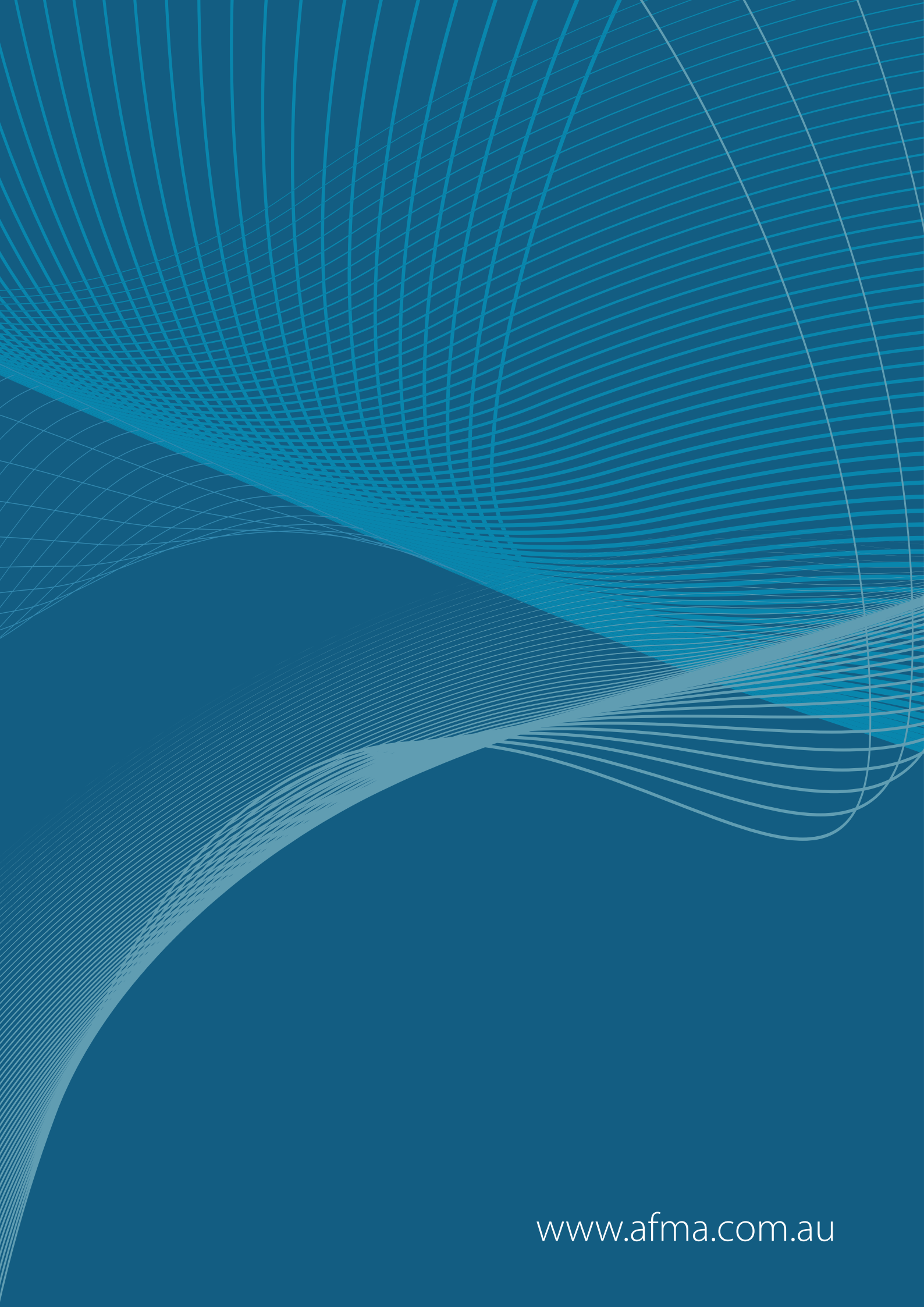


AFMA

ANNUAL REPORT 2020

Australian Financial Markets Association Ltd



www.afma.com.au



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CHAIRMAN'S REPORT



AFMA's vital role as the industry body for Australian financial markets participants was highlighted in an exceptional year that came to be dominated by the COVID-19 pandemic. AFMA's Board harnessed the energy, commitment and capability of both the Secretariat and the large number of member firm participants involved in our 50 committees to generate significant benefits for the membership.

It is evident that this work is respected by government and the financial regulators, with whom AFMA maintains an open dialogue. Moreover, it is clear that AFMA's ongoing effectiveness is important to the future interests of the industry, which has an essential role to play in Australia's economic recovery from the pandemic.

The Impact of COVID-19

The year commenced with a heavy program of advocacy work, that was directed in part to address the implications for members from a major program of reforms to financial services regulation. In broad terms, the reforms aimed to intensify regulation, increase senior executive accountability for conduct and, more generally, lift professionalism standards. AFMA led the industry response in promoting the proportionate application of regulation in financial markets. This drew on the range of AFMA's capabilities, including the organisational and technical expertise of its staff, the experience of its members and the established working relationships it has with government and its agencies.

This work is largely unfinished, as the various regulatory reform programs were suspended in early 2020, when the serious impact of COVID-19 on the community and the economy became apparent. It is to the great credit of industry participants that the financial markets operated effectively during this abnormally difficult period and continued to serve their economic purpose in a substantive way. AFMA, for its part, provided our full range of member services without interruption.

The benefit of a strong industry association is often most evident in times of crisis. AFMA's own pandemic policy came into effect and additional channels of communications with regulators were established at the outset to deal with COVID-19 re-

lated matters. This proved to be an essential mechanism for the resolution of uncertainty and practical issues that confronted members. AFMA's international relationships were used to provide early insights into the measures that both industry participants and regulators could take to manage the unfolding situation. This involved greater pragmatism and some restraint by regulators. It is to be hoped that the benefit of this engagement, including insights into the commitment of industry participants to effective markets, will influence their future approach to regulation.

AFMA has advocated measures to improve both regulatory policy formulation and its implementation, so the financial markets sector can contribute fully to meeting the Government's economic growth objectives.

The consequence of COVID-19 on the economy has been multi-faceted and dramatic. The focus is now on measures to promote a sustainable long-term economic recovery, including deregulation. In this context, AFMA has advocated measures to improve both regulatory policy formulation and its implemen-



CHAIRMAN'S REPORT

tation, so the financial markets sector can contribute fully to meeting the Government's economic growth objectives. Market participants need regulation that is balanced, clear and predictable. AFMA works on the premise that successful markets require effective regulation, but it must be applied in a way to minimise related costs and risks for market participants.

AFMA has asked the Government to work with industry participants on a strategic development plan for the financial markets sector that promotes cost effective services, competition and international competitiveness. Our objective is to keep and grow businesses in Australia. By its nature, this is a long-term task that requires an ongoing commitment by government. However, AFMA has sought action in areas where Australia can get some early runs on the board and build momentum.

Operational challenges being addressed

Australia's financial markets are advanced in global terms and have been at the forefront of technological innovation. Regulators in Australia and overseas have a sharper focus on information technology and cyber security matters, including operational resilience.

Responding to member needs in this area, AFMA has enhanced its internal capability to manage industry issues. AFMA hosted related workshops and information sessions, supported by our partner member firms. Committees for data governance and information security were established, which worked well alongside our existing operations committees. The committees responded to related consultations by ASIC, APRA and ASX, as well as government proposals for a critical infrastructure security and resilience framework.

The greater focus on IT matters complements AFMA's more traditional work in setting and updating conventions for trading

on the OTC markets. In this context, the exceptional change to market conditions following the COVID-19 outbreak required attention at a number of levels this year. For instance, the need for market participants to prepare for the possibility of zero or negative interest rates required revisions to the pricing formulae in AFMA's conventions for floating rate notes.

In relation to equities, ASX's CHES replacement project is a major ongoing project that we expect to benefit the industry and its implementation directly involves many AFMA members. Reflecting member needs, we supported an extension to the planned implementation period. AFMA has also continued to promote effective futures market operations, for example, by acting as a coordination channel for the rapid implementation of measures to manage ASX24 bond roll changes.

Looking to the future, AFMA will allocate the resources necessary to enable member firms to collectively address the operational and technical issues they face in maintaining and improving the effectiveness of our exchange and OTC markets.

Policy

AFMA's representations on behalf of members cover a broad range of policy areas including:

- exchange traded and OTC markets;
- equity and debt capital markets;
- bank prudential regulation;
- taxation; and
- anti-money laundering legislation and regulation.

The proactive approach taken by AFMA's policy team to manage policy issues, and lead industry thinking in many areas, has become more important over time, in part because member firms are inundated by the process of implementing regulatory change.

Over the course of the year, AFMA made almost 70 submissions to governments, regulators and industry providers both in Australia and overseas. They covered a wide range of policy and regulatory matters pertaining to the application of existing law, the design of proposed new legislation or guidance and also the future framework of financial regulation. This had a positive impact on many decisions that affect member firms' businesses, though other issues remain outstanding.

The substance of this work is covered in a dedicated section of the Annual Report and in the Key Achievements Summary previously circulated to member firms.

Regulators in Australia and overseas have a sharper focus on information technology and cyber security matters, including operational resilience. Responding to member needs in this area, AFMA has enhanced its internal capability to manage industry issues.



CHAIRMAN'S REPORT

Government sector engagement

Over the last decade, supported by governments of all sides, there has been a marked increase in the breadth of government financial services regulation and, notwithstanding the impact of COVID-19, this phase is not yet complete. Against this backdrop, it is important for political decision makers and their key advisers to be well informed so they can balance the economic value of a well-functioning financial markets industry against additional government-imposed costs and constraints on its operation. AFMA has sought to ensure that policy priorities and decisions properly take account of their consequences for financial markets.

With this in mind, AFMA maintains an open and constructive dialogue with politicians and senior officials, operating as an interlocutor in the dialogue between the industry and government. During the year, AFMA's Board hosted meetings with the Assistant Minister for Superannuation, Financial Services and Financial Technology, Senator Jane Hume, Reserve Bank Deputy Governor, Dr Guy Debelle, ASIC's Chair, James Ship-ton and ASIC Commissioners. In addition, AFMA held meetings with the Chair of the National COVID-19 Commission Advisory Board, Nev Power, as well as numerous meetings with official sector representatives at both state and federal levels.

Supporting this engagement, AFMA had a busy liaison program with Treasury, the Reserve Bank, ATO, AUSTRAC, APRA and ASIC that involved regular meetings to discuss the concerns of member firms. The agenda often involved discussion about open consultations by the regulators or uncertainty in the way a law or administrative rule was intended to apply. This also provides a valuable mechanism to inform the various government agencies of developments in the industry, answer related questions and develop the knowledge base from which regulatory decisions are made.

Professionalism

Responding to member feedback and commentary by senior regulators, AFMA injected significant resources into its professionalism program in recent years. AFMA's intent is to provide members with practical tools to support professionalism in their firm. I am pleased to report that we continued to make good progress in this regard.

During the year, the Professionalism Committee approved the release of a Practice Guide on Conduct Training to assist member firms to design and implement effective training programs for employees in relation to conduct in the financial markets. Consequence management is recognised as an important factor in sustaining professionalism and we are well advanced in

AFMA has injected significant resources into its professionalism program in recent years, with the intent of providing members with practical tools to support professionalism in their firm.

the preparation of a standard in this area that will support our Accreditation program for individuals and assist member firms more generally.

To retain their accreditation, all accredited individuals are required to demonstrate that they hold the competencies taught in AFMA's Conduct & Ethics module. A substantive evaluation of the module conducted via a student survey indicated that people who took the module saw it as much more than a compliance ticking exercise but, rather, they consider it practical and highly relevant to their work. Thus, the evidence is that the module achieves its objective by promoting professionalism in a meaningful and practical way. This should have a meaningful industry impact as, by the end of the year, almost 500 accredited individuals had enrolled in or completed the module.

Education and Accreditation

AFMA's mission includes the promotion of professionalism in markets by sponsoring education programs and awarding AFMA Accreditation to competent individuals working in the financial markets. To date, AFMA has met this objective by operating as a Registered Training Organisation regulated by the Australian Skills Quality Authority. Last year, the education team worked hard to ensure the content and delivery of AFMA's education program stayed at the highest level, with notable upgrades to the core and debt modules.

Consequent to the quality of this work over many years, AFMA Accreditation is recognised as a reliable indicator that an individual meets the minimum industry competencies. At presently, over 2,250 employees of member firms hold AFMA Accreditation. The Board is committed to ensure that AFMA Accreditation continues to support the effectiveness and professionalism of Australia's financial markets in a rapidly changing environment.

In November 2019, the Board accepted a Secretariat proposal to transition education services to a new Accreditation model that would rely on third parties to deliver AFMA's education



CHAIRMAN'S REPORT

courses. The project to implement this change is well advanced and should be completed by early 2021. Under this model, AFMA will continue to accredit individuals in accordance with a curriculum that it will both control and adjust to reflect the needs of members as they evolve.

A key objective of outsourcing education to a university level provider is that it will make AFMA Accreditation more flexible and relevant as the markets themselves change. It will also provide a credible and cost-effective option for members to respond to ASIC's desire for a sound structure to support professionalism of individuals involved in the wholesale financial markets.

The Board is committed to ensure that AFMA Accreditation continues to support the effectiveness and professionalism of Australia's financial markets in a rapidly changing environment.

Membership

AFMA had 131 members at end-June 2020 and there is a steady flow of interest from potential new members. AFMA's membership is fully representative of the financial markets sector. This is important to ensuring that the policy positions, market conventions and standards that AFMA adopts reflect the collective views of those in the market place to which they apply.

AFMA has sought to involve buy-side representatives more in its activities. The biennial election of Market Committees in December 2019 was another step in this regard, as the Market Governance Committee decided that buy-side participants and brokers should have a minimum level of representation on the committees.

AFMA is fortunate to have a strong complement of Partner Members. These are professional services firms and others who provide vital services to our Financial Markets Members. Their technical and professional expertise has been of great benefit in preparing industry policy submissions and addressing technical

operational issues in markets. COVID-19 has hit many of their businesses hard and I would like to acknowledge their ongoing contribution to the industry's development through their involvement in AFMA's activities. A stronger industry will benefit all stakeholders.

The Secretariat's normal bilateral member meeting process was disrupted to some degree by COVID-19 last year. Compensating for this, AFMA used virtual meeting formats and enhanced member communications through a more comprehensive monthly newsletter and more active social media engagement.

International

AFMA's active participation in international industry forums gives us first-hand knowledge of strategic thinking at the global level. The international reform agenda for financial markets is broad, including matters like sustainability, operational resilience and IBOR transformation that directly feed into AFMA's policy work program.

AFMA CEO, David Lynch, is the current Chairman of the International Council of Securities Associations (ICSA), which includes securities associations from Asia, the Americas and Europe. ICSA promotes safer and more integrated capital markets and has regular discussions with IOSCO and the Financial Stability Board. This provides a unique mechanism to project the interests of AFMA members in the work of these bodies, including their initiatives to reduce cross-border market fragmentation and enhance operational resilience.

AFMA's leadership role at ICSA complements its long established and effective working relationships with regional and global counterparts including ISDA, ASIFMA and ICMA, whose work on standard documentation and debt securities protocols significantly influence practices in Australia. AFMA also maintains a good working relationship with the UK FICC Markets Standards Board, which has a growing influence on global market practices, including in Australia.

Financial Position

AFMA is in a sound financial position. The management operates within a tight cost control framework and it further streamlined operations last year. This approach has enabled membership fees to be kept unchanged this year, which assists members managing the financial impact of COVID-19 on their business.



CHAIRMAN'S REPORT

Financial Markets Foundation for Children

AFMA provides operational and administrative support to the Financial Markets Foundation. This helps the Foundation to operate with zero overhead costs, which has been all the more important this year given the impact of COVID-19 on its regular activities. AFMA staff have played their part to ensure that the flow of funding to vital research projects has continued uninterrupted.

In Appreciation

AFMA is fortunate to have a Board that is comprised of senior industry leaders. They each have busy schedules and I am grateful to them for the commitment they bring to the Association's affairs. Directors have helped ensure that AFMA's strategic path is consistent with the needs of members and that it maintains the organisational capacity to achieve its objectives. Last year, this work also included an update to AFMA's Constitution to sharpen the focus of its objectives.

AFMA's effectiveness depends on a significant commitment of time and expertise by member firms and their employees. The pace of policy reform and operational change in markets has placed significant demands on our policy and markets committee members but they have responded well. Their willingness to work for better outcomes for their firm and the industry as a whole is commendable.

AFMA's Directors have helped ensure that AFMA's strategic path is consistent with the needs of members and that it maintains the organisational capacity to achieve its objectives.

AFMA's activities are managed and supported by a Secretariat that takes on responsibility for the effective operation of the Association across its policy, markets and education activities. Their dedication to this task is central to the success of AFMA in meeting its objectives over the last year.



ROBERT BEDWELL
Chair



AFMA at a glance:

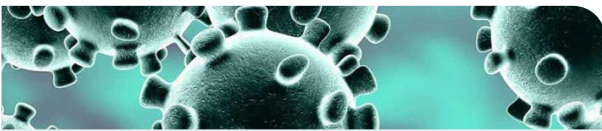
- ✓ More than 130 Members
- ✓ 50 Committees and Working Groups
- ✓ Total Committee Meetings for the year in excess of 170
- ✓ More than 1,000 Individual Committee/Working Group Participants
- ✓ 2,250 plus Accredited Individuals
- ✓ More than 65 Submissions

POLICY INITIATIVES



Pandemic Response

The COVID-19 pandemic was the most significant new challenge to health and financial systems globally over the past year. The crisis brought complex operational and financial challenges that were difficult to deal with, even in jurisdictions like Australia where the number of people directly affected has been relatively limited. At the outset, financial markets experienced high levels of volatility and uncertainty, with increased pressure faced by all participants to ensure business continuity.



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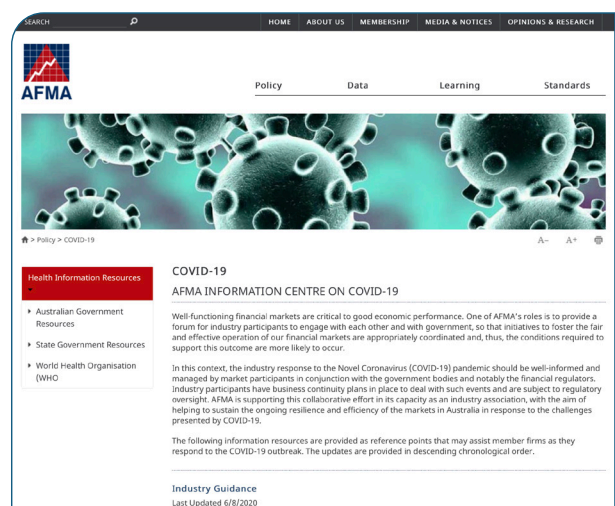
Throughout the first half of 2020, AFMA leveraged its role as an industry association, remaining closely engaged with member firms to ensure that members could meet regulatory compliance obligations under their pandemic operating arrangements and that financial markets stayed open and continued to function effectively. This involved extensive collaboration and consistent dialogue both with the industry, regulators and government.

While this work was wide ranging, a number of key areas required an urgent response through public policy developments as outlined below.

Pandemic Working Group

AFMA's pandemic management initiative was designed to assist members in responding to the extraordinary circumstances brought on by the COVID-19 pandemic. AFMA served as a key source of information for our members and governments, regulators and market infrastructure providers. Starting in February 2020, AFMA launched a series of roundtables with our members through the AFMA Pandemic Working Group. Members provided insights into the heightened risk mitigation measures being undertaken against COVID-19, operational risks faced by firms and potential markets issues going forward. AFMA updated members on communications with regulators and acknowledged member queries regarding regulatory and compliance matters.

To complement the Working Group, AFMA launched a dedicated information page on its [public website](#), updating regularly to provide members with information on the evolving COVID-19 situation along with relevant government or regulator updates.



POLICY INITIATIVES

AFMA's Continuous Engagement with Government, Regulators and Infrastructure Providers

AFMA worked very closely with ASIC on a wide range of issues, with a weekly meeting commencing early in the crisis. These liaison meetings allowed us to provide members with information and to obtain regulatory relief for a range of matters, including voice recording obligations, essential service designation, minimum trade size/market volume cap, the suspension of ADA renewal requirements, capital raising disclosure requirements and benchmark rate surveillance changes (in light of the move to an actively traded market).

AFMA was able to ensure the industry had close connectivity with the RBA and had constructive senior dialogues on the RBA measures to provide liquidity to financial markets and support the banking system in providing credit to businesses, and the related changes to the benchmark rate market.

AFMA maintained effective communication channels with equity market operators ASX and Chi-X on matters critical to the efficient functioning of the equity market over the period.

AFMA worked with AUSTRAC to identify necessary amendments to AML/KYC requirements due to operational changes made in response to COVID-19. In particular, reporting entities faced difficulties in respect of any process requiring physical interaction or the production of original/certified copies. Similar issues existed with certain requirements under the AML/CTF Act/Rules, such as periodic reviews. To seek regulatory relief, AFMA produced a compendium of issues and engaged with AUSTRAC and interested members.



AFMA engaged with federal and state governments during the initial stages of the crisis on the need to treat financial market activities as essential services, in the event of tighter controls on business activity and personal mobility.

Leveraging our prior experience with SARS, AFMA engaged early with the ATO to assist entities managing their tax affairs during the pandemic. The specific issues that arose generally related to staff conducting operations in different jurisdictions and triggering tax compliance obligations, or where certain taxation requirements could not be satisfied due to the inability of officeholders travelling overseas (such as to attend a board meeting). This resulted in ATO releasing a FAQ and providing relief from creating a taxable presence in Australia merely by virtue of staff being relocated to Australia.

AFMA liaised with APRA on a number of fronts during the COVID-19 period, including seeking clarity on reporting requirements and the deferral of the Remuneration Standard. AFMA also sought a deferral of the information security requirements in relation to third parties due to start on 1 July 2020, which was subsequently granted.

Essential Services Designation

AFMA engaged with federal and state governments during the initial stages of the crisis on the need to treat financial market activities as essential services, in the event of tighter controls on business activity and personal mobility. AFMA suggested an approach that could be applied to financial market activities (broadly defined) and across financial services in general. This included the designation of financial services as 'essential services', including supporting third-party providers (e.g. IT service companies) who deliver core services to financial entities.

Trade Volume Cap Resolution – Minimum Trade Size

In response to equities settlement system limitations that emerged during record trading in March 2020, as the market responded to the COVID-19 outbreak, ASIC imposed a trading cap on the top nine brokers. Shortly after, ASIC publicly considered replacing the cap with a major market restructure in the form of a minimum trade size. AFMA coordinated discussions within the industry and with the regulators on these issues and, ultimately, this enabled a more proportionate response by ASIC. This involved removal of the trading cap and a quick return to improved market operation, as industry participants actively managed the residual risks.

Larger Capital Raisings Rules

After ASIC put forward proposals regarding equity capital raising placement allocation disclosure, AFMA made an urgent submission and achieved a satisfactory outcome. As with the minimum trade size proposal, the key risks identified by AFMA were the result of rapidly progressing significant market reforms with abbreviated public policy consultation processes.



POLICY INITIATIVES

When the Government decided to extend executive accountability to a broad range of regulated financial entities through the new Financial Accountability Regime (FAR), AFMA was able to draw on previous experience in the policy dialogue with government. AFMA identified changes that are required to make FAR operate in an effective manner with minimum government intervention.

Delay in Phasing Initial Margining Implementation

AFMA joined with ISDA and other industry associations in writing to the BCBS and IOSCO regarding the timing of the final phases of non-cleared derivatives margin implementation because of the COVID-19 situation. The associations successfully sought a suspension of the current phase-in timeline to allow members to focus their limited resources on ensuring continued access to the vital derivatives market. This was confirmed in a joint announcement by IOSCO and the Basel Committee on 3 April.

Pandemic Survey

As Australian governments signalled emergence from pandemic restrictions, AFMA launched a survey in May 2020 to assess how firms in the Australian financial markets and wholesale banking sectors were preparing for a return to business as usual (BAU) operational arrangements. A variety of respondents participated in the survey including global investment banks, market service providers, foreign ADIs, traders and brokers.

The survey responses provided useful information on the measures undertaken by firms for returning to BAU, various workplace adjustments to adhere to government-advised protocols and long-term planning and adaptations to business processes. Firms noted that their strategies and plans for return to BAU were comprehensively guided by dedicated Crisis Management Committees including CEOs and COOs, and taskforces comprising representatives across HR, IT, Risk, Compliance, Admin, Legal and other relevant departments.

The key results were provided to ASIC during our regular meetings, which addressed its information needs and negated the requirement for a regulatory survey of market participants at that point in time.

Financial System Regulation

Executive Accountability Rules

Since the Banking Executive Accountability Regime (BEAR) was first proposed, AFMA has represented members interests in having a regime that is proportionate and well-targeted. AFMA worked actively with members in its dialogue with APRA to address operational issues, particularly those associated with remuneration controls, to improve outcomes.

When the Government decided to extend executive accountability to a broad range of regulated financial entities through the new Financial Accountability Regime (FAR), AFMA was able to draw on previous experience in the policy dialogue with government. AFMA identified changes that are required to make FAR operate in an effective manner with minimum government intervention. This includes reducing its coverage back to APRA regulated entities, with more thought being put into how it might apply realistically to financial services licensees and avoiding duplicated conduct regulation.

APRA Remuneration Standard

AFMA made the case for the exclusion of smaller and medium entities from the APRA Remuneration Standard on the basis that the measure was overly burdensome for these firms. We also argued for the exclusion of Foreign ADIs, given their lower prudential risk profile and the differing exposures represented by their wholesale-only balance sheets. More generally, our objective was to maintain an approach to remuneration that is competitive with our regional peers, while being consistent with international standards, and that did not go beyond the mandate of the Royal Commission recommendations.

Information Security Standard

AFMA's Information Security Committee responded to the Home Affairs consultation on the national cyber security strategy, as the proposals would recast cyber security for firms through a consumer lens and shift costs onto industry. AFMA opposed this approach, making the case for better coordination to achieve a reduction in duplication and incompatibility of the approaches of different regulators to cyber security.



POLICY INITIATIVES

Regulatory Reporting

AFMA responded to APRA's consultation on confidentiality of individual ADI data that is used to generate the statistical reports that it publishes on a regular basis. Our submission articulated the concern of AFMA's Regulatory Reporting Committee that the proposal to classify individual ADI data as non-confidential could be detrimental to the commercial interests of the ADIs, while providing no material public benefit to justify this harm.

Consumer Data Right

In May 2020, AFMA responded to an inquiry into the Consumer Data Right (CDR), which is a regime aiming to establish an economy-wide consumer-directed data transfer system that was legislated in 2019. Our submission suggested that any expansion in CDR's scope needs to follow a thorough and independent cost-benefit analysis. We advised that a market-based and industry-led approach should be adopted, supported by a simplified regulatory framework giving space for industry coordination, innovation and development.

Interest Rate Risk in the Banking Book

In response to an APRA consultation on the extension of the Interest Rate Risk in the Banking Book (IRRBB) standard to non-Internal Ratings Based (IRB) ADIs, AFMA argued that this would not be an appropriate or risk-adjusted approach, as solvency of the home entity and its branch (with certain exceptions) are matters for the home jurisdiction regulator under international conventions. We proposed that where risks exist, these should be assessed under an amended CPS 220 process. AFMA continued to engage with APRA on the topic, and supported equivalence being recognised where international standards are being applied to the parent entity, which should save members an extensive and unnecessary burden.

ALRC Corporate Crime Review

AFMA responded to the Australian Law Reform Commission (ALRC) review of the Corporate Criminal Responsibility Regime. While some of the reforms proposed would be welcome, including moving to an approach where penalties would be based on sound principles, other suggested reforms were of significant concern.

AFMA pushed back against design flaws in the ALRC's proposed regime, including a proposal that repeat offending of even minor civil offences would be considered criminal, and a proposal that the test for an officer to be held liable was for the officer to be in a 'position to influence', which reversed the onus of proof in a discreditable form of vicarious liability. In the face of strong criticisms, including from AFMA, this second proposal

AFMA has long supported the establishment of an oversight body for the financial regulators and this is now on track as part of the Government's response to the Hayne Royal Commission Report.

was abandoned by the Commission, which may prevent a further increase in the risks placed on company officers for the actions of others.

Financial Regulator Assessment Authority

AFMA has long supported the establishment of an oversight body for the financial regulators and this is now on track as part of the Government's response to the Hayne Royal Commission Report. AFMA identified two flaws in the planned mandate of the Authority as set out in the draft legislation. The first is the exclusion of legislative instruments from the Authority's purview, even though they are commonly used and are a significant feature of regulation. The second is the proposed inability of the Authority to examine single cases, even where they might expose a systemic concern. AFMA will continue to press for an oversight authority that has the powers necessary for it to provide effective review of the regulators.

Listed Investment Trusts/Companies

During the year, the Government reviewed the application of the stamping exemption to Listed Investment Companies (LICs), Listed Investment Trusts (LITs), and it later emerged, related structures such as Real Estate Investment Trusts (REITs) and Infrastructure Trusts. AFMA made the Government aware of the benefits of these products, as well as the practical issues and costs associated with their distribution. We also made a submission that made the case for the products to be treated in a neutral manner and reviewed the analysis undertaken by the regulator. Our actions were successful in preventing the further erosion of the stamping exemption in relation to REITs, Infrastructure Trusts, and company stocks.

FASEA Code of Conduct

For our retail members, several elements of the FASEA Code of Conduct created significant concern. AFMA participated in



POLICY INITIATIVES

the FASEA consultations on their Code of Conduct and made arguments directly to FASEA and Treasury about its problematic design elements. Through this engagement process, the problems with the Code were put on the public record and form the basis for future efforts.

AFMA Initiatives on Technological Advances and Cyber Security in Financial Markets

Following the COVID-19 pandemic, there has been heightened focus on greater digitisation in financial markets and the commensurate cyber security implications to ensure robust data protection, operational resilience and efficiency. This has led both global and Australian policymakers and regulators to prioritise cyber security and the related considerations around data management, adoption of Artificial Intelligence (AI) and Machine Learning (ML) in financial markets, outsourcing arrangements and national security.



In mid-2020 AFMA launched the Data Governance Working Group to address the crucial role that data and its management play in Australia's wholesale financial markets and financial systems.

In recognition of these developments, AFMA has ramped up its efforts in this space to engage with the industry and the regulators by providing bespoke platforms for our members.

Data Governance Working Group

In mid-2020 AFMA launched the Data Governance Working Group to address the crucial role that data and its management play in Australia's wholesale financial markets and financial systems.

Over 2019, across various AFMA committees, data governance became an increasing focus for firms. Regulators locally and globally have increased their level of attention on data quality and integrity. Increasingly, there is a need for firms and the broader industry to approach the issue of data governance in an integrated way. Data governance covers all aspects of good practice including data architecture, data lifecycle management (DLM), data dictionary and taxonomy, data quality, data security, privacy and compliance, data ownership and stewardship, data governance in business strategy, and AI and ML.

The Working Group has had a strong level of member engagement and AFMA is working on several related matters to build on our data governance related work.

Over-the-Counter (OTC) Markets

OTC Market Conventions

Throughout the year, AFMA maintained the OTC Market Conventions and where necessary made amendments to further promote market efficiency.

Buy-Side Engagement with AFMA Market Committees

Recognising the role of the buy-side and intermediaries in Australia's financial markets, the Market Governance Committee (MGC) promoted their greater involvement in Market Committee activities. To achieve this, the 2019 biennial committee elections were conducted under new rules that reserved positions on relevant committees for specified categories of market participants, for example investors, issuers and intermediaries.

LIBOR Transition

AFMA has led Australian work in preparing for the phase-out of LIBOR and other similar benchmarks based on interbank offer rates. AFMA provides the secretariat to Australia's [national group](#) on IBOR Transformation and has maintained market input and dialogue from the membership through its own IBOR Market Responses Group. This has facilitated a close, collaborative dialogue with the RBA and ASIC on system and regulatory issues, as well as interaction with global counterparts. AFMA's work has achieved a number of key developments related to official guidance for the market on conduct risk, managing cessation triggers, adoption of standardised fallbacks and credit spread adjustment.



POLICY INITIATIVES

OTC Derivatives Regulation

AFMA continued to work with APRA and ASIC to improve the operational functioning of the OTC Derivatives regulation regime. In this regard, AFMA obtained an extension of relief for certain trade reporting identifiers and a two-year extension of the clearing exemption for FRAs up to March 2022. In addition, AFMA sought and obtained revision of the implementation of initial margining measures with a deferral of Phases 5 and 6 by one year.

Zero and Negative Interest Rates

AFMA moved pre-emptively to ensure the industry was ready for zero and negative interest rates during the year. AFMA identified early that the prospect of zero and/or negative interest rates had implications for pricing formulae in AFMA's market conventions for fixed income products. In particular, the conventions for floating rate notes (FRNs) in both the Credit Products conventions and the Long-Term Government Debt Securities conventions required amendments to deal with zero and negative rates. AFMA consulted with quantitative analysts from AFMA member firms to examine the impact on the pricing of FRNs in three situations:

1. Pricing with negative interest rates;
2. Pricing with zero interest rates; and
3. Pricing with negative interest rates with FRNs that have zero floor coupons.

This process determined the correct calculations for formulas for FRNs in these scenarios, which were then presented to the appropriate market committees for approval.

Debt Capital Markets Committee and ASIC

AFMA's Secretariat and the Debt Capital Markets (DCM) Committee were developing guidelines for appropriate market behaviour in Australia's debt capital markets, when ASIC announced in late 2019 that they were reviewing market practices in the fixed income market as part of their broader review of Australia's OTC markets.

As DCM Committee members were concerned that the regulator's interpretation of market practices may not align with actual practices, AFMA invited ASIC representatives to address the DCM Committee. Committee members outlined appropriate market practices from their viewpoint and allowed ASIC to clarify several issues. AFMA also arranged a meeting between state funding authorities and ASIC where the regulator gained insight into the issuing process from the issuer perspective.

Subsequently, the Committee submitted a document to ASIC outlining the Committee's views on current DCM practices and providing a market framework for ASIC to consider.

Engagement with the Global Foreign Exchange Committee

AFMA has been a member of the RBA's Australian Foreign Exchange Committee (AFXC) since its inception and has supported initiatives that led to the development of the FX Global Code and the creation of the Global Foreign Exchange Committee (GFXC). During the past year, the GFXC recorded a webinar on its report on the role of "cover and deal" arrangements. AFMA hosted the webinar and interviewed GFXC representatives from Tokyo, London and the US Federal Reserve in New York on good practices for cover and deal trading.

Equity & Exchange Markets

CHESS Replacement

Throughout 2020, AFMA has continued to work as the most significant independent channel for market participants to discuss strategic matters concerning the CHESS replacement project. AFMA hosted meetings with a range of market participants, market operators, infrastructure providers and regulators. Over time, this has led to consensus around an understanding of the implementation challenges of the project faced by the wider market. This allowed sensible adjustments to be made to appropriately manage risks, particularly as additional challenges created by COVID-19 became apparent.

AFMA remains committed to assisting ASX and other members to see the project to a successful conclusion in the coming period.

Technology Requirements

Over the course of the year, AFMA coordinated the industry response to several proposals relating to technology resilience. These originated from ASIC in the form of CP 314 and ASX in an update to Guidance Note 10.

ASX Guidance Note 10 seeks to align market clearing and settlement participant's obligations more closely with its own. AFMA has a constructive ongoing dialogue with ASX to help ensure the obligations are compatible.



POLICY INITIATIVES

Give Ups

AFMA assisted members to progress a proposal for relief that would bring greater consistency and certainty to the market. The proposal involved an extensive development exercise by the members, including the testing of a number of approaches. The proposal is currently being considered by ASIC and we are continuing our efforts to have it accepted and progressed into regulation.

Futures Markets

Over 2020, AFMA has continued to play a strategic role in the development of the futures markets. Some of the initiatives we have led over the year include acting as a coordination channel for the rapid implementation of measures to manage bond roll changes, liaising with ASX to reduce mispriced trade risks in certain markets, and assisting ASX preparations for the low interest rate environment, an initiative that resulted in a significant reduction of the margin haircut for investors.

Taxation

Justified Trust Reviews

Over the course of the year, AFMA continued to provide a forum for members to discuss experiences and best practice with respect to the ATO's Justified Trust program, including the future expansion of the program to incorporate GST reviews. Given the intensity of the Justified Trust process and the demanding deadlines imposed by the ATO to ensure adherence to the timeline set by the ATO, it has been important for members to be able to benchmark experiences and outcomes with their peer organisations. Where appropriate, AFMA escalated industry concerns around the Justified Trust program with the ATO to ensure that the process remained equitable and reasonable. The priority afforded to the Justified Trust reviews as the economy looks to recover from the COVID-19 pandemic, particularly the extent to which members need to commit resources to the reviews without any productivity enhancement, is a worthy issue for consideration.

Defence of the Offshore Banking Regime

AFMA remains a steadfast advocate of the Offshore Banking Unit (OBU) regime. In light of the review being conducted by the OECD Forum on Harmful Tax Practices into the regime, this year we have been the leading industry body assisting with defence of the regime. We have engaged extensively with Treasury and the Government, emphasising the compelling commercial reasons for firms to choose Australia as a location to conduct business and highlighting that there are other jurisdictions with

preferable taxation settings to Australia. During the year, AFMA was pleased to host a meeting with the Assistant Minister for Superannuation, Financial Services and Financial Technology and interested AFMA members to highlight the value of the OBU regime in supporting financial services activity and jobs in Australia. The Government has stepped up its defence of the regime, particularly as it is now more conscious of the importance of the regime in assisting with Australia's economic recovery and the competitive threats arising from other jurisdictions looking to enhance their attractiveness as a business location.

Bail-In Securities and Tax Deductibility

During the year, AFMA was made aware of a technical interpretation by the ATO that an instrument that contained a "bail-in" trigger, that would otherwise be considered debt from a tax perspective, could be re-characterised as tax equity. The consequence of this could be that returns on the instrument would no longer be deductible to the issuer. This technical view would be inconsistent with the policy intent of Australia's tax legislation. Accordingly, AFMA reached agreement with the ATO that its technical view would not be enforced pending legislative change. AFMA further engaged with the Government regarding the need for legislative change (potentially by way of regulation).



AFMA escalated industry concerns around the Justified Trust program with the ATO to ensure that the process remained equitable and reasonable.

Tax Implications of IBOR-Transformation

Following on from the broader advocacy role that AFMA has played with respect to LIBOR transformation, AFMA has engaged with Treasury and the ATO to confirm any tax implications



POLICY INITIATIVES

arising from AFMA members and their counterparties changing the underlying reference rate for contracts from LIBOR to another benchmark rate. We have put forward the view that a change in the reference rate would not require an instrument to be re-offered to satisfy the interest withholding tax exemption for publicly offered securities and continue to mount the case for the abolition of the LIBOR Cap on tax deductibility for interest for foreign bank branches.

Negative Interest Rates

During the year, AFMA engaged with the ATO regarding the taxation consequences of negative interest rates, with the ATO confirming that a payment of negative interest is not interest, nor in the nature of interest for tax purposes and that there is no withholding tax imposed on payments of negative interest from Australia overseas.

Anti-Money Laundering

Phase 1.5 Bill and Further Reforms

AFMA has continued to champion the passage of the Phase 1.5 Bill through Parliament given the benefits that will arise to our members from the Bill being passed in terms of reducing regulatory duplication and facilitating easier information sharing so as to properly disrupt financial crime. AFMA engaged with the Department of Home Affairs, AUSTRAC and the relevant

Senate Committee to ensure that the legislative drafting was appropriate, and is pleased that the suggested amendments were agreed to by the Senate Committee in its Report. Going forward, AFMA is working with Home Affairs and AUSTRAC regarding further amendments to the Bill to make it more efficient and to incorporate the recommendations of the FATF Mutual Evaluation and the Statutory Review of the AML/CTF Act.

AUSTRAC Banking Risk Assessments

On behalf of members, AFMA engaged with the AUSTRAC team responsible for preparing the four Banking Risk Assessments to be issued later in 2020. This engagement sought clarification at an industry level of certain issues and provided members with insights that should assist them with responding to the assessments. AFMA also procured appropriate extensions of time for members to respond to particular requests during the height of the COVID-19 pandemic.

AUSTRAC Engagement

During the year, a number of productive meetings were held with AUSTRAC to discuss matters such as the Independent Review of the AUSTRAC Industry Contribution, amendments to the AML/CTF Rules regarding the circumstances in which a designated service may be provided prior to undertaking customer due diligence, the proposed prohibition of cash payments in excess of \$10,000 and AUSTRAC's payment channels questionnaire. This engagement is of considerable value to members looking to mitigate their AML/CTF risk and align their process with regulatory expectations, which is highly important in the current climate. ■



AFMA has continued to champion the passage of the Phase 1.5 Bill through Parliament given the benefits that will arise to our members from the Bill being passed in terms of reducing regulatory duplication and facilitating easier information sharing so as to properly disrupt financial crime.

MARKET COMMITTEES



Market Governance Committee

AFMA's Market Governance Committee (MGC) oversees the development and maintenance of market protocols designed to promote efficiencies and facilitate orderly operations in wholesale OTC markets in Australia.

As part of its remit, MGC regularly reviews the performance of the products traded in Australia's over the counter (OTC) financial markets. These include the cash market, short and long-term debt securities markets and the associated repo market, together with a diverse range of derivative products, including interest rate derivatives, electricity, environmental and inflation products.

The MGC has responsibility for ten Market Committees, all of which are elected biennially. These Committees are the primary means through which AFMA undertakes its coordinating role in the industry's self-management of the OTC markets. Meeting regularly, the Committees develop market consensus on technical matters including transaction documentation, standards, trading conventions and market guidelines, all necessary elements for efficient OTC markets operation. Fundamental in its review of Australia's financial markets, MGC draws on individual committee surveys of market quality, as appropriate directing committees to meet challenges, garner efficiencies and consider issues on the horizon.

Over the course of a typical year the market committees address a wide range of market-specific issues, leading to clarifications and amendments to Market Conventions and general practices.

The MGC promotes the [AFMA Code of Conduct](#) and the ethical principles for acceptable standards of behaviour as embodied therein and advises the AFMA Board on material matters and issues arising in respect of market operations and conduct.

Meeting regularly, the Committees develop market consensus on technical matters including transaction documentation, standards, trading conventions and market guidelines, all necessary elements for efficient OTC markets operation.

Market Committee Activities

OTC Market Conventions

AFMA maintains the Australian OTC Market Conventions, and where necessary will amend or add to these, also clarifying aspects of the rules governing markets. Over the course of the 2020 financial year, amendments were made in order to improve market performance or to add greater clarity around market practices, including:

- Repo Margining conventions were amended, with primary guidance being that parties follow the margining principles as described within the [ICMA ERCC Guide to Best Practice in the European Repo Market](#), however that principles specific to Australian operations, and listed in the Conventions, be recognised;
- The substitution of Treasury Notes in place of NCDs was removed from the Negotiable and Transferable Instruments Conventions;
- Market parcel conventions for Cap/Floor Straddles (CFS) 1-10 years are introduced to the Interest Rate Options Conventions; and



MARKET COMMITTEES

- The floating rate note conventions within both the Long-Term Government Debt Securities Conventions and Credit Products Conventions were amended to recognise the potential of a negative interest rate environment.

Cash

The Cash Committee's focus is on market liquidity management and the intraday circulation of system cash amongst Exchange Settlement Account holders, with these transactions underpinning the benchmark Interbank Overnight Cash Rate (Cash Rate). This rate is the Reserve Bank Board's operational target for monetary policy, and is calculated as the weighted average of the interest rate at which overnight unsecured funds are transacted in the domestic interbank market (the cash market).

The COVID-19 outbreak had a major impact on the Australian economy and the financial system. The RBA put in place a comprehensive package to lower funding costs and support the supply of credit to the economy. One effect of this was an unprecedented increase in Exchange Settlement balances, which in the first 2 months of calendar 2020 averaged \$2.3 billion per day, and thereafter from March through to end June averaged \$52 billion. This disrupted the market equilibrium, as previously the Cash Rate set at a level equal to the Cash Rate Target, whereas now the Cash Rate is settled much closer to the corridor's lower band on considerably less interbank trading volume. This is a consequence of the significantly higher and surplus exchange settlement balances.

Debt Capital Markets

The Debt Capital Markets Committee considered potential amendments for FRNs using AONIA as a benchmark instead of more traditional floating rate benchmarks. The past year saw several AONIA-related issues, and a consensus among market participants on the most appropriate methodology to price and value the notes has not yet been reached. As such, a convention amendment for FRNs referencing AONIA is not presently warranted.

The COVID-19 pandemic disrupted many markets and members of the Committee welcomed the decision by the RBA to accept corporate debt securities in repo transactions as part of the Bank's open market operations.

Debt Securities

It has been an extraordinary year for members of the Debt Securities Committee as market volatility due to the pandemic led to disturbance in the semi-government market. Intervention by the RBA and a commitment to buy Australian Government Securities in the three-year part of the curve helped to restore order and market functionality. The Committee welcomed Dr Chris

Kent, RBA Assistant Governor (Financial Markets), to the meeting in May for an informal discussion on issues affecting AGS and semi-government debt markets.

The package of measures implemented by the RBA in response to the crisis was considered successful and members agreed



Over the course of a typical year, the market committees address a wide range of market-specific issues, leading to clarifications and amendments to Market Conventions and general practices.

that market conditions had improved from the early days of the crisis. The stimulus provided by the Australian Government led to a dramatic increase in the amount of issuance by the AOFM. The ASX announced the establishment of a new five-year bond futures contract which was welcomed by members.

Inflation Products

It has been another difficult year for members of the Inflation Products Committee with persistent low inflation and interest rates trending lower. Constant illiquid conditions were exacerbated by the volatility unleashed by the pandemic and trading conditions for inflation bonds and swaps hit an all time low. The AOFM advised of the recommencement of their inflation linked issuance program in late May following a six to seven-week hiatus due to the crisis. The AOFM continues to support a functional market and is determined to provide a longer-term commitment to market participants.



MARKET COMMITTEES

Interest Rate Options

The COVID-19 outbreak saw an overall decline in market quality, and particularly swaptions liquidity conditions. Currently the Interest Rate Options Committee is drafting conventions for the premium payable on a 'Wedge', i.e. a Cap/Floor Straddle vs Forward Swaption Straddle and plans to introduce this in calendar Q4 2020.

Negotiable and Transferable Instruments (NTI)

Responding to the significant uplift in Treasury Notes on issue (\$59 billion as at June 2020 compared to \$3 billion in June 2019) and the likelihood that this will remain the case for some time into the future, the NTI Committee will now look to introduce conventions specific to secondary market trading of these notes.

Repo

In concert with AFMA's Operations Committee, the Repo Committee worked closely with ASX and Austraclear on the linked settlement initiative, which is expected to provide significant efficiencies in repo settlement. A necessary requirement for its success is that all market repos must be settled using the dedicated market repo module in Austraclear by 22 November 2021. To support this objective a one-year transition window will be available from 23 November 2020.

Swaps

A key interest of the Committee is how markets will respond to the transition from term IBOR rates to overnight risk-free rates (RFRs), scheduled to occur at the end of 2021. While this is unlikely to directly or immediately affect BBSW and the single currency swap transactions referencing it, the impact on cross currency swaps will be more pronounced once the IBOR side moves across to the RFR. Swaps Committee members now sit on AFMA's Market Responses Working Group (MRWG), which has been established to determine market development efforts that need to be pursued in response to the change to RFRs and the challenges this may present for market participants who have traditionally used a forward looking rate, rather than a rate calculated daily in arrears as envisioned for most if not all RFRs.

Electricity

AFMA has continued to support transparency in the OTC markets by publishing turnover data in both exchange-traded and OTC electricity derivative markets for several years, with data compiled from a survey of the principal participants and the ASX. Data up until the end of the 2020 financial year is reflected in the AFMA Electricity Derivatives Turnover Report, which is available on our [website](https://www.afma.com.au).

In September 2019, the AEMC determined that improvements were needed in the reporting of OTC electricity transactions, to improve price discovery for those seeking to buy and sell hedge contracts and make it easier for regulators to assess market performance including liquidity in the market. AFMA's Electricity Committee established a working group to provide a solution to the issues that the AEMC has determined. The working group has put together and sent a proposal to the AER that involves members voluntarily reporting OTC electricity derivative transactions on a timely basis. AFMA, the AEMC and the AER continue to work collaboratively to achieve a solution that satisfies regulatory objectives in a manner which is also satisfactory for our members.

In October 2019, the AEMC released proposals to overhaul wholesale pricing and transmission access to lower the costs and risks of getting new generation and battery storage into the grid. The COGATI (coordination of generation and transmission investment) blueprint redesigns the market to make sure that new generation and storage are connecting to the power system in the right place and at the right time to meet future needs. AFMA made a number of submissions to the AEMC expressing concerns that the suggested implementation of locational marginal pricing in the COGATI blueprint may have significant negative implications for electricity financial market liquidity and efficiency.

In mid-2020, as a result of COVID-19, the AEMC published a determination and rule which delays the commencement of the five-minute settlement rule by 3 months to 1 October 2021. AFMA's 5-minute settlement working group continued to develop standardised documentation for OTC electricity derivative transactions to account for the change.

Environmental Products

The Environmental Products Committee met quarterly to review market conditions and maintain the conventions and standardised documentation for trading in the market. A working group established to review all Environmental Products standardised documentation has made significant progress recently, with a new draft of the Environmental Products Addendum under review, as well as a revised spot documentation contract.

COVID-19 had an impact on various environmental certificate markets as lockdown restrictions, particularly in Victoria, reduced certificate supply. On behalf of the Environmental Products Committee, AFMA wrote a letter to the Victorian government recommending the deferral of policy changes which would exacerbate the demand/supply imbalance of certificates in order to maintain market efficiency. ■

PROFESSIONALISM



The Professionalism Committee continues to lead AFMA's professionalism initiative, overseeing a program of work committed to the ongoing development of professionalism in financial markets.

A key component of our work involves assessing implications of regulatory changes for industry professionalism models. In the past year, the AFMA professionalism work program has been complemented by work on a range of policy matters, notably those arising from the Hayne Royal Commission for which the Government has commenced a major legislative program. Accordingly, AFMA participated in key consultations on legislative reform that may impact the way professionals conduct themselves in financial markets, including the Financial Accountability Regime and the Exposure Draft Legislation on Enforceable Codes.

Related to this is a noticeable trend by regulators referring to industry codes and standards in their market surveillance activities (including recognition of the FX Global Code by the UK Financial Conduct Authority in the context of its senior manager regime). AFMA continues to review the role of standards in the financial sector from a wholesale business perspective, which will guide the framework for AFMA's professionalism related activities.

During the year, the Professionalism Committee approved the release of a Practice Guide on Conduct Training to assist member firms to design and implement effective training programs for employees in relation to conduct in the financial markets. Consequence management is recognised as an important factor in sustaining professionalism and we are well advanced in the preparation of a standard in this area that will support our Accreditation program for individuals and assist member firms more generally.

The relationship with FICC Markets Standards Board (FMSB) has provided real insight into the work being done on conduct standards in other jurisdictions over the year. Emerging from

this, it is evident that there is a greater awareness in the industry about the role that standards play in improving conduct and market behaviour. Moreover, AFMA has a desire to ensure that industry conduct standards are consistent across boundaries, to extent that this is appropriate having regard to distinctive features of local markets.

AFMA continues to work on professionalism initiatives that facilitate increasing certainty and lowering costs for member firms, while enhancing industry professionalism.

Public Register of Statements of Commitment to the FX Global Code

AFMA was a global leader in establishing a Public Register of Statements of Commitment to the FX Global Code in 2018. Globally, more than 1,000 institutions including central banks, commercial banks, asset managers and brokers have posted statements to the 16 public registers. AFMA welcomed Statements from 6 entities over the past year including 4 from non-AFMA members. AFMA Members, Sumitomo Mitsui Banking Corporation and Investec submitted their Statements in early 2020 while non-members: QANTAS, VicSuper, AustralianSuper and QSuper also submitted signed Statements to be published. AFMA continues to work with the Australian Foreign Exchange Committee (AFXC) to increase awareness of the Global Code and encourage more institutional investors and corporate treasuries to sign Statements of Commitment. ■

EDUCATION AND ACCREDITATION



Accrediting individuals who demonstrate the required level of professional knowledge and skills to work in Australia's financial markets is one of AFMA's core strategies for promoting efficiency, integrity and professionalism in the industry. AFMA's Education team supports accreditation through two streams of work:

1. Developing and monitoring national standards for the minimum level of skills and knowledge required to work as a financial market professional; and
2. Developing and delivering education that provides the benchmark level of skills, knowledge and professionalism required for accreditation.

Developing Standards

Over the 2019-2020 period, AFMA Education completed significant projects in both the setting of national education standards for financial markets and developing new editions of modules in the accreditation education programs. This work was conducted while simultaneously building distance learning alternatives for all AFMA education modules in response to the forced cancellation of all workshops as a result of COVID-19.

Any accreditation program based on education is only effective as a means of ensuring professionalism if the underpinning curriculum or standards accurately reflect current workplace tasks and processes. Over the past three years AFMA Education has undertaken a rigorous research project to map the impact of regulatory and technological change, and an increased industry focus on mitigating conduct risk, on work tasks and processes in financial markets. Working closely with PwC, AFMA Education embedded the research outcomes in national qualification rules, which were endorsed by the Australian Industry Skills Committee in February 2020 and published [online](#) by the Department of Education, Skills and Employment. The upgraded qualification rules will provide guidance on the curriculum taught in nationally recognised financial markets courses across Australia.

In recent years there have been enormous changes in financial markets in Australia, including significant regulatory and technological developments and the publication of a new risk standard, all of which have driven a transformation in trading, advising and operations processes. In response, over the past year, AFMA Education developed new editions of three modules that integrate these changes.

Education Program Development

In late 2019, an updated edition of the module *Professionalism: Conduct & Ethics* was released, incorporating amendments to the Corporations Act on whistleblowing, as well as a new section on virtue ethics. The course is mandatory for all accredited individuals, and enrolment rates have accelerated markedly in 2020, with new cohorts commencing study every month. To assess the effectiveness of the module, a substantive evaluation of the module was conducted in 2020.

Based on an analysis of feedback from students who studied the module between April and June 2020 the evaluation provides persuasive evidence that students see *Conduct & Ethics* as providing very practical tools and skills that are highly relevant to their work. Further, students are committed to applying their learning in the workplace (Figure 1).

In March 2020, a new edition of the *Financial Markets Core* was launched. All lessons in the new edition have been updated to integrate the transformation of market processes and practices resulting from technological and regulatory change. In addition, the *Financial Markets Core* now includes a lesson covering principles of good written and oral communications; member organisations have provided feedback to AFMA on how critical these skills are for financial markets professionals.

The 7th edition of *Debt Markets* was launched in April 2020. New learning materials and assessment were developed for the new edition of *Debt Markets* to address market changes. Integral to the new edition is conduct; the lessons in the mod-



ule explicitly refer to the organisational and industry codes and guidance and reflect regulators' expectation that clients' interests are prioritised. New content in the 7th edition includes lessons addressing the client suitability framework, the risk management process undertaken by market sales representatives when advising clients, and pricing and managing trading exposures.

AFMA Education was greatly assisted in the development of the new editions of the modules by members of education advisory committees.

Future Strategy

In November 2019, the Board accepted a Secretariat proposal to transition education services to a new Accreditation model that would rely on third parties to teach AFMA's education courses. The project to implement this change is well advanced and should be completed by early 2021. Under this model, AFMA will continue to accredit individuals in accordance with a curriculum that it will both control and adjust to reflect the needs of members as they evolve.

A key objective of outsourcing education to a university level provider is that it will make AFMA Accreditation more flexible and relevant as the markets themselves change. It will also provide a credible and cost-effective option for members to respond to regulators' expectations for the professionalism of individuals involved in the wholesale financial markets. The approach being taken will create an opportunity to offer new courses that are sought by members and will broaden the range of roles that our accreditation program might usefully cover.

Accreditation

There are over 2,250 AFMA accredited individuals employed by member firms. There has been a steady flow of new accredited individuals, with over 250 students completing the related Diploma of Financial Markets in 2019-20, notwithstanding the impact of COVID-19 on the industry.

Just over half of accredited individuals were in the advising category, with another 30% in the dealer category. The remainder includes students who qualified through the operations and AML streams.

Accreditation is used by all categories of members, though the major domestic banks and the energy company members are proportionately the largest users of AFMA accreditation.

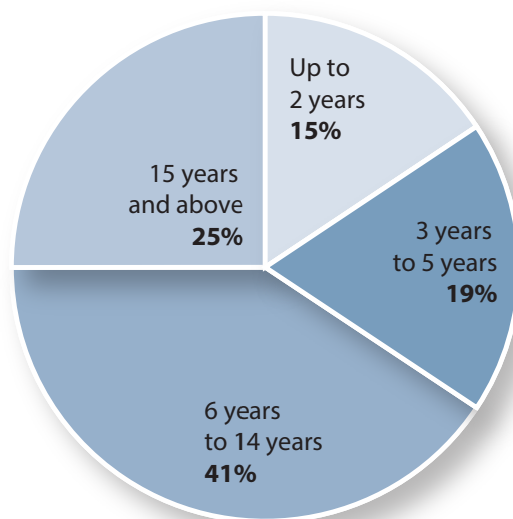
The relative experience of accredited individuals is indicated by the length of time that they have been accredited. A quarter of all accredited individuals have held their accreditation for 15 years or longer, while a third have been accredited in the last 5 years (Figure 2).

To retain their accreditation all accredited individuals are required to demonstrate that they hold the competencies taught in AFMA's *Conduct & Ethics* module by end-2021. Almost 500 individuals have completed or enrolled in the modules. ■

FIGURE 1: Students' identification of learning that they plan to apply on their job



FIGURE 2: Length of Time an Individual has been Accredited



INTERNATIONAL ENGAGEMENT

AFMA continued to be an active participant in international forums relating to financial market regulation, which gives AFMA first-hand knowledge of strategic thinking at the global level. This was particularly helpful during the early stages of COVID-19, when insights from overseas peer associations who had earlier exposure to the pandemic helped us to develop and prioritise our work program to ensure Australia's financial markets stayed open and operating effectively.

AFMA's CEO, David Lynch was re-elected as Chairman of the International Council of Securities Associations (ICSA) at its June 2020 virtual AGM. During the year ICSA was directly involved in discussions with IOSCO and the Financial Stability Board (FSB) on a range of matters including market fragmentation, debt capital markets and cybersecurity.

Since the COVID-19 outbreak, FSB members and the global standard setters cooperated to coordinate actions, including financial policy responses, to maintain global financial stability, keep markets functioning and preserve the financial system's capacity to finance growth. ICSA issued a statement in March highlighting the importance of keeping financial markets open and functioning effectively during the COVID-19 period. The messaging in the Statement was consistent with the arguments put by AFMA to Australian governments on the need for financial market activities to be treated as essential services. ICSA's engagement with the global standard setters on COVID-19 remains important, as the focus has shifted to policies that will promote the global economic recovery.

In June, ICSA joined the European Fund and Asset Management Association and the Managed Funds Association in releasing a report calling for the implementation of internationally recognised principles to address market data fees that are excessively high in some jurisdictions and unfair licensing provisions. This is a particularly contentious issue for financial institutions that use the equities markets in North America and Europe for trading, risk management and investment purposes. ICSA engagement with IOSCO and national regulators overseas in relation to this issue is ongoing.

AFMA members share an interest in these outcomes, as well as in other specific initiatives being worked on by the global bodies, including steps to reduce cross-border market fragmentation and develop practices in debt capital markets.

AFMA's leadership role at ICSA complements its long established and effective working relationships with regional and global counterparts including ISDA, ASIFMA and ICMA, whose work on standard documentation and debt securities protocols

"As a global securities industry body, it is apparent that the rising cost of market data is a matter of significant concern in many jurisdictions" said ICSA Chairman David Lynch. "The efficiency of the capital markets in meeting the needs of its many business and investor users, as well as the broader economy, depends on the cost and quality of information that is available to them."

ICSA media release, 30 June 2020

significantly influence practice in Australia. AFMA's ongoing collaboration with these bodies makes a direct contribution to the efficient operation of the Australian markets. IBOR transformation is an obvious area of work in this regard, but there is a broader focus to this agenda which, for example, includes sustainability matters.

AFMA maintains a good working relationship with the UK FICC Markets Standards Board (FMSB). The guidance provided by FMSB on FICC market practices is expanding and has a growing influence on market practices globally, including in Australia.

Bilateral international relationships are being used to good effect, particularly for the exchange of information and experience on specific matters of common interest. Some recent examples include discussions with the New Zealand Financial Markets Association on the market implications of negative interest rates and with the Association for Financial Markets in Europe in the UK on the expanded coverage of the senior management regime. ■



ACTIVITY ON AUSTRALIAN FINANCIAL MARKETS

Functioning of Australian Financial Markets

The Australian financial system entered 2019-20 in a strong position, with well capitalised and liquid banks and large superannuation savings that were supported by efficient and well-functioning financial markets. This was of notable benefit when the COVID-19 outbreak occurred, as the stability and resourcefulness of the financial sector was a source of strength that helped the Government alleviate its worst economic effects during the year. Nonetheless, the impact of COVID-19 on financial markets was significant, with greater price volatility common across markets and operational impacts that were specific to particular markets.

The primary driver of dislocation in financial markets was the changed economic outlook, with exceptional uncertainty in the early stages of the pandemic. Amongst other things, this triggered a material reduction in risk appetite and a rush for liquidity, with spreads widening across bond markets. Central banks and governments responded through monetary policy and fiscal policy initiatives, which supported a general improvement in financial sentiment and a move to more settled market conditions.

The equities market experienced record daily trade volumes during March, which placed pressure on the associated operational processes of securities firms. In response, ASIC placed a temporary restriction on large broker trading volumes, but there was no disruption to market functionality. Both ASX and ASIC implemented successful measures to assist equity capital raising by companies and ease financing pressure in the COVID-19 environment.

From an economic perspective, official intervention in financial markets took on a new dimension in response to COVID-19, when the Reserve Bank set and achieved a target for the yield on 3-year Australian Government bonds of around 0.25 per cent. The 3-year maturity influences funding rates across much of the Australian economy. This intervention obviously affected price signalling in the markets. In regard to market intermediation, the role of securities markets in raising finance for both government and the corporate sector was important with exceptional amounts of funds raised in the bond and equity markets to counter the economic effects of COVID-19 during the year.

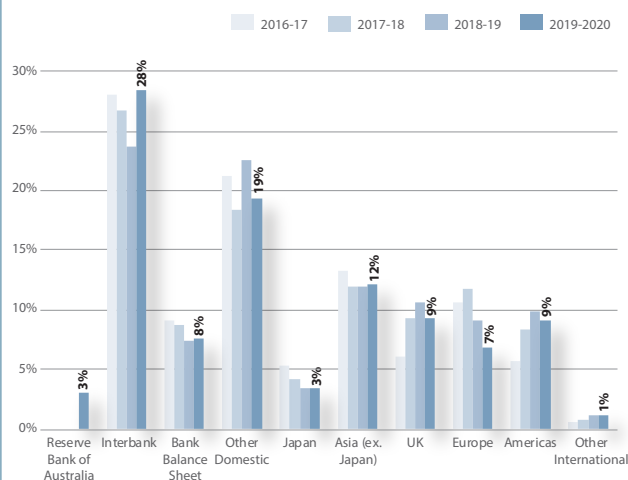
OTC Markets

Australian Government Securities

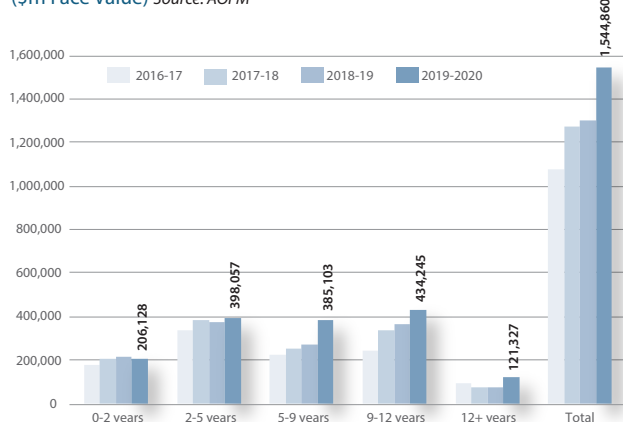
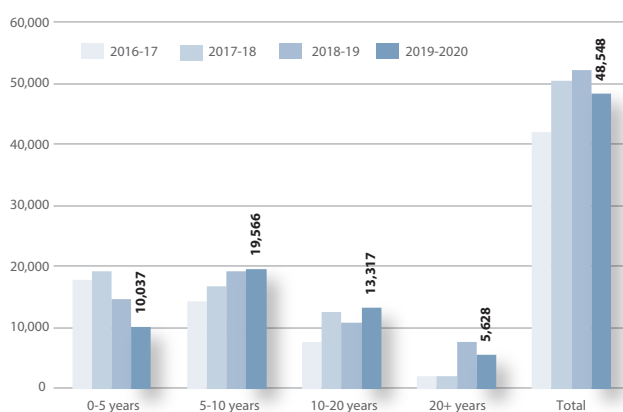
The Australian Office of Financial Management (AOFM) meets the Australian Government's financing requirements by issuing Australian Government Securities (AGS). Issuance by tender or syndication is known as a 'primary' market operation. The trading of AGS in financial markets between investors and banks is known as 'secondary' market activity and does not involve the AOFM. Participation in these markets is global as set out in the chart below (Figure 3).

According to the AOFM, secondary market turnover in Australian Treasury Bonds in 2019-20 was \$1,545 billion, an increase of 18.9% over 2018-19 (Figure 4). Turnover in Treasury Indexed Bonds was \$48.5 billion, a decrease of 7.2% from 2018-19 (Figure 5).

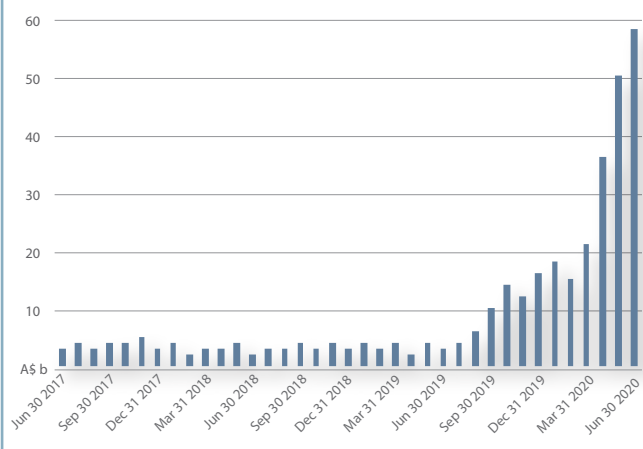
FIGURE 3: Commonwealth Government Bonds – Volume traded Source: AOFM



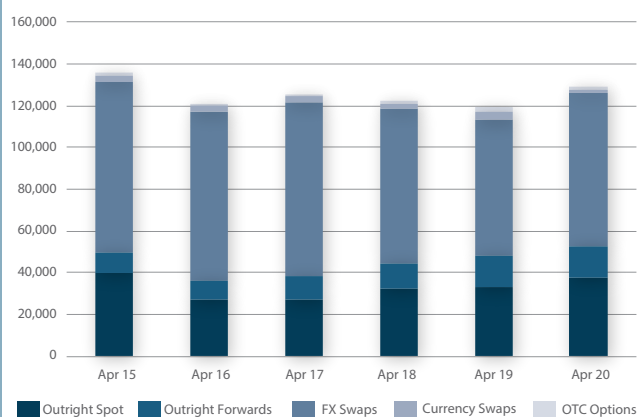
ACTIVITY ON AUSTRALIAN FINANCIAL MARKETS

FIGURE 4: Treasury Bonds – Volume traded by Tenor (\$m Face Value) Source: AOFM**FIGURE 5: Treasury Indexed Bonds – Volume traded by Tenor (\$m Face Value)** Source: AOFM**FIGURE 6: Treasury Notes: Face Value Outstanding**

Source: AOFM

**Foreign Exchange Derivatives**

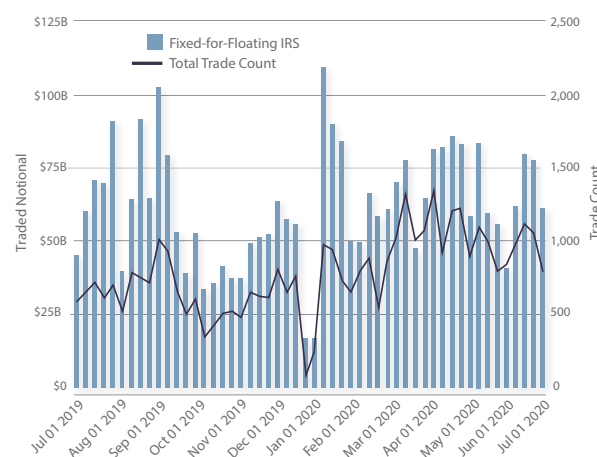
As the pandemic's impact intensified in March 2020, the Foreign Exchange (FX) spot market saw high volumes accompanied by significantly reduced liquidity. However, in subsequent months,

FIGURE 7: Foreign Exchange Turnover by Instrument
Daily average (US\$m) Source: AFXC

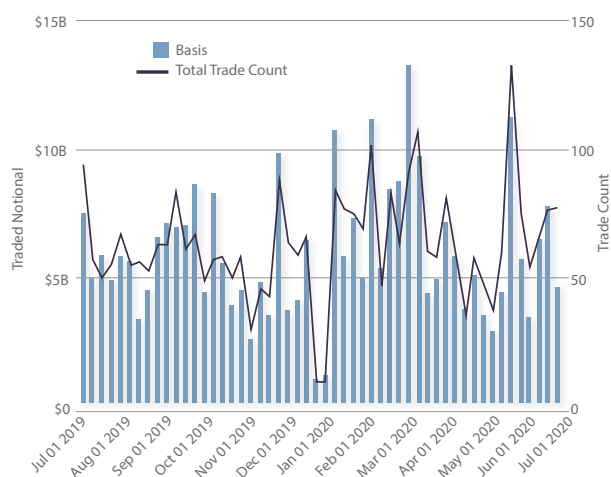
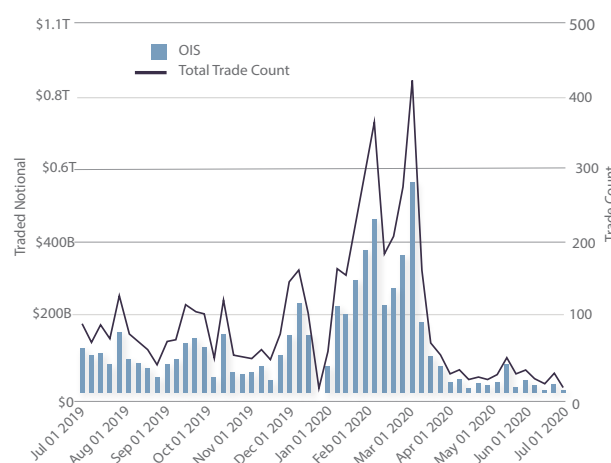
the overall liquidity in the FX markets remained close to but still below normal levels. Total average daily turnover in all OTC FX instruments in the Australian market was US\$129.3 billion in April 2020 (Figure 7). The bid-offer spreads for forward FX during March, notably in AUD-crosses (e.g. AUD/EUR and AUD/GBP) were substantially widened but then returned to normal levels and in some cases even narrower than average levels.

Interest Rate Derivatives

Interest Rate Derivatives (IRD) volumes saw increased volatility during the peak of the COVID-19 pandemic starting March 2020. Though trading volumes in AUD fixed-floating and basis swaps remained relatively constant, demand for AUD overnight indexed swaps (OIS) fell significantly upon the introduction of RBA's yield curve control mechanisms (Figure 10). Note: the following ISDA SwapsInfo data only covers transactions that are required to be disclosed under US regulations.

FIGURE 8: Fixed-for-Floating IRS – Weekly Traded Notional and Trade Count Source: ISDA SwapsInfo

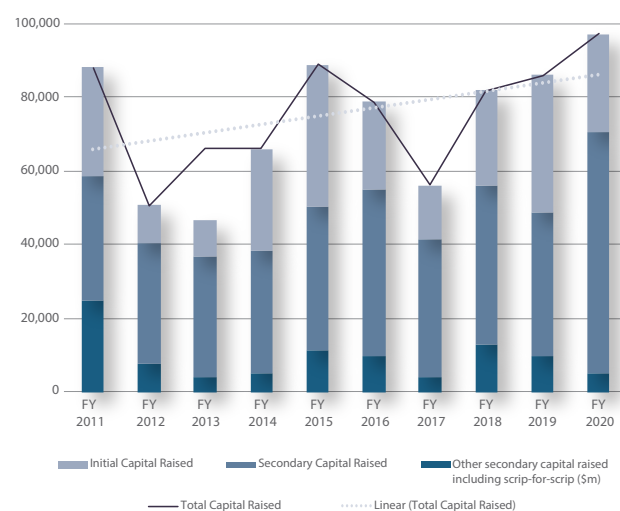
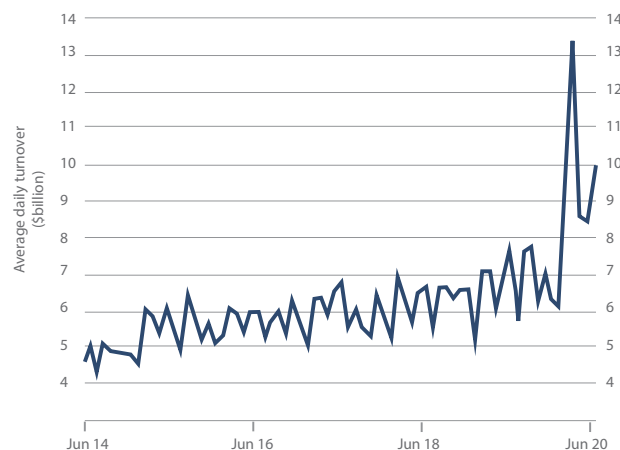
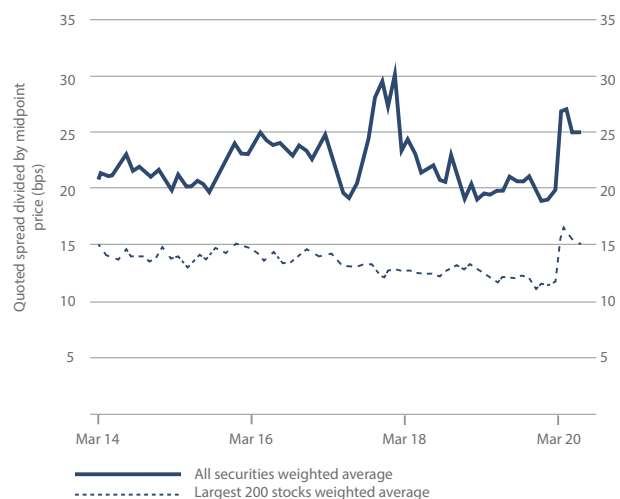
ACTIVITY ON AUSTRALIAN FINANCIAL MARKETS

FIGURE 9: Basis – Weekly Traded Notional and Trade Count Source: ISDA SwapsInfo**FIGURE 10: OIS – Weekly Traded Notional and Trade Count** Source: ISDA SwapsInfo**Capital Formation in Australia**

The economic turmoil created by the pandemic in the second half of FY 2020 led to extraordinary movements in financial markets with capital raising hitting record levels. The exchange-listed capital formation maintained its upward trend raising \$97.19 billion in total, driven mainly by the secondary capital markets. At the height of the pandemic from 1 March to 30 June 2020, ASX-listed companies raised \$51.4 billion (initial and secondary capital combined).

Equity Capital Markets

There was a sharp decrease in the number of IPOs in the first half of calendar 2020. The mounting uncertainty saw businesses suspend plans to list on the ASX and foreign exchanges. Meanwhile, listed entities rushed to the markets to obtain additional

FIGURE 11: ASX: Total Capital Raised (\$ million) Source: ASX**FIGURE 12: Equity – Average Daily Turnover** Source: ASIC**FIGURE 13: Quoted Bid-Ask Spreads** Source: ASIC

ACTIVITY ON AUSTRALIAN FINANCIAL MARKETS

capital with a strong run of secondary capital raisings, mainly in the form of institutional placements. This was also supported by ASX-provided relief through temporary emergency capital raising measures that enabled companies to raise urgently needed capital quickly and cost effectively.

Initial capital raised on ASX dropped from 43.5% in FY 2019 to 27.7% in FY 2020, whereas secondary capital raised increased from 56.5% to 72.3% respectively (Figure 11).

Debt Capital Markets

The speed of debt issuance in Australia has accelerated since March 2020, largely reflecting the sizable global fiscal and monetary response to the pandemic. Q2 2020 saw the largest federal government bond sale in Australian history at \$32 billion (Figure 14). The sale received strong demand and was picked up by banks (52.1%), fund managers (25.3%), hedge funds (17.3%) and the RBA (5.4%) as reported by AOFM.

FIGURE 14: All Australian Debt – Issue Type Composition (AU\$bil) Source: Refinitiv

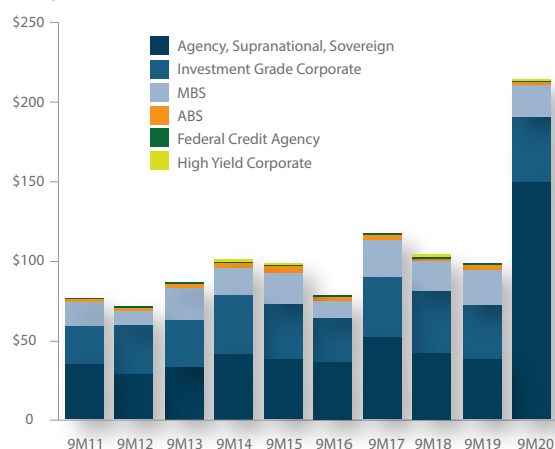
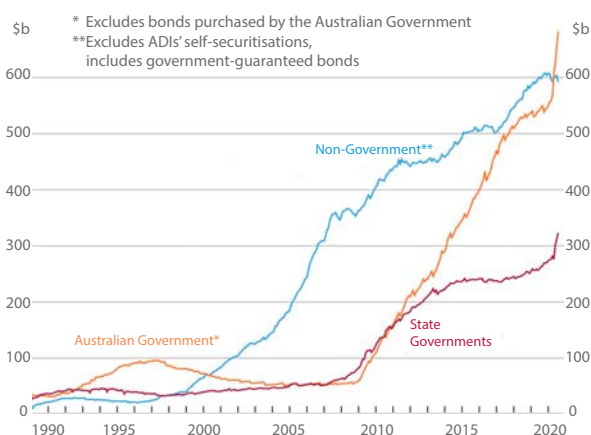


FIGURE 15: Bonds on Issue in Australia Sources: ABS, AOFM, Bloomberg, KangaNews, Private Placement Monitor, RBA, State Treasury Corporations



The total Australian Corporate bond issuances in Q2 2020 have decreased by 44% as compared to the levels in Q1 2020. However, they are steadily rising with volumes from May to June trending 15% higher than those from March to April (Figure 15).

Sustainable Finance in Australia

Australia's cumulative green bond issuance stood at \$15.6 billion as of June 2019, ranking it 10th globally and 3rd in Asia-Pacific. The government and regulators are steadily increasing focus on sustainable finance. In early 2020, APRA outlined its plans to develop a prudential practice guide focused on climate-related financial risks and a climate change vulnerability assessment which will begin with Australia's largest ADIs. This will aim to manage and disclose climate change risks to the financial world, including decreased asset values and potential business disruption.

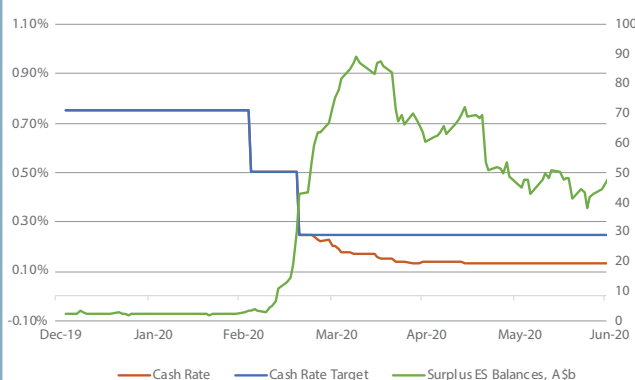
RBA Monetary Policy

In response to the economic uncertainties accompanying the intensification of the pandemic and its impacts on the Australian economy, in March 2020 the RBA enacted major changes to its monetary policy framework and approach. As part of the measures was a monetary policy target of 0.25% for the yield on three-year Commonwealth Government bonds, in line with its Cash Rate Target.

With these targets established, the RBA then implemented its new yield curve control policy by purchasing government bonds in the secondary markets, adding to the downward pressure on funding costs for financial institutions, households and businesses. This policy framework resulted in a large increase in excess liquidity for the banking system as a whole, placing downward pressure on all short-term interest rate markets, including the RBA Cash Rate which now trades closer to the deposit rate RBA pays on ADI's excess balances (Figure 16). ■

FIGURE 16: Short Term Interest Rates and ES Balances

Sources: RBA A3, f01, ASX



AFMA EVENTS

In line with the COVID-19 necessitated operational protocols, from early 2020, AFMA delivered its events in a virtual format to keep our members abreast with the developments in Australia's financial markets.

Financial markets, particularly in the aftermath of the pandemic, are undergoing accelerated technological and data-related changes. For the industry, these advances come with associated investments in capacity building, ensuring information security and strengthening data governance.

Through its events, AFMA engaged in some important conversations surrounding the evolving nature of financial markets.

EFS Insights with Dr Marion Kohler, RBA

AFMA invited Dr Marion Kohler, Head of Domestic Markets at the Reserve Bank of Australia (RBA) to speak with AFMA members and provide insights from the implementation of the Economic and Financial Statistics (EFS) collection project from the RBA's perspective.

AFMA has acted as liaison between our members and the regulators over several matters related to EFS data modernisation project which introduced new reporting requirements. The framework has led to more accurate information and the data published by the RBA has helped AFMA's members to understand economic developments and identify potential risks to financial stability.

The event was beneficial for AFMA's members to gauge the effectiveness of the data collection from the RBA's point of view.

AFMA Member Briefing on Cyber Security

AFMA provided the platform for a member briefing on cyber security by an AFMA partner member. The briefing touched upon the evolving nature of cyber security concerns faced by firms in the Australian financial markets, particularly following the COVID-19 impacts.

Cyber risk has moved up corporate and regulatory agendas, drawing greater attention to the need for robust and comprehensive infrastructure to mitigate substantial organisational impacts of incidents. Key takeaways from the briefing were for firms to ensure strong foundational security controls, adopt data management strategies commensurate with complex tech-



nological risk profiles and install clear first-response and investigative protocols for timely impact resolution.

AFMA Member Briefing on Data Management

Following the creation of our Data Governance Working Group, AFMA facilitated a member briefing on Data Management by an AFMA partner member. The briefing provided an overview of noteworthy developments and international learnings on data management and evolving Australian regulatory expectations in this space.

The data governance landscape in the Australian financial markets sector is receiving increased regulatory focus given the growing importance of information and cyber security. For example, APRA is undertaking to release a Data Management standard relating to data management maturity levels and data quality remediation of critical data risk elements within financial institutions. The member briefing helped shed light on the steps that firms need to take to ensure their data management frameworks are suitable to the ever-changing data usage and protection needs of the industry. ■

AFMA IN THE COMMUNITY

The Financial Markets Foundation for Children

AFMA provides financial accounting and professional support to the Financial Markets Foundation for Children. The Foundation is pivotal in providing ground-breaking medical research promoting the health and well-being of Australian children. During the financial year, the Foundation again paid more than \$1 million to grant recipients, as well as funding of paediatric research at eminent universities, particularly child brain-cancer research.

AFMA provides support both in terms of ensuring that the financial position of the Foundation is appropriately recorded and also through coordinating the grants process and providing assistance with the Foundation's Gala Ball, which raised more than \$1.6M in 2019. The Foundation is not immune from the consequences of the COVID-19 pandemic and AFMA is assisting the Foundation to ensure that it is able to continue to fund important projects and research. ■



AFMA STAFF



L-R: Rob Colquhoun & David Lynch

Management

DAVID LYNCH

Chief Executive Officer

Reporting to the Board, David is responsible for the overall performance of AFMA in representing the interests of members in dealing with industry policy issues (including market operations) and in providing education and documentation services to members. David leads the Management Committee and is the Association's primary spokesperson. David is the current Chairman of the International Council of Securities Associations.

ROB COLQUHOUN

Company Secretary, Financial Controller and Director, Policy

Rob is a member of AFMA's Management Committee and performs financial control and company secretary functions for the Association. From a policy perspective, Rob has carriage of AFMA's taxation issues, encompassing corporate tax, international tax and indirect taxes (such as GST), as well as providing support to AFMA's Anti-Money Laundering Committee. Rob engages significantly with Treasury, the ATO and AUSTRAC and is a member of the key Treasury consultation groups.

Policy Team

DAVID LOVE

General Counsel and International Adviser

David manages AFMA's legal and compliance risk and deals with developments in the regulatory environment for the Association. This role includes overseeing AFMA's documentation and market standards.

David plays a leading role in policy development for financial market infrastructure, securities and derivatives markets services, OTC and capital market practices, IBOR and other benchmark issues, and setting the strategic regulatory policy direction for the industry in Australia and other jurisdictions. He plays a key role in AFMA's ongoing relations with Treasury, ASIC, APRA and the RBA.

David also has responsibility for AFMA's international relationships with counterpart associations and international groups and authorities.

David is responsible for managing AFMA's compliance committees, the Documentation Committee along with the OTC guide, and the legal committees for the equity and debt capital markets.

DAMIAN JEFFREE

Senior Director of Policy

Damian is a Senior Director of Policy with responsibility for AFMA's markets function. During the COVID period he led the work engaging with ASIC to ensure a balanced response to the challenges created by the increased market activity. Areas of ongoing focus include APRA's work on remuneration, Treasury's approach to regulation and Home Affairs work on critical infrastructure. Damian is also responsible for a number of committees relevant to wholesale equities (including CHES replacement) and futures, retail broking, IT, information security, operations, and regulatory reporting.

MARK MCCARTHY

Director – Markets and Membership

Mark manages the operation of Market Committees in Debt Securities, Debt Capital Markets, Inflation Linked Products and Swaps, and is a member of the RBA's Australian Foreign Exchange Committee. These roles reinforce the protocols and conventions for OTC markets and address the regulatory and



AFMA STAFF



AFMA Policy Staff – L-R (back): David Love, Damian Jeffree, Mark McCarthy;
L-R (front): Mike Chadwick, Murray Regan, Crystal Hamstead, Rob Colquhoun



Nikita Dhanraj



Natalie Thompson

Policy Team cont...

market issues that arise in these sectors. Over the past year, he has also been responsible for maintaining AFMA's Public Register of Statements of Commitment to the FX Global Code and liaison with AFMA members and potential new members to develop new relationships and promote further membership.

MURRAY REGAN

Director – Markets and Rates

Murray has responsibility for the management of a number of the Markets Committees, i.e. the Cash Committee, Interest Rate Options Committee, Negotiable / Transferable Instruments Committee and the Repo Committee. In this role he ensures that AFMA's market conventions, standards, documentation and market practices all promote market efficiency.

Murray is also responsible for the Risk Management and Regulatory Reporting Committees, and for the Foreign ADI Working Group. He plays a key role in AFMA's ongoing relations with APRA and the RBA.

NIKITA DHANRAJ

Policy & Research Officer

Nikita joined AFMA in January 2020 and is responsible for AFMA's policy and research work on information technology, cyber security, data governance and sustainable finance. She manages AFMA's newly launched Data Governance Working Group and assists the Senior Director of Policy on related representations to the industry and the government.

Nikita is also responsible for data analysis and reporting in relation to AFMA's projects and publications on financial markets.

Nikita led AFMA's efforts in its Pandemic Management Initiative that allowed valuable collaboration among financial markets participants, regulators and government. She helped commence the AFMA Pandemic Working Group to address COVID-19-related matters.

NATALIE THOMPSON

Policy & Research Officer

Starting with AFMA in January 2020, Natalie manages the operation of energy related Market Committees, including the Electricity and Environmental Products Committees. These committees set the trading protocols and conventions underpinning the efficient operation of wholesale OTC financial markets in Australia.

Natalie is also involved with the Professionalism Committee and compliance committees. From a policy perspective, Natalie has coverage of AFMA's energy markets and foreign investment review related issues and assists the General Counsel with legal and compliance related matters.

Natalie is responsible for AFMA's communications function and manages the monthly AFMA newsletter and online engagement.

CRYSTAL HAMSTEAD

Secretariat Manager (up to February 2020)

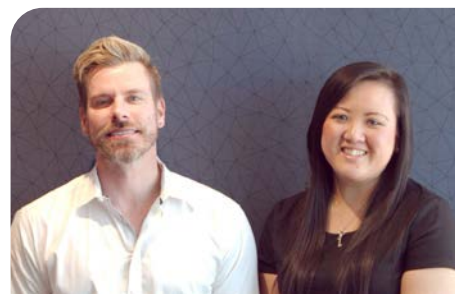
Crystal ensured the efficient operation of AFMA committees and working groups, including the Board of Directors and other governance committees. Crystal was also responsible for the delivery of a range of projects originating from AFMA committees and the Association's affairs.



AFMA STAFF



L-R: Mike Chadwick, Lisa Aquino, Karen Barrett & Bosa Grbic



L-R: Jason Sheil & May Huele

Education Team

MIKE CHADWICK

Head of Education and Director – Markets (up to September 2020)

As Head of Education, Mike was responsible for managing and leading the strategic development and maintenance of AFMA's accreditation, education and training programs to meet the specific needs of AFMA's members in maintaining high professional standards. Mike continues to assist AFMA in a consultancy capacity as the Executive Officer of the AFMA registered training organisation (RTO), and also served as the education representative on AFMA's Professionalism Committee.

As Director – Markets, Mike was also responsible for managing the operation of various Market Committees, including the Electricity, Environmental Products and Swaps Committees, and had policy responsibilities for AFMA's energy markets related issues, particularly in the electricity sector.

KAREN BARRETT

Director – Education Programs and Innovation Strategies

Karen manages the development and maintenance of all AFMA education and training. She has direct editorial responsibility for the Professionalism: Conduct & Ethics module, as well as for the Financial Markets Core and the Equity Markets modules in the Financial Markets Accreditation Program.

Karen represents AFMA on the Financial Services Industry Reference Committee.

LISA AQUINO

Publishing Manager

Lisa manages all aspects of production of learning materials for AFMA education and training programs, from desktop publishing duties, to liaising with printers and approving printers' proofs. In addition, Lisa develops and builds all online course-

ware and assessment, and has administrative responsibilities for the learning management system.

BOSA GRBIC

Education Development Manager – OTC Programs

Bosa has direct responsibility for development and maintenance for the Financial Markets Core, Debt Markets and Foreign Exchange Markets modules in the Financial Markets Accreditation Program.

MAY HUELE

Learning Services and Events Manager/ AFMA Secretariat

May has two primary areas of responsibility. In the Education Department – May is responsible for processing all education and training registrations and scheduling accreditation distance learning cohorts. May also provides a high level of support to students and delegates of AFMA's education and training products.

In the AFMA Secretariat, May ensures the efficient operation of AFMA committees and working groups, including the Board of Directors and other governance committees.

JASON SHEIL

Learning Services Manager and Accreditation Manager

Jason is responsible for the student engagement, sales and marketing activities of the education team. In addition, he manages the accreditation and annual re-accreditation of AFMA Accredited Individuals. The key focus of this role is ensuring that customers of AFMA education and training products receive a high level of support.



AFMA STAFF



L-R: Melinda Cunningham, Anne Collins & Justin Gilfeather

Services Team

ANNE COLLINS

Office Manager – Accounts and OTC Guide Administration

Anne is responsible for the day-to-day office management and the management of accounts payable and receivable. In addition, Anne supports the administration of OTC Guide products and client databases, and the grants process for the Financial Markets Foundation for Children. Anne supports the Financial Controller by ensuring all AFMA processes and procedures are adhered to.

MELINDA CUNNINGHAM

Business Information and Membership Officer

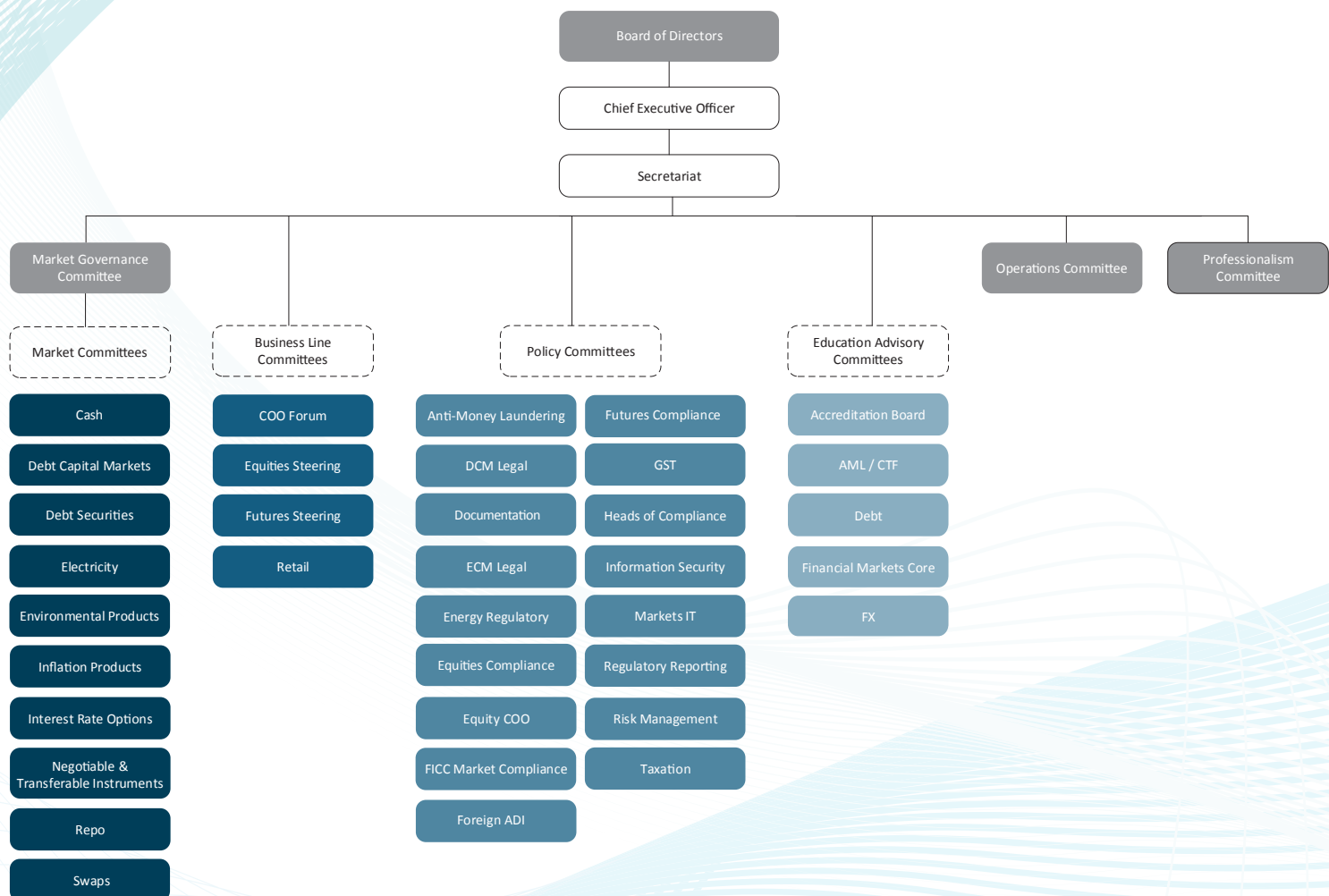
Melinda is responsible for the administration of AFMA's membership and business information functions. Melinda's responsibilities include engagement with current and prospective members about membership, maintenance of membership records, collation of member communications including marketing material and the coordination of the annual membership renewal process. Melinda also manages the subscription process for AFMA's OTC Guide.

JUSTIN GILFEATHER

Senior Information Technology Manager

Justin is responsible for all information and communication technology within AFMA, including both internal and member-facing technologies, as well as acting as the Information Security officer. ■

AFMA COMMITTEES



AFMA GOVERNANCE (current at 30 June 2020)

Board of Directors

Robert Bedwell
JP Morgan Chase Bank, N.A. (Chair)

Andrew Hinchliff
Commonwealth Bank of Australia (Deputy Chair)

Shayne Collins
Australia and New Zealand Banking Group Limited

Richard Gibb
Credit Suisse AG

Anthony Miller
Deutsche Bank AG

Nell Hutton
Goldman Sachs Australia Pty Ltd

Mary Reemst
Macquarie Group Limited

Richard Wagner
Morgan Stanley Australia Limited

Drew Bradford
National Australia Bank Limited

Greg Jarvis
Origin Energy

William Whitford
Treasury Corporation of Victoria

Nick Hughes
UBS AG, Australia Branch

Market Governance Committee

Anthony Robson
Yieldbroker Pty Limited (Chair)

Tony Togher
First Sentier Investors (Deputy Chair)

Rakesh Jampala
Australia and New Zealand Banking Group Limited

James Hayes
BNP Paribas

Luke Randell
Citi

Nadim Daban
Goldman Sachs Australia Pty Ltd

Guy Dickinson
HSBC Bank Australia Limited

Colin Gilbert
ICAP Australia Pty Ltd

Bradley Castellano
JP Morgan Chase Bank, N.A.

Tim McCaughey
National Australia Bank Limited

Fiona Trigona
NSW Treasury Corporation

Robert McCormack
Royal Bank of Canada

Andrew Kennedy
South Australian Government Financing Authority

Justin Lofting
Treasury Corporation of Victoria

Callum Macleod
Tullett Prebon (Australia) Pty Limited

Matthew Campbell
UBS AG, Australia Branch

Daniel Park
Westpac Banking Corporation

2019/20 SUBMISSIONS

Significant Submissions include:

Indicative benefit legend: ● Direct costs savings ● Better regulation ● Better for business

Submission Issue	Policy Maker	Indicative Benefit		
Consultation on Pre-Cessation Issues for LIBOR and Certain other Interbank Offered Rates	ISDA			●
Consultation Paper 312 – Stub equity in control transactions	ASIC		●	
Consultation Paper 313 – Product Intervention Power	ASIC		●	
COGATI Access Reform – Directions Paper	AEMC	●	●	●
Australian Debt Capital Markets Management and Practice	ASIC		●	
Consultation Paper 314 – Market Integrity Rules for Technological and Operational Resilience	ASIC		●	
Market making arrangements in the NEM – draft determination	AEMC		●	●
Consultation Paper 315 – Foreign financial services providers	ASIC		●	●
Banking Executive Accountability Regime Consultation on Product Responsibility	APRA		●	●
Consultation Paper 319 – Securities lending by agents and substantial holding disclosure	ASIC		●	
Consultation on Amendments to Margin Requirements	APRA		●	
Consultation Paper 322 – Product intervention – OTC binary options and CFDs	ASIC		●	●
Exposure Draft Consultation on Search Warrants, Access to Telecommunications Intercept Material, Licensing and Banning Orders	Treasury		●	
APRA Discussion Paper – Strengthening prudential requirements for remuneration	APRA	●	●	●
Australia's 2020 Cyber Security Strategy	Department of Home Affairs – Cyber Security Policy Division		●	●
FG002 Financial Planners and Advisers Code of Ethics 2019 and Guidance	FASEA Standards Authority	●		●
COGATI Proposed Access Model – Discussion Paper	AEMC	●	●	●
ASX 24 Bond Futures Roll Consultation	ASX			●
Interest Rate Risk in the Banking Book for ADIs	APRA		●	●
Banking, Finance and Insurance Award 2020 [MA000019] – Annualised Wage Arrangements	Fair Work Commission			●
Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019	Senate Legal and Constitutional Affairs Committee	●	●	●
Request for Guidance on matters associated with IBOR Transition	Council of Financial Regulators		●	●
Select Senate Committee on Financial Technology and Regulatory Technology	Select Senate Committee on Financial Technology and Regulatory Technology		●	
Financial Market Infrastructure Regulatory Reforms	RBA		●	
Financial Regulator Reform (No.2) Bill	Treasury		●	
2020-21 Pre Budget Submission	Treasury	●	●	●

2019/20 SUBMISSIONS

Significant Submissions include:

Indicative benefit legend: ● Direct costs savings ● Better regulation ● Better for business

Submission Issue	Policy Maker	Indicative Benefit		
Corporate Criminal Responsibility	Australian Law Reform Commission (ALRC)	●		
Compensation Scheme of Last Resort (CSLR)	Treasury	●	●	●
Financial Accountability Regime (FAR)	Treasury		●	●
Conflicts of interest and associated conduct risks during the debt capital raising process	IOSCO	●	●	●
Stamping Fee Exemption	Treasury		●	●
Financial Services Royal Commission – Enhancing consumer protections and strengthening regulators	Treasury	●	●	●
Confidentiality of data used in ADI quarterly publications and additional historical data	APRA		●	
Consultation Paper 328 – Initial Public Offers	ASIC		●	●
AUSTRAC Interim Guidance	AUSTRAC			●
Consultation Paper 329 – Advice Fee Consents and Independent Disclosure	ASIC		●	
VIC DELWP – Shocks to VEEC Scheme Market	VIC DELWP		●	●
Consumer Data Right – Issues Paper	Treasury	●	●	●
Five Minute Settlement Delay	AEMC		●	●
Corporate Bond Review	House Standing Committee on Tax and Revenue			●
Exemptions in ASIC Corporations (Derivative Transaction Reporting Exemption) Instrument 2015/844 expiring on 30 September 2020	ASIC		●	

AFMA MEMBERS (current at 30 June 2020)

Financial Markets Members

ABN AMRO Clearing Sydney Pty Limited
 AGL Energy Limited
 Alinta Energy
 AMP Limited
 Arab Bank Australia
 Arcadia Energy Trading
 Arrow Energy Trading Pty Ltd
 Associated Foreign Exchange Australia Pty Ltd
 ASX Limited
 Aurora Energy Pty Ltd
 Australia and New Zealand Banking Group Limited
 Australian Office of Financial Management
 Bank of America Merrill Lynch Australia
 Bank of China Limited
 Bank of Communications Co. Ltd Sydney Branch
 Bank of Queensland
 Barclays Bank PLC, Singapore Branch
 Bendigo and Adelaide Bank Limited
 BGC Partners (Australia) Pty Ltd
 Bloomberg L.P.
 BNP Paribas
 China Construction Bank, Sydney Branch
 China Everbright Bank, Sydney Branch
 Chi-X Australia Pty Ltd
 Citi
 CleanCo Queensland Limited
 CLSA Australia Pty Ltd
 CMC Markets Asia Pacific
 CME Group Australia Pty Ltd
 Commonwealth Bank of Australia
 Credit Agricole CIB Australia Limited
 Credit Suisse AG
 Credit Union Australia Limited
 CS Energy Limited
 DBS Bank Ltd
 DDH Graham Limited
 Delta Electricity
 Deutsche Bank AG
 EnergyAustralia
 ENGIE
 Ergon Energy Queensland Pty Ltd
 ERM Power Limited
 FIIG Securities Limited
 Financial and Energy Exchange Ltd
 First Sentier Investors

GFI Australia Pty Ltd
 Goldman Sachs Australia Pty Ltd
 Greater Bank Limited
 HSBC Bank Australia Limited
 Hydro Tasmania
 ICAP Australia Pty Ltd
 IG Markets Limited
 IMC Pacific Pty Ltd
 Industrial and Commercial Bank of China Limited
 Infigen Energy
 ING Bank (Australia) Limited
 InterGen (Australia) Pty Ltd
 Invest Financial Services
 Investec Australia Limited
 JP Morgan Chase Bank, N.A.
 LCH.Clearnet Ltd Sydney Branch
 Macquarie Group Limited
 Mizuho Bank Ltd
 Moneytech Limited
 Morgan Stanley Australia Limited
 MUFG Bank, Ltd.
 National Australia Bank Limited
 Newcastle Permanent Building Society
 Nikko AM Limited
 Nomura Australia Limited
 Northern Territory Treasury Corporation
 NSW Treasury Corporation
 OCBC Bank
 OFX
 Optiver Australia Pty Ltd
 Origin Energy
 Propex Derivatives Pty Ltd
 QBE Insurance Group Limited
 QIC
 Queensland Treasury Corporation
 Rabobank
 Royal Bank of Canada
 Shell Energy Australia Pty Ltd
 Snowy Hydro Limited
 Societe Generale
 South Australian Government Financing Authority
 Standard Chartered Bank
 Stanwell Corporation Limited
 State Street Bank and Trust Company
 Sumitomo Mitsui Banking Corporation, Sydney Branch
 Suncorp Metway Ltd

Susquehanna Pacific Pty Ltd
 Tasmanian Public Finance Corporation
 TD Securities
 Teachers Mutual Bank Limited
 The Northern Trust Company
 Tibra Trading Pty Ltd
 Toyota Finance Australia Limited
 Travelex Limited
 Treasury Corporation of Victoria
 Tullett Prebon (Australia) Pty Limited
 UBS AG, Australia Branch
 United Overseas Bank Limited
 Vanguard Investments Australia Ltd
 Western Australian Treasury Corporation
 Western Union Business Solutions
 Westpac Banking Corporation
 Yieldbroker Pty Limited

Partner Members

Allen & Overy Australia Pty Ltd
 Ashurst Australia
 Baker McKenzie
 Clayton Utz
 Energy Edge Pty Ltd
 Ernst & Young
 Gilbert + Tobin
 Herbert Smith Freehills
 ICE Data Services Australia
 Johnson Winter & Slattery
 King & Wood Mallesons
 KPMG
 Minter Ellison
 Norton Rose Fulbright
 PricewaterhouseCoopers
 Refinitiv Australia Pty Ltd
 S&P Global
 SWIFT Services Australia Pty Ltd
 White & Case

Affiliate Members

Australian Energy Market Operator Ltd
 Clean Energy Regulator
 International Capital Market Association
 Reserve Bank of Australia

AFMA would like to thank its partner members for their ongoing support:

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McKenzie.

CLAYTON UTZ

EnergyEdge

EY

GILBERT
+ TOBIN

HERBERT
SMITH
FREEHILLS

ice Data
Services™

JOHNSON
WINTER &
SLATTERY

KING & WOOD
MALLESONS
金杜律师事务所

KPMG

M
MINTEGRITY

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NORTON ROSE FULBRIGHT

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ABOUT AFMA

The Australian Financial Markets Association (AFMA) is a member-driven and policy focused industry body that represents participants in Australia's financial markets and providers of wholesale banking services. AFMA's membership reflects the spectrum of industry participants including banks, brokers, market makers, energy traders, market infrastructure providers and treasury corporations.

Well-functioning financial markets are critical to good economic performance. AFMA pursues the policy and industry conditions that best enable financial markets to support a healthy economy by:

- Advocating policies and regulation that support development of the financial markets and user confidence in them;
- Encouraging responsible conduct and efficient markets through industry codes, conventions, guides and preparing and maintaining standard documentation; and
- Promoting high professional standards through education and accreditation programs.

AFMA covers industry issues affecting the front, middle and back office functions of members. This includes matters concerning dealing, advising and operations for both the over-the-counter (OTC) and exchange markets for securities and derivatives.

Policy advocacy and industry representation

AFMA seeks to promote efficient regulation that inspires investor confidence in our markets. Our approach is built on constructive engagement with politicians and a credible approach to policy and regulatory matters. The Government and regulators regularly seek AFMA's views on public policy matters relevant to the financial markets.

The financial regulators oversee the day-to-day operation of the financial markets by administering government policy. AFMA has a unique relationship with the regulators that can handle a contest of ideas and views when necessary and is founded in a common interest in the efficient delivery of regulatory objectives.

Promoting market efficiency and integrity

AFMA underpins official regulation by developing and promoting industry standards and guidance that support efficient and ethical practices across all our financial markets.

In addition, AFMA's conventions and standard documentation for the OTC markets are widely accepted, covering both front office activities and the operational aspects of financial transactions.

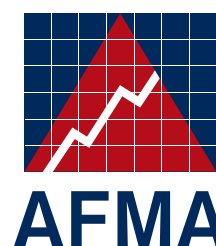
Promoting market professionalism

AFMA encourages high standards of professional conduct in financial markets by delivering professional development and accreditation programs to improve individual expertise in OTC and exchange-traded markets. AFMA accords accreditation, which enjoys widespread industry acceptance, to individuals who achieve the required levels of competence.

Industry leadership

AFMA's strategy is set by a Board comprising industry leaders at CEO level. The advocacy, industry standards and conventions processes are supported by member firms through our committees. They regularly assess suitability of the policy and regulatory settings for our financial markets and the degree of professionalism exhibited by market participants. ■

www.afma.com.au





www.afma.com.au

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