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AFMA Market Committee Rules

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AFMA Market Committee Rules

1. PURPOSE

- A core function of AFMA is to encourage high professional standards in the wholesale financial markets and to facilitate the effective self-management of OTC markets through agreed market conventions and standards.
- Market Committees¹ are elected by members and are the primary means through which AFMA undertakes its coordinating role in the OTC markets. These committees develop consensus in the market on technical matters such as transaction documentation, standards, trading conventions and market data, which is necessary for efficient OTC market operation.
- Working Groups may be established within a committee to deal with specific issues of significance.

2. GOVERNANCE

- AFMA's Board has ultimate responsibility for the affairs of the Association. Within this context, the Market Governance Committee (MGC) has oversight of AFMA's role in industry self-regulation. The MGC oversees the activities of the Market Committees and advises the Board on issues of relevance.
- The responsibilities of the Market Governance Committee include:
 - The development and maintenance of market protocols and operational standards that facilitate and promote the efficient and smooth running of the financial markets in Australia.
 - Advise the Board on issues that affect the reputation of financial markets.
 - The promotion of high ethical standards in the Australian financial markets.
- The Market Governance Committee regularly reviews the activities of the Market Committees and has the authority to provide direction as it considers necessary.
- Market Committees may refer matters to the Market Governance Committee for its advice and direction and should do so when a matter being considered may have ramifications beyond the committee's area of responsibility.

¹ AFMA's Policy and Operation Committees serve a different purpose to Market Committees and they do not have a formal role in setting market standards. Hence, these rules do not apply to them.



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3. FORMATION

3.1. Market Committees

- Membership is restricted to AFMA Financial Market Member organisations.
- Committees may have up to 14 member organisations. In order to actively encourage buy-side and borrower representation, the number of interbank counterparties (including brokers) in any one Committee is restricted to 12 members in each Committee.
- The membership term is for two years, ending on 31 December of an odd year.
- AFMA Financial Market Members will be invited to nominate for membership of all committees before the end of each cycle.
- If more than 14 nominations are received for a committee, its membership is determined by a vote among the nominating organisations. Committee numbers may exceed 14 in the event of a tie for fourteenth place. An organisation is limited to one membership of any committee.
- Failure of a member to attend two consecutive committee meetings without an adequate explanation may result in the Market Governance Committee terminating the organisation's membership of that committee.
- The committee will determine the appropriate organisation to fill a casual vacancy created by the resignation of a member. In making such determination, consideration should be given to maintaining balance within the committee across the relevant industry sectors.
- In addition to members nominated/elected to the committee, over the course of its life a committee can add up to two additional members with the approval of the committee, subject to the voting requirement in section 8.

3.2. Observers and Guests

- Observers may be invited to attend meetings on a one-off or regular basis, subject to the approval of the Committee. These will include government bodies (such as RBA and AOFM) and other AFMA members (such as exchange market operators and AFMA Partner members).



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- From time to time it will be appropriate for market participant guest(s) to attend a single meeting, where the guest(s) bring expertise and knowledge not currently available to the committee and which relate specifically to a matter being considered. Guests should be present only for that part of the meeting directly relevant to their presentation. This may arise from:
 - An organisation which may or may not be an AFMA Member wanting to obtain feedback from a committee on a proposed product/service. Committees are not a forum for entities to seek to gain a commercial advantage. Accordingly, there should be demonstrable potential benefit to the market at large from a guest presenting to a committee.
 - The committee seeking interaction with market participants. This will arise where a committee agrees to seek external input to a particular issue, having considered the question of commercial advantage.

3.3. Working Groups

- Committees can establish working groups for a one-off or specific purpose, such as preparing an industry submission, looking at a specific issue in the market, or where specific expertise outside of the representative individuals is required, such as for legal or regulation issues.
- Working group members are usually sourced from the committee establishing the group, but may also include individuals with the required expertise who need not necessarily be AFMA members.
- There is no restriction on working group membership numbers.
- The working group may make recommendations to the committee, but the responsibility of any decision rests with the committee



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4. RESPONSIBILITIES

4.1. Members

- The member organisation will appoint a representative to each committee of which it is a member, such representative having suitable expertise and experience. The member organisation should also appoint an alternate to allow for situations when the primary representative is unable to attend a meeting.
- All member organisations have a responsibility to ensure its representatives attend meetings and actively contribute.
- Members should notify AFMA Secretariat as soon as possible when there is a change in member or alternate representatives.
- If a representative is unable to attend a committee meeting, he/she should make every effort to ensure an alternate attends in his/her place.
- When considering issues raised each member should primarily have regard to the broader interests of the financial markets. The direct implications for a member's organisation should not significantly influence their contribution.
- Members should not seek to promote their organisation's products or services at the expense of competitors not represented on the committee.
- Members are encouraged to propose agenda items for meetings to either the Chairperson or AFMA Secretariat.
- All Committee members should be fully observant of AFMA's Competition Law Policy and Guidance when considering issues or discussing matters.

4.2. Chairperson

- Each committee will elect a Chairperson from one of the members. In the absence of the Chairperson at a committee meeting a deputy should be nominated. If no Chairperson is elected from the members, AFMA Secretariat's Policy Executive can be elected as Chairperson.
- The Chairperson's responsibilities include:
 - Agree meeting dates, times and venues and any changes thereto with the Secretariat.
 - Agree the agenda for meetings with the Secretariat.



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- Determine if a quorum for a meeting (ie, two thirds of committee members) is in attendance.
- Conduct meetings in an orderly fashion, in accordance with the agenda.
- Encourage members to deliberate on matters and make consensus decisions rather than resorting to a vote.
- If discussion is becoming protracted or opinion is becoming divided, summarise the discussion points and suggest a way to resolve the impasse.
- Monitor the effectiveness of committee members in meeting their responsibilities.
- Review and approve draft minutes prior to their distribution.
- Review requests from non-members to make representations to committees.
- Be available to make unattributed written comments in relation to products covered by the committee in relation to the annual Australian Financial Markets Report.
- Where possible, represent the committee before regulators in relation to submissions.

4.3. Secretariat

- The AFMA Secretariat will provide a dedicated Policy Executive and administrative support for the committee. Where elected or when necessary, the AFMA Secretariat can accept some or all of the Chairperson's responsibilities.
- The Secretariat will prepare a draft agenda for the approval of the Chairperson.
- The Secretariat will seek to ensure that details of the next meeting are sent to members a week prior to the meeting date and that any subsequent changes are promulgated as soon as possible. Notices in relation to adjourned meetings will, as far as possible, be sent to members at least three days prior to the original meeting date.
- The Secretariat will monitor attendance at meetings and report to the Chairperson, so a recommendation may be made to the Market Governance Committee if a member misses two consecutive meetings without adequate explanation.
- Minutes of meetings will be drafted by the Secretariat and sent to the Chairperson for approval.
- Approved minutes should be sent to members by the Secretariat within ten working days of the meeting.



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5. MEETINGS

- Committees will meet on a quarterly basis or as required.
- Telephone and videoconference linkages can be used to facilitate meetings:
- A member's representative shall be deemed to be present at a meeting provided the representative either attends in person or 'dials in' using telephone or videoconference linkages.
- The Chairperson will preside over each meeting.
- Costs incurred in preparing for and attending committee meetings are for the account of the organisations being represented.

6. AGENDA

- The agenda for each meeting should include:
 - A confirmation of the minutes of the previous meeting.
 - Progress on action items from previous meetings.
 - New business items for the meeting.
 - An "Other Business" item.
 - Setting (or confirming) the date, time and place for the next meeting.
- Committee agenda items include, but are not limited to, the following general categories where relevant to the Committee:
 - Market Conventions and Guidelines
 - Regulatory Issues
 - Documentation Issues
 - Market Education Issues
 - Market Data (including the Australian Financial Markets Report)
 - Market Integrity
 - Market Behaviour
 - Membership of Committees
 - Updates from other Committees
 - Issues on the Horizon
- As noted previously, Committee members are strongly encouraged to propose agenda items for meetings to either the Chairperson or AFMA Secretariat.



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- As also noted previously, when considering issues raised each member should primarily have regard to the broader interests of the financial markets. The direct implications for a member's organisation should not significantly influence their contribution.
- AFMA Members who are not represented on a committee may raise issues to be considered for inclusion on the agenda. Approval to include these items rests with the committee Chairperson.

7. MARKET CONVENTIONS

- AFMA supports a comprehensive system of industry accepted standards and conventions that streamline market practices and ensure Australia's OTC markets trade at an accepted standard.
- The creation and maintenance of OTC market conventions are a key responsibility of the market committees.
- A member firm seeking a review of, or a change to, a market convention must request this by contacting the Chairman of the relevant Committee or AFMA Secretariat. The member should explain the nature of the change/review and the rationale behind it.
- The proposal should be included as an item for discussion on the agenda for the next meeting and any background papers circulated prior to the meeting.
- The market committee will review member firm submissions and make a decision for or against the proposed change (which may have been amended in the light of member feedback).
- It is important that acceptance or rejection of the proposed change is ratified by formal approval of the Committee, and that this approval be minuted.
- Member firms should be advised of the proposed change by, for example, an email to the AFMA Main contact or via the regular AFMA newsletter. Adequate time should be allowed for members to consider the proposal and respond with feedback to AFMA Secretariat.
- In most circumstances, MGC will note and approve changes proposed by the market committees, by circular email resolution if required to avoid undue delays in implementation. However, where substantive concerns have been expressed during the member consultation or review processes, MGC will review the proposed change before it is incorporated into the conventions. MGC may approve the change or seek further review by the Technical Committee.



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8. VOTING

- Committees should work towards reaching a consensus, although there will be times when a vote may be required to reach a decision on an issue, such as a change in market conventions.
- A quorum for a meeting is two thirds of the members. For example, if the Committee has 13 members, at least 9 must be present and prepared to vote in order for a decision to be made. If a quorum of members prepared to vote is not present, then no vote can be determined.
- Each Committee member will have only one vote.
- Where matters have to be resolved by a vote, care should be taken in the wording of the resolution so that a decision can be reached in the affirmative or negative. Wherever possible, the choice should be binary (Yes or No).
- Where matters have to be resolved by a vote, an affirmative vote from at least 75% of committee members present and prepared to vote is required for a motion to be carried. For example, if 10 members are present and prepared to vote (and that number satisfies the quorum rule), then at least 8 (75% rounded up) must vote in the same direction for a clear decision to be made.
- A committee member that chooses to abstain from a vote (i.e., not prepared to vote) will not be included in the determination of a quorum for the purposes of the vote. Abstaining should only occur in rare instances, and the member should have a sufficient reason for abstaining.
- Before finalising its view on a matter that may be significant in a wider market context, a committee should seek information from the relevant Policy Executive regarding policy positions or views held by AFMA in the broad interests of its members and consider referring the matter to the Market Governance Committee for guidance.

8.1. Voting by circular resolution

- From time to time, it may be preferable to vote via email circulation. This may occur when members choose to be anonymous, where the results of the vote may be market sensitive information, in between meetings for expediency, or for other reasons.



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- AFMA Secretariat will email members with respect to the question if voting by a circular resolution process, providing a deadline for responses to be received by return email.
- A quorum will be determined by the number of responses that have been received by the deadline. Members who do not respond to the email request will be deemed to be absentees or abstainers and will not be counted in the voting calculation.

9. MINUTES

- Minutes are a summary of committee meeting outcomes and proceedings; they are not a verbatim account of the meeting. However, a Committee may decide that specific matters of importance should be recorded in greater detail in the minutes.
- Minutes are confidential documents and care should be taken in their circulation.
- Minutes should have a confidentiality clause as a footer to the front page and be distributed in PDF. The exception is when sending draft minutes to the Chairman where a clean document with track changes turned on should be sent.
- Care should be taken that the minutes clearly and accurately convey the meeting's position. Emotive or potentially ambiguous words should be avoided.
- In general, comments should not be attributed to a particular person or organisation. Phrases like "The committee noted..." or "The committee determined..." are suitable. Exceptions apply on a common sense basis. For example, where a report/presentation is listed in the agenda it may be appropriate to refer to specific information, such as "J Smith, Director of XYZ, gave a presentation on ...".
- Resolutions will be proposed and seconded by specific organisations, eg "Proposed: Westpac; Seconded: CBA". The fate of the resolution is then shown.
- If an organisation disagrees with the course of action adopted by the committee and wishes that objection to be recorded in the minutes it should be recorded as "The proposal was agreed to by the committee with ABC Bank dissenting...".
- Wherever possible, issues that need to be addressed in some manner outside of the Committee should be noted as action items. In order to be effective, action items should specify who is to do what and by when.
- Documents tabled during the course of a meeting are generally not appended to the minutes, unless the committee agrees to a specific request to do so. There may be occasions when an exception should be made for completeness or efficiency.