



MARKET ANNOUNCEMENT

2009 ANNUAL GENERAL MEETING ADDRESS BY CHAIRMAN AND MANAGING DIRECTOR AND CEO

30 SEPTEMBER 2009

ADDRESS BY CHAIRMAN – DAVID GONSKI

LADIES & GENTLEMEN

THIS ANNUAL GENERAL MEETING COINCIDES WITH THE FIRST ANNIVERSARY OF MY CHAIRMANSHIP OF ASX LIMITED.

AS I COMMENTED IN MY CHAIRMAN'S LETTER ATTACHED TO THE ANNUAL REPORT, I COULD NOT HAVE PICKED A MORE INTERESTING YEAR TO BEGIN MY CHAIRMANSHIP.

ROBERT ELSTONE WILL ADDRESS US SHORTLY IN MORE DEPTH ON SOME OF THE ASPECTS OF THE LAST 12 MONTHS AND IN PARTICULAR HOW THEY AFFECTED OUR COMPANY. I WANTED HOWEVER TO FOCUS ON THREE POINTS.

FIRST, ALL OF YOU WILL HAVE READ OF THE ANNOUNCEMENT BY THE FEDERAL GOVERNMENT OF ITS DECISION TO TRANSFER FROM ASX MARKETS SUPERVISION (OUR WHOLLY OWNED SUBSIDIARY) TO ASIC THE RESPONSIBILITY FOR SUPERVISING REAL-TIME MARKET TRADING AND PARTICIPANT ENFORCEMENT. THIS WILL LEAVE US WITH RESPONSIBILITY FOR SUPERVISING ENTITIES LISTED ON OUR MARKET AND SOME OTHER AREAS OF PARTICIPANT SUPERVISION CURRENTLY CARRIED ON BY ASXMS.

UNDERPINNING THE DECISION TO MAKE THE TRANSFER IS A TIMETABLE FOR GIVING FURTHER CONSIDERATION TO OUTSTANDING MARKET LICENCE APPLICATIONS. MANY COMMENTATORS HAVE JUMPED TO THE CONCLUSION THAT THE FIRST STEP, NAMELY THE TRANSFER OF SUPERVISION RESPONSIBILITIES, INDICATES THAT THE ISSUING OF NEW LICENCES IS A FOREGONE CONCLUSION.

IT IS THIS ASPECT ON WHICH I WISH TO COMMENT.

THE GOVERNMENT HAS AN ABSOLUTE ENTITLEMENT TO DECIDE TO ISSUE NEW LICENCES AND TO DETERMINE THE TERMS UPON WHICH THEY ARE GIVEN. HOWEVER, WE BELIEVE THE FOLLOWING:

- a) THE GOVERNMENT SHOULD CONSIDER VERY CAREFULLY WHAT THE LIKELY EFFECTS ON LIQUIDITY WOULD BE IN A COMPARATIVELY SMALL MARKET IN HAVING MULTIPLE MARKET OPERATORS. THIS IS PARTICULARLY THE CASE FOR THOSE OPERATORS POINTED AT ADDING TO THE GROWTH RATE OF ALGORITHMIC TRADING AT A TIME WHEN REGULATORS OVERSEAS ARE SOUNDING WARNINGS ABOUT THE IMPLICATIONS FOR MARKET INTEGRITY AND THE EFFICIENCY OF PRICE DISCOVERY.
- b) INTERNATIONALLY (INCLUDING IN SOME OF THE MARKETS THAT ARE MUCH BIGGER THAN OURS) INCREASING DISCUSSION BY COMMENTATORS AND REGULATORS ALIKE IS TAKING PLACE ABOUT WHETHER MULTIPLE MARKET OPERATORS PRODUCE BENEFICIAL

RESULTS FOR RETAIL AND TRADITIONAL LONG-ONLY INVESTORS, OR WHETHER IN FACT THE OPPOSITE OCCURS (TO THE BENEFIT, FOR EXAMPLE, OF STATISTICAL ARBITRAGEURS). HAVING DONE WELL IN NAVIGATING THE FINANCIAL CRISIS SO FAR, SHOULD WE NOT TAKE SOME HEED OF THIS CLEAR DEVELOPMENT?

- c) A LOT OF PUBLICITY HAS BEEN GIVEN TO CLAIMS BY POTENTIAL NEW MARKET OPERATORS THAT ADDITIONAL COMPETITION WOULD REDUCE SIGNIFICANTLY THE COSTS OF TRANSACTING EQUITY BUSINESS IN AUSTRALIA. THIS IS OFTEN TAKEN AT FACE VALUE BUT WE WONDER WHETHER THOSE WHO ACCEPT THAT CLAIM REALLY KNOW THE NUMBERS INVOLVED. ESPECIALLY WHEN ACCOUNT IS TAKEN OF THE RELATIVITIES OF EXCHANGE FEES TO BROKERAGE, MARKET IMPACT COSTS, AND THE WIDER PRIVATE AND PUBLIC 'AGENCY' COSTS OF TECHNOLOGY AND ADDED REGULATORY COMPLEXITY.
- d) A GREAT DEAL IS ALSO SAID OF HOW ADDITIONAL MARKET LICENSES ARE ESSENTIAL TO MAKING AUSTRALIA THE INTERNATIONAL FINANCIAL HUB WE ALL ASPIRE IT TO BE. WHAT IS FORGOTTEN BY MANY WHO SAY THIS IS THAT TO BE AN INTERNATIONAL FINANCIAL HUB REQUIRES A STRONG, ORDERLY AND RELIABLE STOCK MARKET AND CAPITAL FORMATION PROCESS. INDEED, AS ROBERT WILL DESCRIBE IN HIS COMMENTARY, IT IS THAT EXISTING CAPITAL FORMATION PROCESS THAT HAS HELPED ENSURE AUSTRALIA'S WEATHERING OF THE STORM CREATED BY THE GLOBAL FINANCIAL CRISIS. CLEARLY, FRAGMENTATION OF THE CURRENT MARKET OPERATED BY ASX MAY HAVE THE OPPOSITE EFFECT. PARTICULARLY WHEN ONE NOTES (WHICH MANY WHO BELIEVE WE, THE ASX, DON'T FACE COMPETITION SELDOM DO) THAT WE ARE COMPETING WITH OTC MARKET 'DARK POOLS' OF LIQUIDITY AND WITH INTERNATIONAL EXCHANGES OF LARGER TURNOVER AND DEEPER MARKETS FOR LISTINGS EVERY DAY OF THE WEEK.

THE ARGUMENTS ON THIS ISSUE ARE NOT BLACK AND WHITE, AND ASX ACCEPTS THAT WE NATURALLY SEE SOME OF THESE ARGUMENTS THROUGH THE EYES OF THE EXISTING OPERATOR. HOWEVER, ERRORS IN PUBLIC POLICY DECISION-MAKING IN THIS AREA CAN HAVE SERIOUS CONSEQUENCES FOR EVERYONE IN THE FINANCIAL COMMUNITY. WE HOPE THAT THE GOVERNMENT WILL TAKE THE TIME TO LEARN THE LESSONS STEMMING FROM ASPECTS OF THE LESS THAN SATISFACTORY MULTI-MARKET OUTCOMES IN THE US AND EUROPE, AND THAT IT WILL EXPOSE ANY PROPOSED CHANGES TO THE REGULATORY FRAMEWORK TO PUBLIC SCRUTINY.

THE SECOND ISSUE THAT I WANTED TO DEAL WITH IS A STRONGLY POSITIVE ONE. AS I HAVE SAID IN MY LETTER ACCOMPANYING THE ANNUAL REPORT, WHEN I BECAME CHAIRMAN 12 MONTHS AGO, THE FIRST THINGS I NOTICED WERE THE SKILL, FOCUS AND HARD WORK OF THE ASX STAFF. I WANT TO UNDERScore THAT AGAIN. EACH DAY I HAVE THE PLEASURE OF DEALING WITH OUTSTANDING PEOPLE AT ASX. OFTEN THEY WORK IN CHALLENGING CIRCUMSTANCES AND UNDER ENORMOUS PRESSURE. I WANT YOU, AS OUR SHAREHOLDERS, TO KNOW THAT YOU HAVE AN EXCELLENT CREW (FROM OUR CEO, ROBERT ELSTONE, DOWN) MANAGING THIS BUSINESS.

IN THIS REGARD, I WOULD LIKE TO THANK ON BEHALF OF MYSELF AND THE BOARD EACH AND EVERY ONE OF OUR STAFF FOR THEIR HARD WORK IN THE PERIOD UNDER REVIEW. I SINCERELY HOPE THAT THEY WILL CONTINUE THEIR ENDEAVOURS AND I WANT TO ASSURE THEM THAT WE ARE VERY APPRECIATIVE.

THE THIRD MATTER IS THAT OF GOVERNANCE.

IN THIS REGARD I NOTE THAT DURING THE LAST FINANCIAL YEAR WE CHANGED THE BOARD OF OUR MARKET SUPERVISION SUBSIDIARY - ASXMS - SO THAT IT HAD A CHAIRMAN WHO WAS NOT A DIRECTOR OF THE MAIN BOARD, ALAN CAMERON AM, AND ALL BUT ONE OF ITS DIRECTORS WERE INDEPENDENT OF THE ASX LIMITED BOARD.

SINCE ESTABLISHING THE ASXMS BOARD, ITS DIRECTORS HAVE WORKED TIRELESSLY TOGETHER WITH ERIC MAYNE AND HIS TEAM, AND I BELIEVE HAVE ASSISTED GREATLY IN ENSURING THAT GOVERNANCE WITHIN OUR GROUP IS AT AN EXTREMELY HIGH LEVEL.

ASIC, THE REGULATOR, FOUND SO TOO, CONCLUDING IN ITS LATEST ANNUAL ASSESSMENT COMPLIANCE WITH OUR STATUTORY OBLIGATIONS INCLUDING THAT THE GROUP'S ARRANGEMENTS FOR MANAGING CONFLICTS MEET THE STATUTORY STANDARD.

ALSO DURING THE YEAR THE BOARD WAS DELIGHTED THAT ROBERT ELSTONE AGREED TO EXTEND HIS TERM AS MANAGING DIRECTOR AND CEO FOR ANOTHER TWO YEARS, ENDING IN JULY 2011. THE RESULTS OF HIS HARD WORK ARE EASY TO SEE WHEN ONE LOOKS AT THE ANNUAL REPORT. ALL OF US ON THE BOARD LOOK FORWARD TO CONTINUING TO WORK WITH HIM IN THE FUTURE.

DURING THE YEAR MAURICE NEWMAN AC RETIRED AS CHAIRMAN OF YOUR COMPANY AFTER 18 YEARS AS A DIRECTOR, 14 OF THEM AS CHAIRMAN. AS SOMEONE WHO HAS BECOME FAMILIAR WITH WHAT HAS BEEN ACHIEVED AT ASX, I CAN'T OVER EMPHASISE THE ENORMOUS CONTRIBUTION THAT MAURICE HAS MADE TO THIS GROUP. ALL OF THE BOARD, INCLUDING MYSELF, PUBLICLY THANK HIM.

I INHERITED A VERY STRONG AND HARDWORKING BOARD AND I HAVE ENJOYED WORKING WITH THEM DURING THE LAST 12 MONTHS. THE BOARD, EARLY IN MY PERIOD AS CHAIRMAN, COMMITTED TO A PROCESS OF BOARD RENEWAL AND TO THAT END:

- MICHAEL SHARPE AO, A DIRECTOR SINCE 1995, RETIRED FROM THE BOARD ON 1 JULY 2009. MICHAEL'S EFFORTS, PARTICULARLY AS CHAIR OF THE AUDIT AND RISK COMMITTEE OF THE BOARD FOR MANY YEARS, ARE GREATLY APPRECIATED.
- COINCIDING WITH MICHAEL'S RESIGNATION WE HAVE WELCOMED PETER MARRIOTT TO THE BOARD AND HE HAS BECOME THE CHAIR OF OUR AUDIT AND RISK COMMITTEE. DETAILS OF PETER'S BACKGROUND ARE ENCLOSED IN THE NOTICE OF MEETING AS HE WILL COME UP FOR ELECTION LATER AT THIS MEETING. WE WELCOME PETER WHO HAS ALREADY MADE HIS MARK IN THE SHORT PERIOD HE HAS BEEN WITH US.
- TREVOR ROWE AM AS THE NEXT LONGEST SERVING DIRECTOR ON THE ASX BOARD HAS INDICATED HIS INTENTION TO STEP DOWN FROM THE BOARD PRIOR TO OUR NEXT AGM, BY WHICH TIME HE WILL BE IN HIS NINTH YEAR AS AN ASX DIRECTOR. THIS WILL GIVE THE BOARD THE OPPORTUNITY TO CONTINUE THE RENEWAL PROCESS AND TO PROPOSE TO YOU, THE SHAREHOLDERS, A SUCCESSOR TO TREVOR AT THE NEXT AGM.

I NOW CALL UPON ROB ELSTONE TO ADDRESS US.

ADDRESS BY MANAGING DIRECTOR AND CEO – ROBERT ELSTONE

THANK YOU DAVID. GOOD MORNING LADIES AND GENTLEMEN.

IN KEEPING WITH PAST PRACTICE I WILL KEEP MY COMMENTS RELATIVELY BRIEF. THE MD AND CEO'S SECTION OF THE ANNUAL REPORT PUBLISHED JUST FIVE WEEKS AGO WAS COMPREHENSIVE AND REMAINS RELATIVELY FRESH - SAVE FOR THE GOVERNMENT'S ANNOUNCEMENT ON 24 AUGUST 2009 OF THE PROPOSED MIGRATION OF TRADING PARTICIPANT SUPERVISION ACTIVITIES FROM ASX MARKETS SUPERVISION (ASXMS) TO ASIC, WITH EFFECT FROM THE THIRD QUARTER OF 2010. I WILL COMMENT ON THAT MATTER DURING THE COURSE OF MY ADDRESS. I WILL CONCLUDE MY REMARKS THIS MORNING WITH SOME COMMENTARY ON FIRST QUARTER (Q1) FY10 ACTIVITY LEVELS. FOR NOW, I WILL FOCUS ON A FEW KEY THEMES.

FY09 WAS AN EXTRAORDINARY YEAR IN MANY WAYS: RECORD VOLATILITY; A CASE STUDY YEAR FOR THE INTERWOVEN NATURE OF STOCK, BOND, CURRENCY AND CREDIT MARKETS; HEIGHTENED CONSCIOUSNESS OF COUNTERPARTY RISK; AND UNPRECEDENTED GOVERNMENT POLICY INTERVENTION IN MAJOR ECONOMIES AROUND THE WORLD. THE LIST COULD GO ON. THE NOW INFAMOUS LEHMAN BROTHERS/AIG WEEKEND IN SEPTEMBER LAST YEAR FROZE THE MARKET FOR OVERNIGHT INTERBANK LENDING ACTIVITY, WHICH HAD TRADITIONALLY BEEN THOUGHT OF AS COMPRISING 'RISK FREE', OR CLOSE TO, TRANSACTIONAL ACTIVITY.

LITTLE WONDER THAT STOCK MARKETS AROUND THE WORLD, ATTEMPTING TO VALUE THE CASH FLOWS OF LISTED CORPORATIONS OVER MULTI-YEAR FORECASTING PERIODS AND ASSIGNING 'TERMINAL' VALUES TO PERPETUITY, WENT INTO A VOLATILE DOWNWARD SPIRAL WHEN FACED WITH THE REALITY OF A CLOSE TO COMPLETE BREAKDOWN OF INTERBANK LENDING CONFIDENCE FOR A TRAUMATIC PERIOD OF WEEKS. THIS WAS FOLLOWED BY POLICY INTERVENTIONS IN EQUITY AND FIXED INCOME MARKETS DESIGNED TO MINIMISE SYSTEMIC RISKS IN FINANCIAL ECONOMIES AND ANY WIDER CONTAGION INTO REAL ECONOMIES. AS RECENTLY AS LAST MARCH (2009) EQUITY MARKETS WERE PRICING FOR A FINANCIAL ARMAGEDDON. SIX MONTHS ON MARKETS HAVE STABILISED SOMEWHAT.

THE MACROECONOMICS PROFESSION IS LICKING ITS WOUNDS FOLLOWING CRITICISM IT ALLOWED ITS MODELS TO ASSUME THAT CAPITAL MARKETS NATURALLY WORKED PERFECTLY AND EFFICIENTLY, THUS IGNORING WHAT WAS HAPPENING TO AN ECONOMY'S CRITICAL FINANCIAL PLUMBING. AS AN INDIVIDUAL WHO ORIGINALLY QUALIFIED IN THE FIELDS OF MONETARY ECONOMICS AND CORPORATE FINANCE, AND WHO HAS THE STEWARDSHIP OF A VITAL PIECE OF THIS COUNTRY'S FINANCIAL INFRASTRUCTURE, I MAKE THIS OBSERVATION WITH LITTLE PERSONAL SATISFACTION.

IN NOVEMBER 2008, STANDARD & POOR'S PUBLISHED A RESEARCH PAPER ENTITLED '*EXCHANGES AND CLEARINGHOUSES STAND FIRM IN SHAKY MARKETS*'. THE SENTIMENT EXPRESSED IN THE PAPER AND, INDEED ITS TITLE, RESONATES WITH MY BOARD COLLEAGUES AND ME, AS WELL AS WITH ASX MANAGEMENT GENERALLY, HAVING EXPERIENCED THE MARKET EVENTS OF SEPTEMBER/OCTOBER 2008 AND THE SUBSEQUENT DECEMBER QUARTER VOLATILITY.

THE ABILITY OF EXCHANGE-TRADED MARKETS AND THEIR ASSOCIATED, SYSTEMICALLY VITAL CLEARING AND SETTLEMENT FACILITIES, TO OPERATE AS ROBUSTLY AS THEY HAVE OVER THE PAST YEAR HAS NOT BEEN ACCIDENTAL. RATHER, IT IS A RESULT OF THE HUMAN AND SYSTEMS CAPABILITIES DEVELOPED WITHIN THESE ENTERPRISES OVER MANY YEARS AND THROUGH DIFFERENT BUSINESS CYCLES.

THE TENDENCY ON OCCASION FOR ASX TO BE JUDGED THROUGH A 'SINGLE ISSUE' LENS IS AT ODDS WITH THE REALITY OF THE COMPLEXITY AND SCALE OF ASX'S OPERATION. IN FACT, THE BREADTH AND SCALE OF ASX'S OPERATION CONSTITUTES THE VERY ESSENCE OF ITS VALUE PROPOSITION TO THE AUSTRALIAN ECONOMY. THIS IS IN TERMS OF THE POSITIVE NETWORK EXTERNALITIES EMBEDDED IN THE EXTENT AND EFFICIENCY OF ASX'S LISTING, TRADING, CLEARING, AND SETTLEMENT ACTIVITIES, IN A FINANCIAL ECONOMY OF AUSTRALIA'S SOPHISTICATED YET MODEST SCALE.

THE DIVERSITY OF THE STAKEHOLDERS IN EACH OF THOSE SEGMENTS OF THE VALUE CHAIN, AND THE VESTED NATURE OF THEIR INTERESTS, MAKES ASX THE CENTRE OF FINANCIAL MEDIA AND OTHER COMMENTATOR ATTENTION ON A REGULAR BASIS. AT ONE LEVEL, THE INTENSITY OF THIS ATTENTION IS A MOTIVATOR TO CONTINUE TO IMPROVE OUR ALL-ROUND SUPERVISORY, OPERATIONAL AND RISK MANAGEMENT PERFORMANCE. BUT THE CHALLENGE OF BALANCING COMPETING (AND OFTEN DIAMETRICALLY OPPOSED) STAKEHOLDER INTERESTS IS NOT STRAIGHTFORWARD OR, IN SOME CASES, ALWAYS ACHIEVABLE.

AS MY REPORT TO SHAREHOLDERS A FEW WEEKS AGO SUMMARISED, ASX'S INFRASTRUCTURE FACILITATED AN UNPRECEDENTED \$90BN OF CAPITAL FORMATION DURING FY09. THIS IS EQUIVALENT TO A CLOSE TO 1 FOR 10 RIGHTS ISSUE BY THE ENTIRE POPULATION OF ENTITIES IN THE ALL ORDINARIES INDEX AT THE PREVAILING INDEX CAPITALISATION AS AT 30 JUNE 2009. THIS CAPITAL FORMATION WAS CRITICAL TO THE FINANCIAL WELLBEING OF MANY OF AUSTRALIA'S MAJOR LISTED COMPANIES, WHICH, IN TURN, EMPLOY MILLIONS OF AUSTRALIANS AND ARE OWNED BY MILLIONS OF LOCAL SHAREHOLDERS.

HAD THAT FACILITATION NOT BEEN AS SMOOTH AND AS TIMELY AS IT WAS, OR WORSE STILL, IF IN SOME CASES IT HAD FAILED, THE REAL ECONOMY AND THE EMPLOYMENT PROSPECTS FOR MANY HUNDREDS OF THOUSANDS OF AUSTRALIANS WOULD HAVE BEEN IN SUBSTANTIALLY WORSE SHAPE THAN CURRENT NATIONAL GROWTH AND EMPLOYMENT STATISTICS INDICATE. THIS IS ESPECIALLY SO, GIVEN THE SHARP CONTRACTION IN THE AVAILABILITY OF BANK

FINANCING AND THE RESULTING INCREASE IN ITS COST, NOT TO MENTION MUCH TOUGHER COVENANT TERMS, SINCE THOSE DARK DAYS OF SEPTEMBER 2008.

SOME COMMENTATORS HAVE BEEN CRITICAL OF THE OFFERING STRUCTURES USED BY A NUMBER OF COMPANIES RAISING CAPITAL OVER THE PAST YEAR - PARTICULARLY IN RELATION TO THE PRO-RATA TREATMENT OF EXISTING SHAREHOLDERS. BUT, RESTORING A COMPANY'S BALANCE SHEET QUICKLY AND EFFICIENTLY MAY NOT ONLY BE THE BEST WAY OF SERVING THE INTERESTS OF EXISTING SHAREHOLDERS; IT MAY ALSO BE THE ONLY WAY WHEN CREDIT MARKETS BECOME DISLOCATED. THESE WERE DIFFICULT JUDGEMENTS FOR DIRECTORS TO MAKE IN THE AFTERMATH MONTHS OF SEPTEMBER 2008 AND IN THE MOST EXTRAORDINARY OF MARKET CIRCUMSTANCES.

AUSTRALIA'S REGULATORY REGIME WOULD SEEM TO HAVE PROVIDED SCOPE FOR THE NECESSARY BALANCING OF A COMPLEX MENU OF CONSIDERATIONS. MORE RECENTLY, THE PENDULUM HAS SWUNG BACK THE OTHER WAY, TOWARDS RENOUNCABILITY. THIS HIGHLIGHTS THE NEED FOR FLEXIBILITY RATHER THAN PRESCRIPTION IN THESE MATTERS, AND FOR BOARDS TO BE MORE ATTUNED TO SHAREHOLDER CONCERNS AS STABLE MARKET CONDITIONS RETURN. IT IS AN AREA WORTHY OF REVIEW BY ASX AND ASIC OVER COMING MONTHS.

ON THE OTHER SIDE OF THE LEDGER, IF THERE WAS EVER A 12-MONTH PERIOD IN WHICH GLOBAL FINANCIAL MARKET PARTICIPANTS RECEIVED A WAKE-UP CALL THAT THE SECTOR'S PRIMARY PURPOSE IS TO SERVICE THE NEEDS OF THE REAL ECONOMY, NOT SIMPLY TO INNOVATE OR GROW THE FINANCIAL ECONOMY FOR ITS OWN SAKE REGARDLESS OF THE CONSEQUENCES FOR THE REAL ECONOMY, IT WAS THE 12-MONTH PERIOD ENDING 30 JUNE 2009.

OVER A LONGER TIME FRAME, ASX HAS FACILITATED A CONSISTENT LOWERING OF THE TRANSACTIONAL COMPONENT OF THE OVERALL COST OF CAPITAL TO AUSTRALIA'S PUBLICLY HELD CORPORATIONS. THERE WAS AN UPTICK IN COST DURING THE PAST YEAR, WHICH WAS PARTLY A REACTION TO THE TEMPORARY PROHIBITION ON SHORT SELLING INTRODUCED BY ASIC IN SEPTEMBER 2008 AT THE PEAK OF THE NERVOUSNESS IN GLOBAL MARKETS. THAT UPTICK SUBSEQUENTLY REVERSED FOLLOWING THE REMOVAL OF THE REMAINING PROHIBITION (ON FINANCIAL STOCKS) LAST MAY. THE LONGER TERM DOWNWARD TREND, HOWEVER, IS TANGIBLE EVIDENCE OF NETWORK ECONOMICS (INCLUDING CENTRALISED LIQUIDITY, AND CLEARING AND SETTLEMENT INFRASTRUCTURE) DELIVERING ENORMOUS BENEFITS TO THE INVESTMENT COMMUNITY AND TO THE REAL ECONOMY.

ONE OF THE MORE POPULAR ANALOGIES SOME ANALYSTS LIKE TO USE WITH ASX IS TO DESCRIBE ASX AS AKIN TO A TOLL ROAD. WHILE INTERESTING, AND SUPERFICIALLY APPEALING, SUCH AN ANALOGY GROSSLY OVERSIMPLIFIES THE COMPLEXITY OF OPERATION OF THE ASX GROUP OF COMPANIES. UNLIKE A TOLL ROAD OPERATOR, ASX:

- AUTHORS AND UPDATES THE RULES OF ITS ROAD NETWORK, OR HIGHWAY CODE, AND SUPERVISES COMPLIANCE WITH THOSE RULES;
- CONDUCTS ELECTRONIC AND VISUAL SURVEILLANCE OF ROAD USERS AND TRAFFIC PATTERNS;
- ENSURES THERE ARE NO TRAFFIC JAMS OR BOTTLENECKS, BY PROVIDING ADDITIONAL LANES TO COPE WITH PEAK PERIOD TRAFFIC FLOWS;
- PROVIDES 'FLYOVER' OPTIONALITY FOR MUCH LARGER AND HEAVIER VEHICLES;
- DISTRIBUTES DATA FOR EVERY COMPLETED VEHICLE JOURNEY;
- ENSURES TIMELY AND CERTAIN 'DESTINATION VERSUS PAYMENT' OF TOLLS BY USERS;
- PROVIDES ACCIDENT INSURANCE TO VEHICLES WHO TRAVEL ON THE MAIN FREEWAYS WITHIN THE NETWORK; AND,
- FOR GOOD ORDER, ASX ALSO OPERATES A SYNTHETIC ROAD NETWORK (OF DERIVATIVE PLATFORMS) FOR THOSE USERS WHO WISH TO SIMULATE FUTURE JOURNEYS OR INSURE THEIR TRIPS AGAINST A PLETHORA OF RISKS ASSOCIATED WITH VEHICLE MALFUNCTIONS, POOR WEATHER CONDITIONS OR PERIODIC ROAD CLOSURES.

THERE IS A ROLE FOR SIMPLIFICATION AND SHORT-FORM ANALOGY BUT NOT IF IT SERIOUSLY DISTORTS PROPER UNDERSTANDING.

EMBEDDED IN ITS NETWORK IS THE FACT THAT ASX OPERATES, AND HAS ITS CAPITAL BASE EXPOSED TO, A LARGE AND SOPHISTICATED RISK TRANSFER INFRASTRUCTURE - NOT ONLY FOR THE EQUITY MARKET BUT FOR RESURGENT BOND MARKETS TOO, WITH EMBEDDED OPTIONALITY FOR DEVELOPING ENERGY MARKETS. THIS IS RELEVANT FROM THE PERSPECTIVE OF THE CURRENT PROGRAM OF DEVELOPING NATION BUILDING INFRASTRUCTURE AND THE NECESSARY INVESTMENT IN CLEANER ENERGY SOURCES. IT IS RELEVANT ALSO, AS I TOUCHED ON EARLIER, TO THE VITAL ROLE ASX PLAYS IN SYSTEMIC RISK MANAGEMENT, PARTICULARLY GIVEN ITS PLANS TO EXTEND ITS CLEARING AND SETTLEMENT SERVICE OFFERING TO THIRD PARTY PLATFORMS.

WHILE ASX PRODUCES ONE OF THE MOST TIMELY AND TRANSPARENT OF ANNUAL REPORTS, THE COMPLEXITY OF ITS OPERATION IS A CHALLENGE TO COMPREHEND AND IS, THEREFORE, OFTEN OVERLOOKED; OR, MORE ACCURATELY, OVERWHELMED, BY THE LAST HIGH PROFILE EVENT IMPACTING ON AN ASX-LISTED ENTITY (OF WHICH THERE ARE OVER 2,150) OR AN ASX MARKET PARTICIPANT FIRM (OF WHICH THERE ARE OVER 200). ASX IS NOT ABOVE CRITICISM OR IMMUNE TO BEING HELD TO ACCOUNT FOR ITS PERFORMANCE. BUT CONTEXT AND UNDERSTANDING OF ITS ACTUAL ROLE (AS OPPOSED TO PERCEPTIONS OF ITS ROLE) ARE ALSO RELEVANT WHEN CRITICISM IS BEING MADE.

MUCH HAS ALREADY BEEN WRITTEN ABOUT THE GOVERNMENT'S ANNOUNCEMENT IN LATE AUGUST 2009 THAT RESPONSIBILITY FOR SUPERVISING REAL-TIME MARKET TRADING AND PARTICIPANT ENFORCEMENT WILL TRANSFER FROM ASX TO ASIC. ACCORDING TO THE PUBLISHED TIMETABLE THIS WILL BE COMPLETED IN THE THIRD QUARTER OF 2010. ASX WILL RETAIN RESPONSIBILITY FOR SUPERVISING ENTITIES LISTED ON ITS MARKET, AS WELL AS (BASED ON OUR CURRENT UNDERSTANDING) FOR OVERSIGHT OF CLEARING AND SETTLEMENT FIRMS THAT ARE EITHER COUNTERPARTIES TO ITS CLEARING HOUSE SUBSIDIARIES OR USERS OF ITS CENTRAL SECURITIES DEPOSITORY SERVICES. ASX IS ALREADY WORKING CONSTRUCTIVELY WITH TREASURY AND ASIC ON IMPLEMENTING THE TRANSFER OF RESPONSIBILITIES BY THE GOVERNMENT'S DUE DATE. ASX WILL CONTINUE TO DEVOTE RESOURCES TO ENSURING THAT THE TRADING SERVICES IT PROVIDES MEET AN ONGOING LICENCE OBLIGATION TO OPERATE MARKETS THAT ARE FAIR, ORDERLY AND TRANSPARENT.

THERE WAS SOME SURPRISE THAT ASX APPEARED TO ACCEPT THE GOVERNMENT'S ANNOUNCEMENT WITHOUT 'CONTROVERSY'. WHETHER OR NOT ASX AGREES WITH THE GOVERNMENT'S SPECIFIC SUPERVISORY REFORM DECISION, WE ACKNOWLEDGE ITS RIGHT TO ENACT REFORM. ULTIMATELY, IT IS THE GOVERNMENT THAT IS CHARGED WITH ACTING IN WHAT IT BELIEVES TO BE - AND BEING HELD ACCOUNTABLE TO - THE PUBLIC INTEREST.

HOWEVER, THE ENTIRE MARKET RECOGNISES THE GOVERNMENT'S OBLIGATION TO MEASURE UP TO THE STATED CONFIDENCE OF ITS RELEVANT AGENCY (ASIC) IN ASSUMING THIS RESPONSIBILITY. AS SOME COMMENTATORS HAVE ALREADY WRITTEN, THIS NEW RESPONSIBILITY WILL PRESENT A SIGNIFICANT NEW CHALLENGE FOR ASIC, EVEN BEFORE MULTI-MARKET COMPLEXITY IS TAKEN INTO ACCOUNT.

ACCOMPANYING THE GOVERNMENT'S DECISION TO TRANSFER SOME RESPONSIBILITIES FROM ASX TO A 'WHOLE-OF-MARKET' REGULATOR, ASIC, WAS A TIMETABLE FOR GIVING FURTHER CONSIDERATION TO OUTSTANDING MARKET LICENCE APPLICATIONS. ASX HAS BEEN CONSISTENT IN ARGUING THAT THE COMPLEXITY OF CHANGE THAT WOULD NEED TO BE MADE TO AUSTRALIA'S FINANCIAL MARKETS REGULATORY FRAMEWORK TO ACCOMMODATE COMPETITION REQUIRES CAREFUL CONSIDERATION.

WE MUST ASSUME THAT AUTHORITIES HERE ARE ALIVE TO THE CONCERNS BEING RAISED BY THEIR COUNTERPARTS IN INTERNATIONAL JURISDICTIONS ABOUT THE CHALLENGES POSED TO MARKET INTEGRITY BY MULTIPLE TRADING PLATFORMS. THE PUBLIC POLICY STAKES INVOLVED IN CHANGING THE REGULATORY FRAMEWORK TO FACILITATE COMPETITION FOR MARKET SERVICES (IN TERMS OF BOTH THE EFFICIENCY OF PRICE DISCOVERY AS WELL AS SCOPE FOR MARKET ABUSE) ARE TOO HIGH FOR THOSE CHANGES NOT TO BE SUBJECT TO CLOSE AND DETAILED PUBLIC SCRUTINY.

MARKET WATCHERS AND OTHER COMMENTATORS WOULD BE NAÏVE TO BELIEVE THAT THE STOCK OF COMPLAINT LETTERS FROM A NATION OF RETAIL SHAREHOLDERS, OR THE PIPELINE OF COMPLAINTS FROM MARKET PARTICIPANTS, ABOUT EXISTING MARKET OPERATIONS WILL REDUCE IF MULTI-MARKET COMPLEXITY IS INTRODUCED LATE NEXT YEAR. THE OPPOSITE IS LIKELY TO BE THE CASE IN SUCH A SCENARIO, UNLESS RIGOUR IS APPLIED TO THE DEVELOPMENT OF ANY NEW REGULATORY ARCHITECTURE, WHICH WOULD NEED TO PRIORITISE MARKET INTEGRITY OVER SCOPE FOR REGULATORY ARBITRAGE, AS WELL AS ENSURE STANDARDS FOR PRE AND POST-TRADE TRANSPARENCY THAT WOULD NOT DIMINISH THE EFFICIENCY OF CENTRAL LIMIT ORDER BOOKS.

UNLESS THESE MARKET MICROSTRUCTURE CHALLENGES ARE ADDRESSED EVEN MORE CONSCIENTIOUSLY IN A MODEST SCALE MARKET LIKE AUSTRALIA THAN THEY HAVE BEEN IN THE US AND EUROPEAN REGULATORY FRAMEWORKS, THE INTERESTS OF SHORT-TERMISM WILL YET AGAIN PREVAIL OVER THE INTERESTS OF CORPORATIONS AND INVESTORS SEEKING LONG-TERM VALUE CREATION, AND THE ATTRACTIVENESS OF AN AUSTRALIAN LISTING MAY BE DIMINISHED.

CONSEQUENTLY, THE EFFICIENCY OF THE CAPITAL FORMATION PROCESS I DESCRIBED A LITTLE EARLIER WOULD SUFFER, AT A COST TO THE REAL ECONOMY AND AT A TIME OF PARALLEL, SUBSTANTIVE ADJUSTMENT TO A MORE CARBON-CONSCIOUS ECONOMY.

ON THE TOPIC OF CARBON ASX WILL SHORTLY LIST (IN NOVEMBER) FUTURES AND OPTIONS CONTRACTS ON RENEWAL ENERGY CERTIFICATES (RECS), PRECEDING A Q1 2010 LISTING OF CERTIFIED EMISSION REDUCTION (CER) DERIVATIVE CONTRACTS. SUBJECT TO THE PASSAGE OF THE PROPOSED CARBON POLLUTION REDUCTION SCHEME LEGISLATION ASX ALSO INTENDS TO LIST FUTURES AND OPTIONS CONTRACTS ON AUSTRALIAN EMISSION UNITS (AEUS) LATER IN 2010. THIS NEW RANGE OF PRODUCTS WILL COMPLEMENT THE EXISTING ENERGY (ELECTRICITY AND NATURAL GAS FUTURES) AND ENVIRONMENTAL MARKETS (COMPRISING OVER 80 ASX LISTED CLEAN TECHNOLOGY COMPANIES) OPERATED BY ASX IN INFORMING INVESTMENT DECISIONS TO ASSIST IN THE TRANSITION TO A LESS CARBON INTENSIVE ECONOMY.

RETURNING TO EVEN MORE CURRENT MATTERS, THE FIRST QUARTER OF FY10 HAS WITNESSED AN EXTENSION OF THE RECOVERY TREND IN EQUITY AND FUTURES MARKET ACTIVITY LEVELS WE OBSERVED IN THE APRIL/JUNE QUARTER OF FY09. SECONDARY CAPITAL RAISINGS FOR THE QUARTER ARE WELL UP ON THE SAME QUARTER LAST YEAR, WHILE IPO ACTIVITY REMAINS LACKLUSTRE BY COMPARISON TO THE SAME QUARTER LAST YEAR BUT WITH SOME PROSPECT OF 'GREEN SHOOTS' APPEARING AS THE ECONOMY MOVES INTO RECOVERY PHASE.

AS LONG AS FIRST QUARTER ACTIVITY MOMENTUM LEVELS ARE MAINTAINED WE WOULD EXPECT TO RETURN TO A CASH EARNINGS (EDITDA) GROWTH TRAJECTORY DURING THE SECOND QUARTER OF FY10, NET OF A RETURN TO HEALTHY LEVELS OF TRANSACTION FEE REBATES AND BASED ON FLAT-LINED CASH COSTS. IN ADDITION, ASX'S CAPITAL POSITION HAS BEEN FURTHER STRENGTHENED BY AN ENCOURAGING TAKE UP OF THE RECENTLY INTRODUCED DIVIDEND REINVESTMENT PLAN (WITH AN APPROXIMATE 24% RETENTION RATIO) THAT APPLIED TO THE FINAL FY09 DIVIDEND PAID ON 24 SEPTEMBER 2009.

IT IS TOO EARLY TO PROVIDE DEFINITIVE GUIDANCE ON THE LIKELY IMPACT ON THE ASX INCOME STATEMENT OF THE TRANSFER OF CERTAIN MARKET SUPERVISORY FUNCTIONS FROM ASX TO ASIC, OTHER THAN TO FORESHADOW THAT THE TRANSFER WILL BE ACCOUNTED FOR AS A SIGNIFICANT (NON-RECURRING) ITEM DURING FY10 AND THAT THERE IS LITTLE LIKELIHOOD THAT THE EFFECT OF THE TRANSFER WILL BE EARNINGS ACCRETIVE TO ASX SHAREHOLDERS ON AN ONGOING BASIS.

ASX'S BOARD AND EXECUTIVE DO UNDERSTAND THAT ASX SHAREHOLDERS ARE ENTITLED TO RECEIVE FAIR VALUE COMPENSATION FOR THE INTELLECTUAL AND PHYSICAL PROPERTY RIGHTS WHICH ARE ACQUIRED BY THE GOVERNMENT'S NOMINATED AGENCY (ASIC) AS A CONSEQUENCE OF THE TRANSFER. THIS, FOR EXAMPLE, OCCURRED WHEN THE NEW YORK STOCK EXCHANGE RETIRED OR TRANSFERRED CERTAIN OF ITS PARTICIPANT SUPERVISORY FUNCTIONS TO THE FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA) IN THE US IN DECEMBER 2007.

THE CURRENT QUARTER-END COINCIDES WITH THE EARLY PART OF THE SECOND TERM AND FOURTH YEAR OF MY STEWARDSHIP AS MANAGING DIRECTOR AND CEO OF ASX, AFTER SIX YEARS AT THE HELM OF THE FORMER SYDNEY FUTURES EXCHANGE. I SHOULD ACKNOWLEDGE THE CHAIRMAN'S REFERENCE TO MY CONTRACT EXTENSION EARLIER THIS YEAR WITH PUBLIC ACKNOWLEDGEMENT OF THE PRIVILEGE IT HAS BEEN TO HAVE WORKED CLOSELY WITH DAVID GONSKI AND THE ASX BOARD, AS WELL AS WITH ALAN CAMERON (ASXMS CHAIRMAN) OVER THE LAST 12 MONTHS. I VALUE THEIR COUNSEL.

I ALSO ACKNOWLEDGE THE IMPORTANT ROLE OF THOSE DIRECTORS ON THE BOARDS OF OUR SUPERVISION AND CLEARING AND SETTLEMENT SUBSIDIARIES, THREE OF WHOM ARE BEFORE YOU TODAY SEEKING RE-ELECTION TO THE PARENT BOARD, WHICH I WHOLEHEARTEDLY ENDORSE. THEY ARE IN THE 'ENGINE ROOM' OF WHAT WE DO ON A DAILY BASIS AND BROUGHT AN ADDITIONAL COMMITMENT OF TIME AND EXPERTISE TO WHAT WAS A FRENETIC YEAR. FINALLY, I THANK THE STAFF AND SENIOR MANAGEMENT GROUP AT ASX FOR THEIR EFFORT AND DEDICATION OVER THE SAME PERIOD.

I WILL NOW HAND PROCEEDINGS BACK TO DAVID AND THANK YOU FOR YOUR ATTENTION.
