



MEDIA RELEASE

ASIC Proposals for Regulating a Changing Equity Market

4 November 2010

The Australian Financial Markets Association (AFMA) welcomes the release by ASIC today of its Consultation Paper 145 on *Australian Equity Market Structure*. This is an important step towards setting in place arrangements for the entry of new market operators in Australia. It will also assist the maintenance of effective equity market regulation in the face of ongoing industry innovation and technological change.

AFMA represents all of the leading stockbrokers and investment banks that operate in the Australian market.

AFMA does not endorse any particular market operator model but we do believe that competition will be good for the Australian market provided the appropriate regulatory arrangements are put in place to protect market integrity and promote efficiency in a multi-market operator market.

AFMA believes ASIC's consultation paper addresses the cornerstone issues that must be dealt with to provide a regulatory framework for the whole market to function efficiently and effectively. In particular, we believe ASIC has made a correct judgment in proposing a best execution rule that provides the flexibility necessary to satisfy client expectations, rather than a US-style 'trade-through' rule that relies solely on price.

Other regulatory matters that are fundamental to the continued functioning of a reliable market that users can have confidence in include pre and post trade transparency, consolidation of trade information and cooperation between market operators.

The detailed rules proposed by ASIC within this framework raise a variety of complex issues and require careful consideration before a proper assessment of them can be made. AFMA will undertake this work in conjunction with our member firms over the next two months. To start this process, AFMA will host an ASIC information session in mid-November for members.

AFMA's focus is to ensure that the regulatory regime for market competition is robust and effective, but also flexible and adaptable to take account of the evolving marketplace, developments in trading technology and the entry of additional operators in the future. We are mindful of events like the May 6 'flash crash' and the need for regulation to temper the risks of extreme price movements.

ASIC's consultation process with the industry is valuable and we believe it will improve regulation. The industry has a significant capacity to contribute to the development of a regulatory regime for

competition that balances the legitimate interests of new entrants, the incumbent operator, market participants and the investing public, as well as companies that list and raise capital in Australia.

Notes for Editors:

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 130 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.

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