



30 March 2016

Australian Securities and Investments Commission
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ASX WELCOMES CERTAINTY ON MARKET STRUCTURE FOR EQUITIES CLEARING AND CHANGE IN OWNERSHIP RESTRICTIONS

The Treasurer, the Hon. Scott Morrison MP, today announced the outcome of a review into the market structure for equities clearing.

ASX's response and a copy of the Treasurer's announcement are attached.

Amanda J. Harkness
Group General Counsel & Company Secretary



Media Release

30 March 2016

ASX WELCOMES CERTAINTY ON MARKET STRUCTURE FOR EQUITIES CLEARING AND CHANGE IN OWNERSHIP RESTRICTIONS

Supports safe and effective competition and a level playing field

ASX welcomes today's announcement by the Treasurer, the Hon Scott Morrison, that the Government is committed to putting in place the conditions needed for safe and effective competition in cash equities clearing. The concurrent relaxation of ownership restrictions on ASX was a recommendation of the Financial System Inquiry. The change to make ASX's ownership restrictions consistent with banks and insurance companies is appropriate given ASX's role in today's financial markets. The Treasurer retains important powers which can be exercised in the national interest.

ASX supports well-regulated, open and competitive financial markets.

The Treasurer's statement confirms that Australia's regulatory agencies will not recommend approval of any clearing licence applications until the conditions that support the Government's policy for safe and effective competition are established. ASX remains the sole provider of clearing services for cash equities in the meantime. ASX will also maintain its commitment to the Code of Practice that sets out how it manages its clearing and settlement infrastructure on behalf of the market. ASX has also announced that from 1 July 2016 its equities clearing fee will be cut by 10%.

ASX supports the recommendation that minimum conditions for safe and effective competition be in place before any change in market structure occurs. This includes the existence of adequate regulatory arrangements to ensure that competition does not compromise financial stability or market functioning, such as location requirements for Australia's critical market infrastructure.

ASX Executive Chairman, Mr Rick Holliday-Smith, said: "These are sensible decisions and in the best interests of Australia's financial markets. Applying the same 15% ownership limit to ASX as banks and insurance companies with the Treasurer retaining the power to act in the national interest puts ASX on a level playing field with other financial institutions.

"The Treasurer's announcement promotes the desirability of well-regulated competition in the Australian marketplace and supports ASX's efforts to invest in and stimulate innovation. The announcement recognises that the operation of markets changes as new technologies are developed.

"The Government's decision gives certainty to ASX to continue to assess solutions for the Australian equity market using distributed ledger technology or blockchain. As announced in January 2016, this technology has the potential to reduce risk and costs for market participants, speed-up the settlement process for investors, and support new services for listed companies. It offers a unique opportunity for Australia to be a leader in the assessment of innovative market solutions", Mr Holliday-Smith said.

ASX believes that the regulatory environment must evolve with innovations like blockchain, which requires a collaborative approach between regulatory agencies, ASX and industry stakeholders.



Collaboration is already underway to build an understanding of the benefits and implications of the new technology.

The approach outlined by the Government will support this process, which can be expected to run over the next 18 months, and help ensure that Australia continues to benefit from a world-class financial market infrastructure.

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The Hon. Scott Morrison MP
Treasurer

MEDIA STATEMENT

Wednesday 30 March 2016

TURNBULL GOVERNMENT TO OPEN COMPETITION IN SHARE CLEARANCE

Treasurer Scott Morrison today announced a reform package that opens the door to competition in the clearing of cash equities, acting on the recommendations of the Council of Financial Regulators' (CFR) *Review of Competition in Clearing Australian Cash Equities*.

The Turnbull Government is absolutely committed to open and competitive markets which are fundamental to a vibrant 21st century economy.

The opening up of competition in the clearing of cash equities is in line with the Government's commitment to competition law reform.

The Council of Financial Regulators' *Review of Competition in Clearing Australian Cash Equities*, which the Treasurer also released today recommended:

- That the Government be open to competition in clearing of equities and implement legislative changes for safe and effective competition.
- That the CFR set out regulatory expectations for ASX conduct while it remains a sole provider, and make legislative changes to allow regulators to enforce the expectations where necessary.
- That the ACCC be given power to arbitrate disputes about access to ASX clearing and settlement services

The Treasurer also announced today a relaxing of ownership restrictions on the ASX, acting upon Recommendation 44 of the Financial System Inquiry.

In response to this recommendation, the Government will amend the ASX ownership restrictions in the Corporations Act to make them consistent with other financial sector companies, like banks and insurance companies. This will allow the ASX more flexibility in raising capital.

The Government also recognises the potential benefits of the ASX's investment in distributed ledger technology (Blockchain) for the Australian market.

The Government and the CFR agencies will continue to work with the ASX as it progresses this initiative, while identifying any regulatory barriers and ensuring that technological advancements do not preclude competition.

The ASX's willingness to invest and trial new technologies is strongly supported by the Government, and is consistent with our FinTech agenda.

"As Treasurer I want to help create an environment where our financial services sector can be both internationally competitive and play a central role in aiding the positive transition of our economy," Treasurer Scott Morrison said.

The CFR Review can be found at

<http://www.treasury.gov.au/ConsultationsandReviews/Consultations/2015/Review-of-competition-in-clearing-Australian-cash-equities>.

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