



MEDIA RELEASE

Equities Market Competition

Wednesday 31 March 2010

The Government's decision in principle to grant a market licence to Chi-X will change the competitive dynamics of the exchange traded financial markets in Australia.

The Australian Financial Markets Association (AFMA), which represents major equities brokers, supports competition in financial markets in principle, though it does not endorse any particular model, product or service. Competition is a feature of financial markets in advanced economies.

The introduction of a competing trading platform will present both opportunities and challenges for brokers participating in the equities market. They will need to make choices about the use of trading platforms in the best interests of their clients and their own business.

As competition is being introduced, the ASX is itself in the process of upgrading its trading system. Meanwhile regulatory supervision business conducted on the ASX's equities market is being transferred from ASX Market Supervision to ASIC, which is taking responsibility for the market integrity supervision of all financial markets.

The convergence of these developments in the space of a few months must be carefully managed to ensure a seamless transfer of supervision, extending the regulatory framework to accommodate multiple market operators and the smooth introduction of new competition.

Market participants must be kept fully informed by market operators on development of the rules that will apply to participants who use their trading platforms and the technology that will be required.

ASIC and the market operators will have to conduct an effective consultation process to enable decisions on the form of associated regulatory and market infrastructure enhancements. AFMA looks forward to engaging in this process.

We support the Government's approach that, if final approval is granted, Chi-X's competing market will not become operational until supervisory responsibilities have transferred to ASIC and an appropriate settling-in period has taken place.

AFMA is committed to working with the Government, ASIC and the market operators to ensure the process of regulatory change and the introduction of competition takes account of practical implementation, protects market integrity and promotes efficiency to the benefit of market users.

Notes for Editors:

The Australian Financial Markets Association (AFMA) is the peak industry association for Australia's wholesale banking and financial markets. These markets play a pivotal role in the Australian economy by making it possible for Australian financial institutions and companies to conduct business with each other and with their counterparts overseas.

AFMA represents industry participants in the financial markets, including Australian and foreign banks, leading brokers, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.

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