



April 2020

AFMA Market Committee Guidelines

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AFMA Market Committee Guidelines

1. PREAMBLE

A core function of AFMA is to encourage high professional standards in the wholesale financial markets and to facilitate the effective self-management of OTC markets through agreed market conventions and standards.

Market Committees¹ are the primary means through which AFMA undertakes its coordinating role in the OTC markets. These committees develop consensus in the market on technical matters such as transaction documentation, standards, trading conventions and market data, which is necessary for efficient OTC market operation.

Working Groups may be established within a committee to deal with specific issues of significance.

2. GOVERNANCE

AFMA's Board has ultimate responsibility for the affairs of the Association.

Within this framework, the Market Governance Committee (MGC) is tasked to develop and maintain market protocols and operational standards that facilitate and promote the efficient and smooth running of the financial markets in Australia. MGC members are elected by member firms at the Association's annual general meeting. The MGC has a specific focus on FICC markets and it oversees and regularly reviews the activities of the Market Committees and has the authority to provide direction when and if necessary.

Market Committees may refer matters to MGC for its advice and direction and should do so when a matter being considered may have ramifications beyond the committee's area of responsibility.

MGC approves these Guidelines and may amend their operation in respect of any matter, or any Market Committee, at its discretion.

3. COMMITTEE MEMBERSHIP

Membership of a Market Committee is restricted to representatives nominated by Financial Market Member firms and each member firm is limited to one membership of any committee.

Market Committee are appointed in accordance with protocols established by MGC. The protocols require an election when the number of nominating firms for a committee exceed the number of places available on the committee.

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



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3.1. Term of Office

Committee membership is ordinarily for two years from a date set by MGC.

MGC has discretion to set an alternative term of office for a Market Committee, including for any currently sitting committee.

3.2. Eligibility to serve on Committees

A representative nominated to serve on Committees should be sufficiently senior to be able to capably contribute to the work of the Committee and promote the Market Conventions and other committee initiatives within their firm.

Wherever possible, a nominating firm should have a suitably qualified person to serve as the other as an alternate for occasions when the member is unable to attend;

Elected members are expected to attend all scheduled committee meetings and be prepared to contribute to the discussion on agenda items in an informed and authoritative manner.

3.3. Committee Structure

3.3.1. Aggregate Cap

The optimal number of member firms serving on committees is determined by the MGC, taking account of the recommendation of the respective committee prior in advance of its term expiring.

3.3.2. Industry Sector Reservations

To promote market participant diversity in the composition of committees, MGC may allocate membership places on committees exclusively to specific industry sectors (for example, investors, non-bank debt issuers and brokers) and terms under which these.

Refer attachment 'A' for the current structure of committees, as ratified by MGC.

3.4. Adding Additional Members to a Committee

A committee may also agree to add 2 additional members at any time during its Term of Office.

3.5. Committee Vacancies



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The Committee will determine the appropriate firm to fill a casual vacancy created by the resignation² of a member.

In making such determination, the Committee should seek to maintain a diversity of members that accords with the outcome of the committee election process and it must maintain the sectoral representation determined by MGC (see Attachment A).

3.6. Committee Observers

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

3.7. Committee Guests

From time to time the Committee may decide that it is appropriate to invite a guest to attend a meeting, where they would bring expertise and knowledge not currently available to the Committee and is relevant to its agenda.

3.8. Working Groups

Committees may establish working groups for a one-off or specific purpose, such as preparing an industry submission, looking at a specific issue in the market, or where specific expertise outside of the representative individuals is required, such as for legal or regulation issues.

Working group members are usually sourced from the committee establishing the group however may also include individuals with the required expertise who need not necessarily be AFMA members.

There is no restriction on working group membership numbers. The working group may make recommendations to the committee, but the responsibility of any decision rests with the Committee

4. RESPONSIBILITIES

4.1. Members

The member firm will appoint a suitably qualified representative to each Committee. The member firm should also appoint an alternate to allow for situations when the primary representative is unable to attend a meeting.

² In circumstances where a member firm's committee representative leaves the firm the member main contact will be contacted by Secretariat and a replacement sought. The member may then also opt to resign from the Committee.



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All member firms have a responsibility to ensure its representatives attend meetings and actively contribute.

A member firm may replace its committee representative at any time during the Committee's Term of Office, subject to clause 3.2. Members should notify the Secretariat as soon as possible when there is a change in their representative or the alternate.

During the conduct of the Committee's business, members can take account of their firm's interest in matters being considered but they must balance this by having appropriate regard to AFMA's primary objective of promoting a fair, efficient and effective market.

Representatives are encouraged to propose agenda items for meetings to either the Chair or Secretariat.

Representatives must observe AFMA's [Competition Law Policy and Guidance](#) when participating in committee activities.

4.2. Chair

Each committee should elect a Chair and a Deputy Chair to deputise for the Chair when they are unavailable. The Chair's responsibilities include:

- Agreeing the agenda for meetings with the Secretariat.
- Determining if a quorum for a meeting (i.e., two thirds of committee members) exists;
- Conducting meetings in an orderly fashion, in accordance with the agenda.
- Encourage members to deliberate on matters and make consensus decisions rather than resorting to a vote.
- If discussion is becoming protracted or opinion is becoming divided, summarise the discussion points and suggest a way to resolve the impasse.
- Monitor the effectiveness of committee members in meeting their responsibilities.
- Reviewing and approving draft minutes prior to distribution.
- Reviewing requests from non-members to make representations to committees.
- If requested by the Secretariat, represent the Committee in meetings, including with regulators and relevant market infrastructure providers.

4.3. Secretariat

AFMA will provide a dedicated Policy Executive to serve as Secretariat and provide administrative support for market committees.

The Secretariat will prepare a draft agenda for the approval of the Chair.

The Secretariat will seek to ensure that details of the next meeting are sent to members a week prior to the meeting date and that any subsequent changes are promulgated as soon as possible.



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Notices in relation to adjourned meetings will, as far as possible, be sent to members at least three days prior to the original meeting date.

The Secretariat will keep a record of attendance at meetings and prepare reports on committee proceedings for MGC's consideration.

Approved minutes should be sent to members by the Secretariat within ten working days of the meeting.

5. MEETINGS

Committees will meet on a quarterly basis or as required. The quorum for a valid meeting is two-thirds of the Committee's membership.

Personal attendance at meetings is expected, however, members may participate by telephone and videoconference linkages where this is not feasible, or it would be unreasonable to have to do so for practical reasons.

The Chair will preside over each meeting. The Deputy Chair will preside over meetings when the Chair is unavailable. Secretariat will preside over meetings if neither is available.

Costs incurred in preparing for and attending committee meetings are for the account of the firms being represented.

6. AGENDA

Committee members are encouraged to propose agenda items for meetings to either the Chair or Secretariat, and not later than one week prior to a meeting.

The agenda for each meeting should include:

- A confirmation of the minutes of the previous meeting.
- Progress on action items from previous meetings.
- New business items for the meeting.
- An "Other Business" item.
- Setting (or confirming) the date, time and place for the next meeting.

The agenda should incorporate discussion items for the following general categories, where relevant to the Committee:

- Market Conventions and Guidelines
- Regulatory Updates and/or Issues
- Documentation Issues
- Market Education Issues
- Market Data



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- Market Quality and Professionalism
- Membership of Committees
- Updates from other Committees
- Issues on the Horizon

AFMA Members who are not represented on a committee may raise issues via the Secretariat to be considered for inclusion on the agenda. Approval to include these items rests with the Committee Chair.

7. MARKET CONVENTIONS

AFMA supports a comprehensive system of industry accepted standards and conventions that streamline market practices and ensure Australia's OTC markets trade at an accepted standard.

The creation and maintenance of OTC market conventions are key responsibilities of market committees.

A member firm seeking a review of, or a change to, a market convention should request this by contacting the Chair of the relevant Committee and/or AFMA Secretariat. The firm should explain the nature of the request and the rationale behind it.

Secretariat will then follow AFMA's *Procedures for Managing Change to Market Conventions* which codify the process followed in order to promulgate a new, or amend an existing, convention.

8. VOTING

Committees should work towards reaching a consensus, although there will be times when a vote may be required to reach a decision on an issue, such as a change in market conventions.

A quorum for a meeting is at least two thirds of the members, eg if the Committee has 13 members, at least 9 must be present and prepared to vote in order that a decision can be reached. Absent a quorum a vote or decision affecting the conventions will not be valid.

Each Committee member will have only one vote.

Where matters need to be resolved by a vote, care should be taken in the wording of the resolution so that a decision can be reached in the affirmative or negative. Wherever possible, the choice should be binary (Yes or No).

An affirmative vote from at least 75% of those committee members present³ and prepared to vote is required for a motion to be carried. For example, if 10 members are present and prepared to vote

³ Member may be present in person or by telephone/teleconference.



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(and that number satisfies the quorum rule), then at least 8 (75% rounded up) must vote in the same direction for a clear decision to be made.

A committee member that chooses to abstain from a vote (i.e., not prepared to vote) will not be included in the determination of a quorum for the purposes of the vote. Abstaining should only occur in rare instances, and the member should have a reasonable basis for abstaining.

Before finalising its view on a matter that may be significant in a wider market context, a committee should seek information from the Secretariat regarding policy positions or views held by AFMA in the broad interests of its members and consider referring the matter to the Market Governance Committee for guidance.

8.1. Voting by Circular Resolution

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

AFMA Secretariat will email members with respect to the question if voting by a circular resolution process, providing a deadline for responses to be received by return email.

A quorum will be determined by the number of responses that have been received by the deadline. Members who do not respond to the email request will be deemed to be absentees or abstainers and will not be counted in the voting calculation.

9. MINUTES

In accordance with AFMA protocols Secretariat will prepare the minutes of meetings provided there is a quorum, otherwise notes will be prepared. Prior to distribution these minutes or notes will be approved by the member presiding over the meeting.

10. CONFIDENTIALITY

Committee papers, minutes and related records are the intellectual property of AFMA, and are for the information of committee members, nominated minute receivers and employees of AFMA. They are to be treated as confidential and not to be distributed to other parties without express permission from the AFMA Secretariat.



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11. ATTACHMENT A: MARKET COMMITTEE MEMBERSHIP STRUCTURE

Market Committees should be formed and maintained in accordance with the following structure:

Market Committee	Maximum Committee Size (at election)	Reserved for Investors	Reserved for Issuers	Reserved for Sell Side	Reserved for Brokers	Unreserved positions	Other - maximum additional appointments over the Committee's term
Cash	16	0	0	0	0	16	2
Debt Capital Markets	20	4	4	0	0	12	2
Debt Securities	18	2	2	0	2	12	2
Electricity	14	0	0	1	1	12	2
Env'tl Products	14	0	0	1	1	12	2
Inflation	16	2	1	0	1	12	2
Int. Rate Options	14	1	1	0	2	10	2
NTI	14	1	1	0	2	10	2
Repo	16	1	1	0	2	12	2
Swaps	14	2	0	0	1	11	2