The dynamic financial markets in Australia reflect many years of innovation and development, and are among the fastest growing and most sophisticated in Asia. Australia’s financial markets collectively turned over more than $135 trillion in 2012-2013. The major markets in the Australian financial system include the capital markets (shares and bonds), money market and derivatives markets. There are also other markets in the financial system that facilitate the trading of specific financial products such as electricity derivatives.
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Market Backdrop

Australia’s financial markets grew steadily during 2012-13, contributing to the economy through increased funding for companies and governments, the provision of risk management facilities and by enhancing competition in the financial system.

The OTC markets continued to adjust to the impact of global financial regulatory reform, with a greater emphasis on managing counterparty credit risk and efficient use of collateral in relation to derivatives transactions. Individual markets were affected by their own idiosyncratic factors; for example, carbon policy uncertainty hampered liquidity on the energy derivatives market.

With the OTC sector accounting for 62 per cent of market volumes, AFMA’s role as the industry body that coordinates management of OTC markets, in conjunction with member firms, is a notable contribution to the effectiveness of the financial system.

Policy Framework

The increase in financial regulation has been exceptional in recent years. Global measures, like the Basel III capital and liquidity reforms, and domestic reforms, like equities trading and financial advice reforms, have markedly altered the regulatory framework for member firms. The effect is pervasive, affecting energy traders and corporates that use the markets. AFMA’s role as an industry advocate has grown in importance as member firms grapple with these changes.

The broad range of policy issues dealt with by AFMA over the course of the year is testament to the extensive reach of regulation into member firms’ businesses, the substance and pace of change of regulatory reform across the board and the reliance that member firms place on AFMA to coordinate and manage the industry’s response on these issues.

The detail of these matters is provided in the policy section of the Annual Report. However, the main point is that AFMA remains highly relevant to firms that operate in any of Australia’s financial markets.

Government & Regulator Relationships

The nature of public policy issues is such that they typically require input from a
CHAIRMAN'S REPORT

AFMA has established a good footing for its engagement with the new Federal Government and we will continue to place a high priority on the maintenance of an open and frank dialogue with the industry’s regulators. In our experience, an approach that is credible and recognises the issues facing government is the most effective way to influence outcomes in a positive way for the users of financial markets.

AFMA has regular and effective interaction with all of our key financial sector and energy regulators, which provides the means to resolve many compliance and technical issues for member firms.

OTC Market Infrastructure

Consequent to the G20 agreement in 2009, the Australian OTC derivatives market is undergoing profound change. It is moving to new infrastructure for central clearing and trade reporting, coupled with changes to the regulatory capital cost for derivatives.

AFMA made a major contribution to the development of the framework legislation enacted to meet the G20 commitments and is facilitating industry discussions on implementation issues with both regulators and providers of the new market infrastructure. For instance, AFMA holds regular forums with the regulators and we engaged with the Australian Securities Exchange (ASX) on the rules for its interest rate derivatives clearing service.

Notably, AFMA has played a constructive role in achieving a successful outcome on initial margin requirements for cross currency swaps. I acknowledge the priority that both the Australian Securities and Investments Commission (ASIC) and the Reserve Bank accorded this issue in international regulatory forums. The outcome significantly benefits the Australian economy by limiting the associated cost impost on overseas borrowing.

The OTC derivatives reforms are designed to make the financial system safer but they also pose significant costs, and technical and operational challenges for market participants and their clients. AFMA will have a solid agenda of OTC issues to manage on behalf of the industry over coming years.

Exchange Markets

On the exchange front, our focus over the past year has been on ASIC’s market integrity rules and cost recovery for market supervision, both of which have increased the cost of doing business.

Innovation has brought about the emergence of algorithmic trading, high frequency trading, colocation and dark pools in the equities market. AFMA has facilitated a sharing of ideas and understandings on these issues within the industry that brought focus to the substantive issues and promoted a more balanced regulatory outcome. This approach assisted the regulator, provided a counterpoint to more extreme assessments of change and supported public confidence in the markets.

AFMA’s Executive Director is a member of ASX’s Clearing and Settlements Advisory Forum. The Forum is one consequence of the Government’s decision to delay a decision about competition for equities market clearing for two years, which AFMA considered to be a pragmatic decision that reflected the tenor of feedback that we had received from member firms. Members will have an opportunity to further consider the appropriate long term policy position in this area.

AFMA has consolidated its good working relationship with Chi-X and provides an effective forum for member firms to address matters relating to its market rules.

Retail Markets

AFMA’s policy activities have seen it drawn steadily into the retail market space over the years, as we supported member firms offering a range of facilities and products, like retail broking, margin lending, contracts for difference (CFDs), and structured financial products.

AFMA’s industry leadership role in this area continues to grow and it is pleasing to report that the private wealth manager firms selected AFMA as their industry body during the year, as this is complementary to our activities across the various asset and investor classes. Activities in this area will be more important as the corporate bond market develops and superannuation grows.

Industry Practice

Trust underpins all aspects of economic activity but is especially important to financial markets. Leadership is important to building trust and AFMA, as an industry body, makes a meaningful contribution towards addressing the trust issue through co-ordinated industry action. AFMA has a programme to improve the professionalism and efficiency of the industry, through OTC market conventions, accreditation and best practice guides.

Both the industry and our regulators expect AFMA to take a lead in self-governance in areas beyond our traditional role in setting institutional OTC market standards. For example, AFMA provides best practice guidance on the handling of confidential information, the
Broader Industry Engagement

AFMA seeks to create constructive dialogue between different market participants and users to increase shared understandings and reduce concerns where possible. Our experience is that an open exchange of views leads to constructive outcomes. Moreover, there are areas of mutual policy interest, like development of the corporate bond market, which would benefit from a working relationship between AFMA and relevant industry bodies.

AFMA participates in relevant industry forums including the Finance Industry Council of Australia (FICA), International Council of Securities Associations (ICSA) and the Business Coalition for Tax Reform (BCTR). This provides a better insight into broader industry views and is a way to influence policy decisions affecting the industry. Our connection with global industry peers is especially helpful when responding to extraterritorial issues, like the proposed European financial transactions tax and the Dodd-Frank Act, and international standards issued by the International Organisation of Securities Commissions (IOSCO), Financial Action Task Force (FATF), and the Basel Committee, amongst others.

Women in Finance

The industry is working collaboratively through AFMA to ensure that it remains competitive in attracting and retaining a diverse pool of talent. Our joint Gender Diversity Research Committee with Women in Banking and Finance is conducting ground-breaking research on attracting female graduates to the industry to assist in building a diverse pipeline of future industry leaders.

International Competitiveness

There is scope for further development of Australia’s financial markets, especially in the context of the growth and increasing sophistication of financial markets in Asia. AFMA has worked to get government, at both the state and federal level, to recognise the potential of our financial markets and give an unequivocal policy commitment to enhance our international competitiveness, build our domestic markets and develop our financial services exports.

Building for the Future

The Financial System Inquiry being planned by the Government is a major initiative for the industry and will address matters central to member firms’ businesses.

The Financial System Inquiry being planned by the Government is a major initiative for the industry and will address matters central to member firms’ businesses.

More broadly, the Coalition’s commitment to reduce the regulatory burden on business and lift productivity should improve the policy formulation process and the regulation that it generates. For example, the proposal for mandatory regulatory impact statements is a step forward.

Tax law change is an ever present challenge for financial institutions. The Government has said that it intends to proceed with fundamental tax reform on a measured basis, using a White Paper process to develop ideas and consult on community positions. AFMA believes that a ‘whole of government’ policy approach is required to support an effective and competitive financial system and will represent the industry accordingly in the consultations.

Major Events

AFMA hosted ICSA’s AGM this year in Sydney, which featured a range of distinguished speakers from both Australia and overseas, including the chair of IOSCO and ASIC, Greg Medcraft and the Deputy Premier, New South Wales, the Hon Andrew Stoner MP.

The new Assistant Treasurer, Senator the Hon Arthur Sinodinos, launched the 2013 Annual Financial Markets Report in October and provided a good insight into the Government’s financial sector agenda to an audience of senior industry leaders and regulators.

Data & Education Services

Building on the advantage of the Bank Bill Swap Rate (BBSW) being based on a traded market, AFMA announced in March 2013 its intention to eliminate the contributors panel and adopt an automated process to extract the benchmark rate directly from trading venues. This maintains the basis of BBSW but modifies the operational processes through which it is compiled.
AFMA’s learning management system was enhanced to provide a single environment for students completing AFMA’s qualifications making the learning and assessment process more efficient and simpler for students.

and in doing so complies with the IOSCO principles for financial benchmarks. The new mechanism subsequently went live in September, after the end of the financial year.

BBSW continued to attract a greater number of subscribers, particularly following the retirement of AUD Libor at the end of May 2013. AFMAdata, a data suite of BBSW and other end-of-day rates maintained their relevance in a challenging environment.

The agreement between AFMA and Rate Validation Services (RVS) to establish AFMA RAVA™ was discontinued as RVS adopted a more global focus for its business in the face of changing market and regulatory conditions.

AFMA is a Registered Training Organisation (RTO) which allows it to confer nationally recognised qualifications. The Diploma of Financial Markets, the award qualification that underpins the accreditation program is the most widely used qualification offered by AFMA. The regulatory environment for RTOs has been tightened by the Government in recent years following a number of high profile RTO failures so it was a pleasing result that AFMA successfully passed an Australian Skills Quality Authority (ASQA) audit of its RTO operations in October 2012.

AFMA’s learning management system was enhanced to provide a single environment for students completing AFMA’s qualifications making the learning and assessment process more efficient and simpler for students. Further, the Accreditation Program was extended by including a specialist module for Carbon Markets.

AFMA Membership

AFMA is unique because our membership gives us comprehensive coverage of financial market participants. For instance, we are the only body to include all of the leading stockbrokers in our membership. We welcomed a number of new members over the course of the year, which helped to keep our membership numbers stable despite a number of mergers and restructuring of member businesses.

Strategy

AFMA is operating in a rapidly changing industry with multiple factors at play in shaping its future. The Board considered it timely to take a step back and assess the opportunities and threats they present to AFMA and how we should respond given the strengths and weaknesses to our current operating capability and model. This process was ongoing at the end of the financial year.

AFMA currently meets the objectives specified for the Association, which cover policy advocacy, promoting the development of efficient and competitive financial markets, industry self-regulation in addition to promoting high professional standards education and data services. However, we need to ensure that we remain well placed to respond to members’ needs in a changing industry environment.

In Appreciation

AFMA’s Board is comprised of senior industry leaders and I am grateful to them for the purposeful way they have met their AFMA responsibilities. It has been a busy but interesting year and our work on major financial reforms is by no means complete.

AFMA’s effectiveness depends on a significant commitment of time and expertise by member firms and their employees to our activities. The fact that we have more than 1,000 participants in our business, policy and markets committees signals confidence in the value of AFMA and the potential it can tap by enabling industry participants to collaborate on issues of mutual concern and interest.

This work is supported by a professional Secretariat that takes on responsibility for the effective operation of the Association and actively manages industry issues.

Finally, I would like to congratulate Stephen Roberts on taking over Chairmanship of AFMA and wish him well for the next two years. Stephen has been a great support to me as Deputy Chairman and the quality of his leadership leaves AFMA well placed to handle the policy and market issues that the industry will have to contend with.

RICK SAWERS
Chairman

CHAIRMAN'S REPORT cont'
The past year has been an intensive period of OTC derivatives market law reform in Australia. The reforms being developed and implemented in Australia, as in other jurisdictions, has been significantly influenced by global regulatory developments under the coordination of the Financial Stability Board (FSB). AFMA worked closely with Australian regulators and overseas counterparts through the International Council of Securities Associations (ICSA) to improve international coordination of OTC market reforms by the US and Europe.

For Australia, the crucial development was the passing of framework legislation, the Corporations Legislation Amendment (Derivatives Transactions) Act 2012, which established a regime for the imposition of mandatory requirements in respect of trade reporting, central clearing and platform trading of OTC derivatives. Following on from this, determinations and regulations were made under the new law to allow the Australian Securities and Investments Commission (ASIC) to make rules around trade reporting. The Australian regulators are placing high importance on trade reporting to provide the means to monitor, in close to real time, the nature and flow of operational and credit risk management exposures. AFMA played a key role in the development of the regime through its comments and facilitation of constructive consultations between members and the Council of Financial Regulators on proposed reforms on central clearing of OTC derivatives. The Regulators have accepted the need for an effective market-driven solution within the context of a dynamic global environment, in line with the case put forward by AFMA.

BBSW Initiatives and Benchmark Rate Regulation

During the financial year period, the International Organisation of Securities Commissions (IOSCO) developed its Principles for Financial Benchmarks which crystallised the plan for global reforms to financial benchmark rates. The Principles draw from the earlier Wheatley Review of LIBOR and seek to improve governance and structures around financial benchmarks. AFMA made crucial interventions in this process to clarify the distinction between benchmarks based on rate surveys and those based on traded rates and improve the final Principles.

AFMA's submissions stressed the need for the Principles to be flexible enough to ensure the most appropriate market data is selected for each particular market. Markets vary widely in their structures and while some are more suitable for Volume Weighted Average Price (VWAP) based benchmarks, others may be more suitable for rates based on committed bids and offers. We also noted the need to focus the principles on systemically important rates so as not to impact on revaluation and other non-systemic rates and thereby increase systemic risk.
While Australia’s Bank Bill Swap (BBSW) benchmark rate has remained under regular review by AFMA and its supporting processes were enhanced and updated in recent years, AFMA commenced work on a more comprehensive review following the release of the Wheatley report and as the likely shape of IOSCO’s Principles became clearer.

Though AFMA’s research supported the view that the risks associated with BBSW were structurally much lower than with LIBOR, given the substantial increases to compliance costs post-Wheatley for both panellist firms and benchmark administrators, it was decided to leverage BBSW’s grounding in an actively traded market; transitioning away from a submission-based mechanism to a system that collects tradeable bids and offers directly from multiple market venues. This National Best Bid and Offer (NBBO) approach draws on analogies from the equity markets while introducing protections including an obligated market making scheme and maximum acceptable spreads to ensure the markets are sufficiently supported and that rates are set by ‘at-risk’ bids and offers.

The evolution of the regulatory environment has led to ongoing development of the AFMAdata system to enable it to directly source revaluation rates from market venues to allow for the move away from panellist contributions. This allows revaluation rates to be based on bids and offers rather than reported mid-rates.

**Financial Transactions Tax Proposal**

Pursuant to a directive issued by the European Commission, 11 members of the European Union resolved to implement a Financial Transactions Tax (FTT) on all transactions in financial instruments, including debt and equity securities. For participants in the Australian financial markets, there are concerns that, as was proposed, the FTT would have significant extra-territorial impacts which AFMA has taken a lead in articulating to authorities; insofar as it may apply to transactions where the parties to the transaction have no nexus to the FTT zone but the underlying instrument was issued within the FTT zone, or where one party that has entered into a transaction is dealing with an FTT zone counterparty.

AFMA has contributed strongly to expressions of concern regarding the FTT, especially in the form currently proposed. AFMA assisted in developing the ICSA submission to the European Commissioner for Taxation, Commissioner Šemeta. Separately, AFMA also co-signed, together with our counterparts from the United States, Canada, Japan and Korea, a letter to the G-20 Finance Ministers expressing opposition to the FTT and particularly to the extra-territorial nature of the tax. AFMA continues to closely observe developments regarding the FTT and will continue to advocate policy positions that mitigate both the financial and operational impact of the FTT on AFMA members.

**Implementation of Prudential Reforms**

As the global Basel III reforms have solidified over the year, the implementation of the new capital and liquidity reforms in Australia by the Australian Prudential Regulation Authority (APRA) has commensurately taken shape. AFMA has analysed impacts on local markets of the reform and advised APRA about real world effects of proposed standards. Importantly, while the Australian prudential regime will largely reflect the agreed international standards, APRA and the Reserve Bank have announced the establishment of a Committed Liquidity Facility (CLF). The facility addresses a key problem for the Australian market; the shortage of eligible high quality liquid assets. For a fee, a bank can establish a CLF with the Reserve Bank of sufficient size to meet any shortfall in measurement against the new Basel Liquidity Coverage Ratio.

Meanwhile, the Government has also proposed additional reforms to strengthen APRA’s crisis management powers and to better align Australia’s resolution framework with international standards, such as that of the Financial Stability Board.
**POLICY INITIATIVES cont’**

### Exchange Market Reform

The year has been another intensive one in terms of regulatory change in exchange traded markets. There has been no respite from continued market reforms since the bedding down of a new regulatory regime for a multi-operator market environment that commenced in 2010, with a range of new proposals on the regulation of high frequency trading and dark liquidity.

There has been no respite from continued market reforms since the bedding down of a new regulatory regime for a multi-operator market environment that commenced in 2010, with a range of new proposals on the regulation of high frequency trading and dark liquidity.

AFMA called for regulatory measures applied to dark liquidity to be appropriately targeted, as opposed to being applied whether or not there is an issue with price formation in a particular stock. It was pleasing that ASIC agreed not to implement its proposal to introduce a minimum threshold for participation in dark pools. However, ASIC did proceed to introduce a price improvement requirement for crossings in all stocks, notwithstanding significant concerns within our membership about the proposal.

In relation to high frequency trading, ASIC’s investigations have found that there are no substantive issues to address, and has abandoned an earlier proposal to introduce a minimum resting time for small orders. AFMA has encouraged ASIC to shift its priorities away from new proposals and towards the important work of bedding down existing changes, removing duplication and clarifying current regulations and guidance.

### Regulation of Retail Financial Markets

The Future of Financial Advice (FOFA) reforms is a package of reforms aimed at improving the quality of financial advice that became fully effective on 1 July 2013. The key reforms include the imposition of an explicit duty on advisers and licensees to act in the best interest of their client, a ban on conflicted remuneration structures (including commissions and trails on most products, and volume payments) as well as a requirement for advisers to obtain client agreement to ongoing advice fees every two years. AFMA, in conjunction with the key committees in the retail sector, worked closely with Treasury and the Minister over an extended period on the development of the legislation, and subsequently with ASIC in relation to the development of its regulatory guidance.

Over the year, ASIC has increasingly focused on structured products marketed at retail investors, including capital protected and capital guaranteed products and hybrids. ASIC is concerned that these products have complexities, risks and conditions that are not always well understood by retail investors. There is an increasing regulatory expectation about treating customers fairly when they invest in these types of products.

In October 2012, AFMA released principles relating to product approval for retail structured financial products. The principles are intended to support the product development and distribution process within firms that issue structured products.

In response to the needs of industry, a private wealth steering committee has been established to provide high
level guidance to AFMA’s work on policy and technical issues that affect members’ private wealth management and advisory businesses.

Legislation to Facilitate Portability and Netting of Positions

AFMA worked with the Government to secure amendments to the Payments System & Netting Act (PSN Act) to assist central counterparties (CCPs) in managing defaults of clearing participants by facilitating porting. The PSN Act was amended to clarify that porting of positions, including associated collateral, in the case of a default or insolvency of a participant is allowed, regardless of provisions in other legislation including the Corporations Act. Portability arrangements are a key element in a CCPs defences against a default event by one of its participants and is generally recommended or prescribed as best practice by the Financial Stability Board and other international agencies.

Taxation Policy and Administration

The year has been an especially active one for tax policy and administration issues, as the Government sought to implement a number of taxation reforms and amendments prior to the September election. A recurring theme in the language emanating from Government and Treasury was a perceived concern of Base Erosion and Profit Shifting (BEPS) by multinational enterprises out of Australia, a phenomenon that AFMA has not seen any evidence of from an Australian perspective. As Australia will assume the Chair of the G20 in 2014 and given the G20 adoption of the Organisation for Economic Co-operation and Development (OECD) action plan on BEPS, AFMA expects similar themes to resonate in the short to medium term.

The 2013-14 Federal Budget contained a number of measures that were relevant to AFMA members. The Government announced a number of wide-ranging and, in AFMA’s view, ill-targeted measures to the Offshore Banking Unit (OBU) regime that threatened its ongoing viability. AFMA was pleased that the scheduled commencement date for the measures of 1 July 2013 was deferred, initially to 1 October 2013 and ultimately indefinitely by the incoming Government. AFMA has lodged a detailed submission with Treasury that sets out ways that the OBU regime can be improved to address stated integrity concerns but allow it to remain competitive.

The Budget also included an announcement regarding the practice of “dividend washing,” which is described as selling shares on an ex-dividend basis and then acquiring a substantially identical parcel of shares cum-dividend on the special market, established by the ASX to facilitate call option exercise. The Government expressed concerns that this practice would enable investors to claim two sets of franking credits on what was economically the same parcel of shares. AFMA worked closely with the Government and Treasury to ensure that the measures adopted by Government minimise administrative and compliance costs and do not give rise to unintended consequences.

Of wider concern was the Government’s “debt package” as announced in the Budget, including the tightening of thin capitalisation ratios and the repeal of Section 25-90 (which allows for deductible interest even where the debt is used to fund offshore investments that generate non-assessable income). The repeal of Section 25-90, in particular, will stymie offshore investment by Australian enterprises and effectively kill-off Australia as a regional headquartered hub. AFMA has communicated its concerns to the Government and Treasury and will continue to participate in the chorus of opposition to the Section 25-90 repeal.

AFMA participated in the Board of Taxation review into the Taxation Arrangements Applying to Permanent Establishments. AFMA believes that Australia is off the pace in relation to the appropriate taxation treatment and...
recognition of intra-entity dealings and there is substantial scope for reform in this area. In particular, Part III B, the code that applies to Australian branches of foreign banks, is desperately in need of modernisation and updating to allow Australia to attract foreign investment and to promote banking competition.

The Board of Taxation review will provide commentary on the ongoing efficacy of the “LIBOR Cap” and hopefully recommend its abolition, as per the AFMA submission. There was another nail in the coffin for the LIBOR Cap in May 2013, when the British Bankers Association, in response to the Wheatley Review, announced the cessation of AUD LIBOR. Australian branches of foreign banks are now in the perverse situation where there is a limit on deductibility of interest on borrowings in USD or Euro, but not in AUD. This situation confirms AFMA’s long-held view that the LIBOR Cap is defective from a policy perspective and hinders the competitiveness of Australian branches of foreign banks.

AFMA has refreshed its ATO Liaison Framework to ensure it remains appropriate and results-focussed. AFMA has been encouraged by a number of recent pronouncements from the Commissioner of Taxation regarding modifications to the ATO’s operating model and is keen to continue to improve engagement between the ATO and AFMA’s members.

Gender Diversity in the Workplace

Over the year, AFMA has continued to work in partnership with Women in Banking and Finance to produce cross-industry research to support the development of evidence-based gender diversity initiatives. The associations jointly commissioned research earlier this year to address industry observations that achieving a gender-balanced graduate intake remains a challenge and explore the reasons female graduates may not be attracted to the industry.

The research involved focus group discussions with university students, and interviews with early career leavers as well as HR professionals working in the industry. The findings tell us that there are a range of pragmatic initiatives that the industry can take to increase its competitiveness in attracting a diverse pool of graduate talent, which is critical in building a sustainable pipeline of future female leaders. These initiatives will be launched at an event to be held on 14 November 2013.

Hosting of 2013 ICSA Annual General Meeting

On 8 and 9 May, AFMA successfully hosted the annual general meeting of ICSA in Sydney. ICSA’s members are trade bodies and self-regulatory organisations that represent and/or regulate the majority of the world’s equity, bond and derivatives markets. The theme of the ICSA meeting was ‘Financial markets serving the real economy’.

The discussions confirmed the importance of efficient and stable financial markets to the real economy and the conditions under which it can best serve this purpose. The increased cost of financial intermediation as a consequence of regulatory reform was discussed and there was a general view that securities markets will have a greater role in the financial system.

Members discussed ICSA’s engagement with global authorities such as the G20 and the key industry interlocutor relationship it has with IOSCO. The regulatory agenda set by IOSCO is an important determinant for ICSA’s forward work program and a topic around which there is great ICSA member interest. Greg Medcraft, in his role as Chairman of IOSCO, spoke on its agenda under his chairmanship. In coordination with other ICSA members, AFMA successfully got the issue of global mutual recognition between jurisdictions on the work agenda of international authorities, including IOSCO.

The meeting made important progress on developing the role of ICSA and how to improve its organisational functioning. The exchange of views with those working in other jurisdictions is always valuable. The meeting underlined the importance of ICSA to AFMA and other members as a key vehicle for communicating and influencing the thinking of global authorities whose impact on domestic regulation is ever increasing.
AFMA’s Market Governance Committee (MGC) is responsible for the development and maintenance of market protocols designed to facilitate and promote the efficient and orderly running of the wholesale OTC markets in Australia. In this role it advises the AFMA Board on issues that affect the reputation of, and promotes the application of high ethical standards in, the Australian financial markets.

The MGC now oversees 13 Market Committees which are elected biennially with the next election scheduled for November 2013. These Committees meet regularly to develop consensus in the market on technical matters such as transaction documentation, standards, trading conventions, market guidelines and market data, all of which are necessary for efficient OTC market operation. They are the primary means through which AFMA undertakes its coordinating role in the industry’s self-management of the OTC markets. Over the course of a typical year the committees address a wide range of market-specific issues, leading to clarifications and amendments to general practices and Market Conventions as deemed appropriate.

Over the year, the key changes and enhancements to our Market Conventions and guidelines include:

- Setting a repo market convention which defines the cut-off time for substituting lines pledged as part of term General Collateral trades as 9:30am on the business day preceding substitution.
- Specifying that the premium due on Forward Premium Swaptions are payable on the business day following expiry.
- Developing conventions to support the transition of BBSW from being based on panellist contributions to a calculation methodology employing national best bid and offer principles, thereby eliminating the need for panel submissions.
- Setting minimum market parcel conventions for Cash vs BBSW basis swaps, and for credit indices.
- Developing repo margining best practice guidelines intended to assist financial market participants engaged in repo transactions to ensure that appropriate risk mitigation policies and procedures are in place, thereby optimising the overall risk management of repo products.
- Formalising repo trade matching best practice guidelines designed to clarify the responsibilities of the parties engaged in repo activity, specifically to reduce settlement delays and failures.

Throughout the year the Negotiable and Transferable Instruments Committee (NTI) and BBSW Committee were each engaged in the development of the conventions to support the transition of BBSW to a national best bid and offer calculation methodology, with oversight and direction provided by the MGC and the Board. The transition occurred on 27 September 2013.
MARKET & OPERATIONS COMMITTEES

Reviewing market performance is a primary focus of the committees and each quarter they assess and report on market conditions and any issues that are affecting, or may affect, the performance of the market. The assessment process gives particular attention to market liquidity, transparency, professionalism and the trade confirmations process. The outcomes of the quarterly reviews are considered by the MGC, which will direct further action (in addition to that undertaken by the committees) as and when considered necessary.

Energy Markets

As energy markets continue to evolve in the context of increasingly complex and constantly changing regulation, the Environmental Products and Electricity Committees were particularly active.

The Electricity Committee formed a Regulatory Working Group to facilitate informed responses by AFMA to regulatory changes. The Working Group has maintained an open and regular dialogue with ASIC on the treatment of electricity derivative market participants; with respect to financial requirements, trade repositories and derivative transaction reporting rules.

In addition, AFMA has made a submission to the Australian Energy Market Commission (AEMC), which is reviewing the resilience of the financial relationships and markets that underpin the operation of the National Electricity Market (NEM). Our submission suggests the combination of supervision of NEM participants and effective control processes implemented by those entities active in OTC electricity derivative markets should give the AEMC considerable comfort that a financial contagion from a default by a NEM participant is unlikely in the extreme.

AFMA, with the input of the Working group, made an application to AUSTRAC on behalf of members for an update of the so-called “Chapter 22 exemption” under the AML/CTF rules. We have requested AUSTRAC to update the exemption so that the full range of products are covered and have suggested ways to “future proof” the exemption so that it continues to operate in relation to any new products that may emerge.

The Environmental Products Committee made considerable progress in finalising the Environmental Products Conventions, Spot Contract and "Guide to Australian OTC Transactions" material. Dealing conventions in new products were discussed, and will be reviewed and updated accordingly in the coming year.

Operations Committee

The Operations Committee has general oversight of the work of our network of operations technical committees. In conjunction with market committees, the Operations Committees prepare conventions that cover OTC transactions from the time a deal is done until it is settled.

During the year, the Operations Committee coordinated a range of work undertaken by the Collateral Operations Committee, the Debt Market Operations Committees, the Derivatives Operations Committee and the Equity Operations Committee.

The committees have worked on a number of significant developments over the year including the implementation by ASX of cash market margining in the equities market and the ASX Collateral service. There has also been ongoing work with Austraclear on a solution for intraday ISINs on debt securities.

The Operations Committee has also been involved in the development of AFMA’s response to regulatory reforms for centralised clearing of OTC derivatives and trade reporting, both domestically and on the international front. The Committee is also monitoring other international developments, including the global roll-out of the legal entity identifier (LEI) framework, which initially arose from the Dodd Frank reforms in the US, but now has international impetus with the Financial Stability Board playing a central co-ordination role.
MEMBER SERVICES

AFMA offers a range of services to assist members in the efficient operation of their businesses. During the year AFMA’s staff in liaison with our members’ representatives continued to enhance the quality of the services offered. A brief summary of activity for education, data and documentation and AFMA’s IT infrastructure follows.

Education and Accreditation

AFMA experienced a downturn in demand for its training programs during the 2013 financial year. While the AFMA accreditation programs experienced similar levels of student registrations as in previous years, a number of AFMA’s continuing education programs saw reduced enrolments. In response to the reduction in revenue AFMA actively tried to reduce expenses by asking partner members to host events and reducing the number of staff in the education area.

The AFMA Financial Markets Accreditation Program welcomed 254 new accredited individuals, with the total number of accredited individuals now standing at 2,382. A further 112 individuals successfully completed the AFMA Operations Accreditation Program and were awarded operations accredited status, bringing the total number of operations accredited individuals to 716.

AFMA’s Diploma of Anti-Money Laundering and Counter Terrorism Financing Management continued to attract a healthy number of student registrations. Developed in conjunction with the International Compliance Association of the UK, the course has received very positive feedback from graduates of the program. Four cohorts of students commenced the program in 2013, including a cohort of online students who are unable to attend the workshops in either Sydney or Melbourne and instead participate in synchronous online tutorials. Targeted at professionals working within the AML/CTF area in Australian financial markets, the diploma is the first qualification of its kind to be offered in Australia. It has been designed to provide both the detailed theoretical knowledge and the practical skills AML practitioners need if they are to undertake their responsibilities effectively and efficiently and to advance their careers.

During the 2013 financial year AFMA ran a total of 171 education events, with a total of 1,976 attendees.

AFMA further developed its online learning management system, AFMA Moodle, to provide additional support to students. The learning materials for all AFMA qualifications, including accreditation programs, are now hosted in AFMA Moodle, as are links to the online tutorials and online practice exams.

At the end of October 2012, AFMA’s registered training organisation (RTO) was audited by the new national regulator, ASQA (Australian Skills Quality Authority). The new regulator was established to provide a consistent approach to VET sector regulation nationally and it applies a high level of rigour to the audit process. The audit
preparation required a considerable effort by all members of the education department, but the investment in time was well justified with a successful audit outcome.

Market Data
AFMA’s daily data service, including the Bank Bill Swap Rate (BBSW) continued to provide a regular price indicator for financial market products. Considerable work was completed towards the end of the financial year on the design of the BBSW benchmark rate in response to industry developments and the release of the International Organisation of Securities Commissions (IOSCO) Consultation Paper on principles for financial benchmarks.

Documentation Services
AFMA continues to add new content to the Guide to Australian OTC Transactions, thus ensuring it remains current.

Updates released during the financial year 2013 were:
- August 2012: Update 43 – GMRA
- November 2012: Update 44 – Carbon
- December 2012: Update 45 – AMSLA/GMSLA
- December 2012: Update 46 – PPSA
- December 2012: Update 47 – Environmental Products
- June 2013: Update 48 – Carbon

AFMA Information Technology
AFMA’s Information Technology department aims to provide AFMA’s staff with reliable, up to date, effective and suitable for purpose IT services, including:
- the maintenance of the technology infrastructure to empower AFMA staff with the appropriate resources to perform their roles;
- the development, operation and distribution of new systems as required;
- the support of the subscriptions services that AFMA offers, including AFMAdata, the Guide to Australian OTC Transactions and a number of education resources such as the Online Learning program, the Exam Central system and AFMA Moodle; and
- The operation and maintenance of the websites for AFMA and the Financial Markets Foundation for Children.

During the course of the 2013 financial year a number of key new systems were deployed to improve AFMA’s efficiency. These included:
- implementation of a secure wireless internet solution for AFMA staff and their guests. The WiFi solution uses a separate telecommunications provider to that of our fixed fibre connection for added redundancy; and
- a new website was built and launched for the ICSA 2013 AGM.

During the 2013 financial year the Foundation for Children website was successfully rebuilt and launched on the new platform;
COMMITTEES
GOVERNANCE

Board of Directors

Rick Sawers (Chair) – National Australia Bank Limited
Stephen Roberts (Deputy Chair) – Citi
Jeff Dimery* – Alinta Energy
Stephen Dunne – AMP Limited
Cathryn Carver – ANZ Banking Group Limited
Craig Drummond* – Bank of America Merrill Lynch Australia
Cynthia Whelan* – Barclays Bank PLC
Didier Mahout – BNP Paribas
Mark Lazberger – Colonial First State Global Asset Management
Ian Saines – Commonwealth Bank of Australia
Rob Stewart – Credit Suisse AG
David Livingstone – Credit Suisse AG
Michael Ormaechea – Deutsche Bank AG
Mark Collette – EnergyAustralia
Simon Rothery – Goldman Sachs Australia Pty Ltd
Tony Cripps – HSBC
Paulo Maia* – HSBC
Robert Priestley – JP Morgan Chase Bank, N.A.
Greg Ward – Macquarie Group Limited
Debra Hazelton – Mizuho Bank Ltd
Steve Harker – Morgan Stanley Australia Limited
John Feeney – Market Governance Committee Representative
Hiroyuki Nishikawa – Nomura Australia Limited
Stephen Knight – NSW Treasury Corporation
Ian Martin – State Street Bank and Trust Company
Matthew Grounds – UBS AG Australia Branch
Robert Whitfield – Westpac Banking Corporation

Market Governance Committee

John Feeney (Chair) – National Australia Bank Limited
William Whitford (Deputy Chair) – Treasury Corporation of Victoria
Matthew Morris – ANZ Banking Group Limited
Goran Drapac – AxiCorp Financial Services Pty Ltd
Anthony Robson – Barclays Bank PLC
Christopher Cox – Citi
Tony Togher – Colonial First State Global Asset Management
Peter Burgess – Commonwealth Bank of Australia
Darren Boulos – Deutsche Bank AG
Gavin Powell – HSBC Bank Australia Limited
Bradley Howell – ICAP Australia Pty Ltd
Jeff Herbert-Smith – JP Morgan Chase Bank, N.A.
Michael Peric – Lloyds Bank plc, Australia Branch
Paul Forsyth – Lumo Energy Australia Pty Ltd
Simon Wright – Macquarie Group Limited
Colin Burns – The Royal Bank of Scotland, Plc
Melissa Marzulli* – State Street Bank and Trust Company
Duncan Haig – UBS AG Australia Branch
Colin Roden – Westpac Banking Corporation

Operations Committee

Guy Thomas (Chair) – Commonwealth Bank of Australia
Ian Martin – AFMA Board Representative
Campbell Elliot – AFMA Operations Education Representative
Anthony Donnelly – ANZ Banking Group Limited
Goran Drapac* – AxiCorp Financial Services Pty Ltd
Robyn Lambart – AxiCorp Financial Services Pty Ltd
Pierre Plazas – Barclays Bank PLC
Mark McDonald – Colonial First State Global Asset Management
Damien Jenkins* – Credit Suisse
Michael Pickett – Credit Suisse
Louise Boreham – Deutsche Bank AG
Linda Brady* – Deutsche Bank AG
Andrew Bastow* – HSBC Bank Australia Limited
Brett O’Farrell – HSBC Bank Australia Limited
Steve Hackers – JP Morgan Chase Bank, N.A.
Matthew Barran – Lloyds Bank plc, Australia Branch
James Pollett – Morgan Stanley Australia Limited
Kerry Fraser – National Australia Bank Limited
Nathan Withers* – Nomura Australia Ltd
Maurissa Montgomery – State Street Bank and Trust Company
Brad Gorton – UBS AG Australia Branch
Michael Hawke* – UBS AG Australia Branch
Keith Jones – Western Australian Treasury Corporation
Randyl Stack – Westpac Banking Corporation

* These members served part of the Governance year.
MANAGEMENT & POLICY TEAM

Management

David Lynch | Executive Director
David was appointed Executive Director in July 2012, after previously leading AFMA’s policy and markets team since 2006. David has extensive experience as an industry representative, covering a wide range of industry, tax and regulatory issues affecting Australia’s financial markets. David’s background is as an economist, previously working with a central bank and a stockbroker. David holds a PhD from Macquarie University, which was awarded in 1996 for research on the links between economic development and financial markets in the Asia-Pacific region.

Clive Bennett | General Manager
Clive has been General Manager at AFMA since 2006 and is responsible for the member services that AFMA offers plus the day-to-day operation of the Association. His background is in financial markets where he worked for 25 years as a broker for a leading inter-dealer broker, the last ten as Managing Director of the Australian operation. Clive’s focus has been on enhancing the range of accreditation and training products that AFMA offers and to ensure that AFMA data and documentation services are of a high standard and appropriate for the requirements of AFMA’s members.

David Clarkson | Company Secretary & Financial Controller
David’s primary role is to manage financial transactions and risks, provide business analysis and planning, and oversee the accounting function and implementation of internal controls. He also ensures that AFMA meets its statutory obligations. A graduate of Keble College Oxford, he is a Chartered accountant, having worked for Ernst & Young in audit in London and Sydney. David joined AFMA from the Australian Jockey Club in 2007 and has overseen the rationalisation of business services at AFMA and upgraded our financial management.

Policy

Denise Hang | Director, Policy
Denise manages a portfolio of specialist committees, including CFDs, Margin Lending, Islamic Finance and Gender Diversity. She also oversees the work of the Documentation Committee and the Guide to Australian OTC Transactions that AFMA produces to facilitate a standardised approach to legal documentation in OTC markets. Denise edits the monthly Policy and Markets Brief which keeps members informed of AFMA’s policy activities. Denise has a masters degree in political economy from Sydney University.

David Love | Director, Policy & International Affairs
David joined AFMA from Treasury where he was variously responsible for banking and financial services regulation. He brings valuable insights into government policy approaches to the finance sector. With AFMA, David is focussed on regulatory reform affecting financial market infrastructure both in Australia and around the globe. In particular, he has worked on the restructuring of the OTC derivatives market and the implementation of changes to market
practices. David has a policy background in financial sector reform in Australia and overseas with degrees in law, arts and business administration and is a lawyer by profession.

**Tracey Lyons | Director, Market Operations & Retail**
An economist by profession, Tracey joined the AFMA policy team from ASIC where, as director of markets regulation, she was responsible for oversight of financial markets infrastructure (principally the ASX) and clearing and settlement systems. Tracey’s areas of responsibility at AFMA are varied, and include the operational activities of our members, exchange traded derivatives, retail broking and compliance, private wealth management, and anti-money laundering compliance issues. Another area of particular focus for Tracey is the ongoing management of AFMA’s relationships with regulators including ASIC, AUSTRAC and Treasury. She holds graduate and post graduate qualifications in commerce, finance and management.

**Rob Colquhoun | Director, Taxation**
Rob Colquhoun is a Director of Policy, focussing on taxation. Rob joined AFMA in December 2012 with more than eleven years of experience in corporate taxation, gained from a professional services firm and also in-house with large Australian financial institutions. Rob also served as the Chief Executive Officer of the NSW Trainers Association. Rob holds honours degrees in both Law and Commerce from the Australian National University and has primary carriage of the Taxation Committee, the GST Committee and the Financial Products Tax Committee.

**Damian Jeffree | Lead Director Markets**
Damian leads AFMA’s work on markets including exchange and OTC markets. Before joining AFMA, Damian was a senior policy advisor in the NSW Government. He had previously worked in equities trading and related roles, specialising in the development of electronic trading systems.

**Murray Regan | Director, Markets and Rates**
Murray joined AFMA with 20 years of experience in international banking, mainly in treasury, risk management, financial control and operations. He held senior management positions with the Commonwealth Bank in New York. As Director of Markets and Rates, Murray co-ordinates the AFMA Market Committees that have stewardship of OTC Market Conventions and which report to the Market Governance Committee, and was directly involved in the transition of AFMA’s benchmark BBSW rate to a national best bid and offer calculation methodology replacing panel submissions.

**Michael Chadwick | Director, Markets**
Mike has over 20 years’ experience in global OTC financial markets, primarily in fixed income and interest rate derivative trading. Prior to joining AFMA in 2013, Mike performed numerous local and overseas-based roles at ABN AMRO (now RBS), including Head of Rates Markets and Head of Credit and CPI trading. Mike is also a Diploma-qualified financial markets trainer and assessor. As Director of Markets, Mike is responsible for managing the operation of various Market Committees, which set the trading protocols and conventions that underpin the efficient operation of the wholesale OTC financial markets in Australia.

**Lisa Striegl | Secretariat Manager**
Lisa joined AFMA in 2012. In her role as Secretariat Manager she ensures the efficient operation of AFMA’s committees and working groups, including the Board and other governance committees. Lisa also co-ordinates major projects, including the compilation and publication of AFMA’s annual Australian Financial Markets Report. Lisa has a Bachelor’s degree in Tourism Management, majoring in event management and marketing.
### SUBMISSIONS

AFMA made 89 submissions on various taxation and regulatory issues. Significant submissions include:

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<td>Implementation of Australia’s G-20 OTC Derivatives Commitments*</td>
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<td>Australia’s Financial Market Licensing Regime</td>
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<td>Regulation of Dark Liquidity and High Frequency Trading</td>
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<td>Future of Financial Advice Reforms*</td>
<td>ASIC, Minister for Financial Services</td>
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<td>Derivative Trade Repositories and Trade Reporting*</td>
<td>ASIC, Treasury</td>
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<td>ASIC Market Integrity Rules*</td>
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<td>Derivative Transaction Rules</td>
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<td>Crossings during Takeovers and On-market Buybacks*</td>
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<td>Regulation of Managed Discretionary Accounts</td>
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<td>Liquidity Reporting Requirements for ADIs</td>
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<td>Strengthening APRA’s Crisis Management Powers</td>
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<td>Managing Data Risks</td>
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<td>Implementing Basel III Liquidity Reforms in Australia</td>
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<td>Application of the AML-CTF Rules to Electricity Market Participants</td>
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<td>Equities Market Structure Changes</td>
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<td>Shadow Banking Risks in Securities Lending and Repos</td>
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<td>Derivatives Account Segregation and Portability</td>
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<td>Tax Treatment of Bad Debts in Related Party Financing</td>
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<td>OTC Derivatives Reform and Interest Withholding Tax</td>
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<td>Improving the Transparency of Australia’s Business Tax System</td>
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<td>ATO’s Use of Compliance Risk Assessment Tools</td>
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<td>Review of Tax Arrangements Applying to Permanent Establishments</td>
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<td>Modernisation of Transfer Pricing Rules</td>
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<td>Foreign Account Tax Compliance Act</td>
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<td>Emissions Trading Scheme*</td>
<td>DCCCEE, House Standing Committee on Economics</td>
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<td>GST Treatment of Deliverable Derivatives Based on Eligible Emissions Units</td>
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<td>Suspicious Activity Reporting Requirements</td>
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<td>Regulatory Guide for Research Report Providers</td>
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<td>Modernising the Timetable for Rights Issues</td>
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<td>New Zealand’s New AML Regime</td>
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<td>CFTC Swap Rules and Cross-border Issues</td>
<td>CFTC</td>
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<td>Retail Trading in Commonwealth Government Securities</td>
<td>ASIC</td>
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<td>Automated Trading Guidance</td>
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<td>Training of Financial Advisors*</td>
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<td>DCCCEE – Department of Climate Change and Energy Efficiency</td>
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<td>PJC – Parliamentary Joint Committee</td>
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<td>Business opportunity</td>
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* several submissions prepared
MEMBERS

Financial Market Members

- ABN AMRO Clearing Sydney Pty Limited
- AGL Energy Limited
- Alinta Energy
- AMP Limited
- ANZ Banking Group Limited
- Arab Bank Australia
- Arcadia Energy Trading
- Arrow Energy Trading Pty Ltd
- Associated Foreign Exchange Australia Pty Ltd
- ASX Limited
- Aurora Energy Pty Ltd
- Ausgrid
- Australian Office of Financial Management
- Australian Power and Gas Pty Limited
- AxiCorp Financial Services Pty Ltd
- Bank of America Merrill Lynch Australia
- Bank of China
- Bank of Communications Co. Ltd Sydney Branch
- Bank of Queensland
- Bank of Tokyo-Mitsubishi UFJ Ltd
- Barclays Bank PLC
- Bendigo and Adelaide Bank Limited
- BGC Partners (Australia) Pty Ltd
- BNP Paribas
- BP Energy Asia Pty Ltd
- Brisbane City Council
- CIMB Securities Australia Ltd
- Citi
- CLSA Australia Pty Ltd
- CMC Markets Asia Pacific
- Colonial First State Global Asset Management
- Commonwealth Bank of Australia
- Credit Agricole CIB Australia Limited
- Credit Suisse AG
- Credit Union Australia Limited
- CS Energy Limited
- Cuscal Limited
- DDH Graham Limited
- Delta Electricity
- Deutsche Bank AG
- EnergyAustralia
- Energy Developments
- Envex Services Pty Ltd (trading as Nextgen)
- Ergon Energy Queensland Pty Ltd
- ERM Power Limited
- Evans and Partners Pty Ltd
- FliG Securities Limited
- Financial and Energy Exchange Ltd
- First Prudential Markets Pty Ltd
- GDF SUEZ Energy Australia Pty Ltd
- Goldman Sachs Australia Pty Ltd
- Greater Building Society Limited
- HSBC Bank Australia Limited
- Hydro Tasmania
- ICAP Australia Pty Ltd
- IG Markets Limited
- IMC Pacific Pty Ltd
- Infigen Energy
- ING Bank (Australia) Limited
- InterGen (Australia) Pty Ltd
- Investec Bank (Australia) Limited
- JPMorgan Chase Bank, N.A.
- KCG Australia Pty Ltd
- Kuwait Finance House (Australia) Pty Ltd
- Laminar Group
- LCH.Clearnet Ltd Sydney Branch*
- Lloyds Bank plc, Australia Branch
- Lumo Energy Australia Pty Ltd
- Macquarie Group Limited
- Macquarie Generation
- Mizuho Bank Ltd
- Morgan Stanley Australia Limited
- National Australia Bank Limited
- Newcastle Permanent Building Society
- Newedge Australia Pty Ltd
- Nomura Australia Limited
- Northern Territory Treasury Corporation
- NSW Treasury Corporation
- OCBC Bank
- Optiver Australia Pty Ltd
- Origin Energy
- Ozforex Pty Ltd
- Portigon AG
- QIC
- Queensland Treasury Corporation
- Rabobank
- Reserve Bank of Australia
- RMB Australia Limited
- Royal Bank of Canada
- Snowy Hydro Limited
- Societe Generale
- South Australian Government Financing Authority
- Standard Chartered Bank
- Stanwell Corporation Limited
- State Electricity Commission of Victoria
- State Street Bank and Trust Company
- Sumitomo Mitsui Banking Corporation, Sydney Branch
- Suncorp Metway Ltd
- Susquehanna Pacific Pty Ltd
- Synergy
- Tasmanian Public Finance Corporation
- Teachers Mutual Bank Limited
- Territory Insurance Office
- The Royal Bank of Scotland, plc
- TD Securities
- Travelex Limited
- Treasury Corporation of Victoria
- Tullett Prebon (Australia) Pty Limited
- Tyndall Investment Management Ltd
- UBS AG, Australia Branch
- United Overseas Bank Limited
- Verve Energy
- Western Australian Treasury Corporation
- Western Union Company
- Westpac Banking Corporation
- Yieldbroker Pty Limited

Partner Members

- Allens
- Allen & Overy Australia
- Ashurst Australia
- Baker & McKenzie
- Bloomberg L.P.
- Clayton Utz
- Clifford Chance
- Corrs Chambers Westgarth
- Herbert Smith Freehills
- Interactive Data (Australia) Pty Ltd
- Johnson Winter & Slattery
- K&L Gates
- King & Wood Mallesons
- KPMG
- Minter Ellison
- Norton Rose Fulbright Australia
- Standard & Poor’s
- Thomson Reuters

Affiliate Members

- Australian Energy Market Operator Ltd
- Austrade
- Australian Centre for Financial Studies
- Clean Energy Regulator
- International Capital Market Association
- SWIFT Services Australia Pty Ltd
- Weather Risk Management Association
ABOUT AFMA

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia’s exchange traded and OTC financial markets and provides leadership in advancing the interests of all market participants.

Promoting Market Efficiency

Market Governance
AFMA’s key mandate is to promote best practice in financial markets so they can continue to maximise their contribution to the economic health of Australia. One of the key tasks we perform to achieve this objective is to ensure the sound management of Australia’s $83 trillion off-exchange or over-the-counter (OTC) markets. We achieve this by promoting effective self-regulation of the OTC markets through efficient and ethical market practices, conventions and standard documentation.

Financial Operations
AFMA’s market governance role is complemented by the development of widely-accepted industry standards for transactional processing. This ensures that operational aspects of financial transactions, in particular confirmation, settlement, reconciliation and risk management processes are globally-recognised best practice.

Promoting Market Integrity
AFMA recognises the importance of efficient regulation to inspire investor confidence in our markets, and in this regard plays a leading role in providing industry input to the government and regulators on public policy matters relevant to the financial markets. We seek to ensure that government regulation of the financial sector is firm enough to inspire investor confidence yet flexible enough to allow the markets to grow to their full potential. Official regulation is underpinned by AFMA’s conventions and other standards which promote best practice.

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, recognised by the markets regulator ASIC, to individuals who achieve the required levels of competence.

AFMA’s Mission
To advance the interests of our members, AFMA’s mission is to:
- Lead and sustain effective self-regulation of the over-the-counter financial markets
- Represent market participants in exchange-traded markets to ensure market processes and their regulation are effective and efficient
- Encourage high standards of professional conduct in financial markets
- Deliver professional development and accreditation programs to improve individual expertise
- Develop new markets for financial products and encourage existing markets to reach their full potential
- Promote Australia as a significant global centre for financial services, including operations service centres
- Promote government policies and business conditions that support a strong financial sector
- Maximise opportunities for members to grow their business and contribute to the economic well being of Australia.