billion per day, the proposed fee schedule would provide a 14.2% fee reduction to ASX's customers. This equates to a revenue impact of approximately \$6.8 million p.a.

ASX is aware that the options that the Council will consider include an extension of the Code of Practice, the introduction of competition or alternative regulatory mechanisms.

A summary of the rationale for a single infrastructure and the proposed fee schedule is attached.

Attachment: One-page summary of rationale and proposed fee schedule.

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One page summary of rationale and proposed fee schedule

Rationale for single infrastructure

- ASX is sole provider of cash equity clearing services
 - Model is common – Canada, USA, Brazil and Asia
 - European common market is the exception
- Total cost to financial system: \$45 million pa (ROE 12%)
- Two year competition moratorium announced February 2013; CFR proposed industry self-regulation under 'Code of Practice'
 - Non-discriminatory access to ASX services
 - Transparent costs and international benchmarking
 - Input into investment decisions (eg T+2, CHES replacement)
- Business case remains in favour of single clearing facility
 - Most efficient model for market of our size; alternatives are likely to add significant regulatory and technology costs (at least \$20-30m pa)
 - Avoids further fragmentation that favours High Frequency Traders (HFT) over retail and institutional investors
 - Allows for significant investment program over 3-4 years
- ASX asked for minimum 5 year extension of the moratorium

Proposed new fee schedule (based on minimum 5 years)

	Fee in basis points
Current Pricing	0.25
New tiered fee structure	
all value up to \$3b per day	0.225
any value between \$3b and \$4b	0.175
any value between \$4b and 5b	0.125
any value over \$5b	0.100

- Immediate fee reduction of 14.2% based on February YTD 2015 volumes
- Reduces ASX ROE to approx. 10.8%, with further reduction after CHES replacement
- Shares upside from growth with all participants; if volume doubles, fee reduction becomes 35%
- Target implementation date 1 July 2015