



**ASX Limited Annual General Meeting
Chaired By David Gonski, ASX Chairman
Edited Transcript of ASX 2010 AGM Q&A
29 September 2010**

Item I. FINANCIAL REPORT:

Carol Limmer, Australian Shareholders Association

Good morning Mr Chairman. My name is Carol Limmer and I represent the Australian Shareholders Association holding 422 proxies covering about 560,000 votes. First of all I would like to compliment the ASX on its report in terms of it being quite easy to read. The graphs and tables and the simple representation - given the various legal and accounting constraints under which all the reporting has to be done - I thought that was very good. And also just to commend the stance that's being taken on gender diversity by the ASX generally and the board. Just a question on political donations, and its not really a matter of quantum but rather the principle of political donations, I see the amount donated is not that high relatively and there has been equal amounts given to the two major political parties, but the Australian Shareholders Association doesn't favour political donations from companies and I was wondering whether you could just clarify whether: 1. It is an issue subject to review and 2. Perhaps the reasons behind political donations?

David Gonski, Chairman, ASX Limited

Thank you very much Mrs Limmer, and thank you for your interest in the company which is manifest not just in you being here but also in the calls you have made, and the meetings we have had, in the last couple of weeks. In relation to political donations, we basically look at it every election and make our determination whether we think it's right or wrong for us to do it. We do it for the benefit of the company, not for our own self aggrandisement. We do it equally because it is not for companies such as this to determine political outcomes. We believe that as an important part of the economy of Australia, and indeed an important part of the infrastructure of Australia, we should be involved. And we also believe very strongly that giving some small amount of donation may assist us in access; being able to meet people. Clearly it is something that we look at all the time, as I say, and as you would be well aware it is something that governments are looking at as well. You may be assured that we have no plans to increase and you may also be assured that we believe in an equal proposition at all times.

Paul Fanning, Shareholder

Thank you Robert and David on your addresses on the state of ASX in the last 12 months - a very turbulent time that has been particularly in the last quarter of the last financial year - and also the state of the markets in the new financial year. I guess the question that would be of interest to many ASX shareholders is what synergy, or what future investments, could the ASX Limited make in coming six or 12 months i.e. the ASX's 20% shareholding in Iress Market Technology Limited, is there any further synergies or merger or acquisition possibility there? And further, I read in the press in the last couple of days that there may be some synergies or collaborations with overseas exchanges for economies of scale or to give a better market coverage or market depth here for Asian

markets particularly Australia and New Zealand. Could either Robert or David please give us some feedback or comments?

David Gonski, Chairman, ASX Limited

Well that's a very wide ranging question. Firstly as somebody who you are, who regularly comes to meetings, you will know that over at least the last three years we have said that we are conscientiously evaluating the exchange space. As a board we look at it, and will continue to look at it. I should also make it very clear, particularly in terms of the references you have made, that if we have something to disclose we will disclose it. But this board is a hard working board; very aware that this company has opportunities and will continue for many, many years to have opportunities. And you may be assured that we will look conscientiously at whatever we can.

Item 3. REMUNERATION REPORT:

Carol Limmer, Australian Shareholders Association

Just a comment on the remuneration report; first of all to note that directors and key management personnel don't vote on it - and that's good - and also to say that overall I believe the remuneration policies and the outcomes within the Rem Report are quite reasonable. In relation to the CEO, I also note there is no actual LTI allocation this year. However I see there has been no change to the LTI Plan to increase the performance period beyond three years, and that there is no deferral actually following the vesting. Within the Australian Shareholders Association there is a strong view that the performance period should be at least four years for LTIs, and I am aware that some companies are looking at - or actually increasing their LTI performance period - and I would like to ask whether this is a matter that the ASX board would have under regular review?

David Gonski, Chairman, ASX Limited

Firstly yes, we are very aware of the Shareholders Association's suggestions. There are many who have suggested that periods of longer than three years are a good idea. The interesting thing about long term assessment plans are that they are not an exact science and the board - I can assure you - takes them very seriously here, as you can note from our report. We talk about them; we can change the rules if we believe it is warranted. Some of us may feel a certain duration is right, others feel it should be longer or shorter, and we debate it. I can assure you every time there is to be a grant we look at the scheme, and we will continue to look at it from time to time.

Item 5. MODIFICATIONS TO THE CONSTITUTION:

Paul Fanning, Shareholder

I am just speaking in terms of the modifications to the constitution; I guess a question that has been raised in different circles, in recent months, is the number of shareholders who are able or willing to attend AGMs. I commend the board on updating the constitution to make it compatible with the Corporations Act 2001 and recent changes, and also to offer direct voting for those shareholders who are unable to attend, be it by postal or electronic or fax or whatever. However, with only about 1% of the shareholder population attending AGMs in person, how does this lie in view of perhaps encouraging smaller shareholders to be present at AGMs, to actually get a ground feel of what goes on?

David Gonski, Chairman, ASX Limited

Paul, firstly, as I said earlier, you are a regular attendee and we appreciate that, and you are always welcome here. But can I also say the world - I think wonderfully - is moving on. Basically we have - as I said at the beginning - this meeting is on our web site and is basically available to people in all parts of Australia and actually on the world wide web throughout the world. We believe very strongly that people - and we hope they do - will listen and be involved. But they can't all be in Sydney and, indeed - if you look at our register we are proud of it - we have people from all over the place who have shares, and they are very welcome to be our shareholders. So to encourage them to be involved - rather than not encourage them - we want them to be able to vote from afar. We hope that they do watch the web cam (or whatever its called). I might also say they are very welcome to be here - and I am sure that the people in Sydney would love lots of tourism coming to Sydney from wherever they may live - but I think the key is to make it easier to participate. Your point is a very good one. Being as old as I now am, and been involved, it has been wonderful to have groups of people coming together to argue things. But in the future the group in the room will be just part of it. I predict people will be coming by screen, they will be sending in tweets and all sorts of things, and we as a company - which wants to be at the forefront of these things - both encourage it and we will remain at the forefront.

OTHER BUSINESS:

Bob MacGregor (Juvem Investments), Shareholder

My name is Bob MacGregor of Juvem Investments Pty Ltd. I think I probably count for more shares than sits down there actually. I would just like to make a couple of statements and see if I can get some response. I am very concerned about the way trends are going in world stock markets. I have been a student of them for probably 50 years plus. I think high frequency trading, for example, is starting to turn exchanges into casinos. I think the mum and dad investors are leaving in droves. I know you David, and Robert, have addressed this point and you have mentioned various ways you have tried to stem the tide. However, I think that people should be aware of just where we are going, and to that end I would just like to make a few points today. The guy that invented high frequency trading gave an address in May this year where he stated he has been trading on a daily basis for four years and hasn't had a losing day in four years. That's high frequency trading for you. How does it happen? Well of course they have got the fastest gun in the west. The algorithmic and the high frequency traders know orders are coming down the pike. They front run them and then they buy them back. And he said "the longest I hold a trade is for 11 seconds". Now how can we think of an exchange being anything else but a casino if this is what is going on? Now this of course could not have happened unless the investment banks and the people that run Wall Street had not got rid of the up-tick rule for short selling. Now this is going to be a scourge on all exchanges of the world and of course they can't also do it if they proliferate exchanges. You have one trading behind this tree, and one over there, and one over there. Instead of having a central pool where everybody can look at it, no, you have to have the fastest gun in the west to see where things are going. And I think that's disgusting. And of course we have got Tony D'Aloisio being interviewed on Late Line Business saying that - and I quote - he said that their role was that of an ambulance. When the accident occurs we get called and we mop up the pieces. Well it worries me and, my son asked me to ask, in an order flow is ASIC up to understanding the micro and the miniscule orders in sequence coming down the pike, when we see reference in the paper there is order stuffing going on left, right and centre. And especially on Wall Street where they say less than about 7% of the orders, I think even in our exchange, actually ended up in executions. But they are absolutely annihilated and taken back out. They are there to front run the orders. And I could tell you now why the flash crash occurred, because there is no up-tick rule on short selling. Now it is obvious to anybody, that if anybody can get up there and say, 'oh I will borrow a million shares and I will short them', then of course it will depress the price. And if they keep selling, and selling, of

course they can drive it down to zero. So if there are no buyers, the buyers withdraw, vote stuffing comes in and they just flog it down, markets go to zero.

The other thing I would like to speak on is the reports that come out daily on the amount of short interest in the market. Now I keep these figures on BHP and ASX, because I have share holdings in both and have done for years. It is interesting that over the past three or four weeks in ASX, as to the prior almost three years, the open short interest everyday in ASX is over 30%. And yet when you look at the stats, the total combined open interest on a cumulative basis - ASX and BHP - is less than 1%. Now I don't know who is kidding who, but I know that that's not fact. Would you like to comment on some of these points please?

David Gonski, Chairman, ASX Limited

Can I say firstly, just in your comments, your experience shows through so congratulations. In terms of whether people can do things or whether their role is ambulances, I don't think that is for us to comment. What you have very eloquently illustrated is what Rob and I were saying in our speeches. And that is we are in a very important time of the development where we have to be careful how these alternative market operations are going to be legislated; rules are going to be made. And I want to give you one assurance: that the ASX will put in our views as time goes on. We are very much in the market, and of the market, and we are going to seek - obviously - to be involved. Having said that, I don't think it's for us to judge or to say either you are right or you are wrong. But it is very interesting to hear your views and certainly I found them something we can obviously listen to. On your specific question on of the shorts - Rob will respond.

Robert Elstone, Managing Director and CEO, ASX Limited

I think this is probably going to be a work in progress Bob over several months if not years. If you rewind probably two years ago to the time of the short selling prohibition that ASIC and other regulators around the world introduced - at the absolute peak of the financial crisis in the December quarter of 08 where naked short selling was prohibited - and that was the start of what we now start seeing as improved short reporting. But you are absolutely right. It suffers from two deficiencies. One is that it still is an honour system of reporting; it's a fairly voluntary code that will always be plagued - particularly as we have on occasion - up to 50% or 60% of our market volumes are offshore driven. We have a T+3 settlement cycle, so you have genuine logistical difficulties in a lot of brokers getting information from their end user clients around the world. So it is an ongoing work in progress as far as the integrity of the stock borrowing and lending activity that is occurring in the market. ASIC has already begun, I think, the next phase of the process which is putting obligations on the underlying holders with short positions to start reporting their short positions. We can throw a lot of science at this technically, but practically - given the way the volume, the logistics and the geographic aspects of the way that shares are globally traded these days - you will always see measurement error in the current reporting format. It is better than it was two years ago but it's still riddled with some inefficiencies. But I think as time goes on it will get better and better. Whether we will ever get to the state that you and we would all aspire will remain an open question. On the first part, as David has indicated, I think we have really covered off, as clearly as we can, our own words of caution to ASIC. I don't think it's appropriate for us to make public or private comments as to ASIC's state of readiness - or adequacy - for the task to become the architect of the new market architecture.

David Gonski, Chairman, ASX Limited

Thanks Rob for your comments. I was looking around the room as you mentioned the number of years you have been in the market place and so on. There are many here who have been involved in broking, and so on, and I

want to say how nice it is to see you all. It's just terrific that you have come to this meeting and long may you do so. I don't believe there is anything further to discuss here, I thank everyone for coming.

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