

2013 Australian Financial Markets Report



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Compiled for AFMA by



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.



Foreword

It is with pleasure that I provide the foreword to the 2013 AFMA Financial Markets Report.

Stable and efficient financial markets are essential to supporting Australian growth and economic prosperity, and they are a vital enabler for businesses to access capital and manage risk.

Australian markets are going through a period of unprecedented change, driven by globalisation, international regulatory initiatives, technological innovation and a shifting competitive landscape. To take advantage of the opportunities that these changes will bring, both industry and governments must adapt.

To allow us to take stock of the current environment and the threats and opportunities we may face in the future, the Australian Government has committed to conducting a major financial system inquiry. The Inquiry will help us lay out a roadmap for where we want the financial system to be over the next decade and the steps we should take to get there. The Inquiry is part of making sure that our financial system is positioned in a way that both meets Australia's evolving needs and supports economic growth well into the future.

The new Government is committed to building a stronger, more productive and diverse economy with lower taxes, more efficient government and more competitive businesses. If business is to have the confidence necessary for employment and investment growth, it needs policy and regulatory certainty, as well as an easing of the red-tape burden restricting Australia's economic prosperity and development.

I am proud that the Abbott Government is committed to reducing the burden of unnecessary red and green tape in the Australian economy by \$1 billion per year. As Chairman of the Coalition's Deregulation Taskforce, I heard first hand from corporates, small business and the not-for-profit sector about the cost and time delays in complying with regulations that are unnecessary, inefficient or out-dated.

The Coalition is committed to driving a cultural change within Government that is aimed at reducing the red tape drag on the productivity of the economy. We want to work with industry to ensure that the regulatory framework does not unduly interfere with natural market evolution. I want to see businesses be able to tap into all resources at their disposal to be more innovative, more competitive and ultimately more productive.

A key challenge for any Government is to maintain an appropriate balance between ensuring markets are stable, provide appropriate protections to investors and do not pose systemic risks, and the need to minimise regulatory burden and promote market efficiency. A balance must also be achieved between promoting a globally coordinated approach to regulation and ensuring that regulatory settings are appropriate to domestic markets.

Work continues on implementing a range of pro-stability reforms, such as the Basel banking standards and G20 OTC derivatives reforms. We need to make sure that the domestic implementation of any possible reforms results in effective and efficient regulation.

Congratulations to AFMA on the publication of the 2013 Australian Financial Markets Report. As an organisation it plays an important role in representing and informing Australia's financial services industry.

SENATOR THE HON. ARTHUR SINODINOS AO
Assistant Treasurer



AUSTRALIAN MARKETS ARE GOING THROUGH A PERIOD OF UNPRECEDENTED CHANGE, DRIVEN BY GLOBALISATION, INTERNATIONAL REGULATORY INITIATIVES, TECHNOLOGICAL INNOVATION AND A SHIFTING COMPETITIVE LANDSCAPE. TO TAKE ADVANTAGE OF THE OPPORTUNITIES THAT THESE CHANGES WILL BRING, BOTH INDUSTRY AND GOVERNMENTS MUST ADAPT.

SUMMARY OF MARKET TURNOVER

THE AUSTRALIAN FINANCIAL MARKETS ANNUAL TURNOVER SUMMARY BY MARKET (AUD billion)

	2008-09	2009-10	2010-11	2011-12	2012-13	% change
OTC MARKETS						
Government Debt Securities	792	928	1,483	1,758	1,778	1.1
Non Government Debt Securities	494	675	908	592	777	31.2
Negotiable & Transferable Instruments	5,543	4,112	3,676	3,675	3,271	(11.0)
Repurchase Agreements	5,147	5,418	7,364	7,525	7,864	4.5
Swaps ^a	5,725	5,923	6,809	9,848	10,495	6.6
Overnight Index Swaps	1,031	3,000	5,313	8,703	8,894	2.2
Forward Rate Agreements	5,424	4,519	5,857	6,184	5,937	(4.0)
Interest Rate Options ^b	285	379	370	516	475	(7.9)
Credit Derivatives ^b	319	280	321	398	229	(42.6)
Foreign Exchange	44,303	41,436	44,517	39,923	42,403	6.2
Currency Options	834	706	730	927	1,274	37.4
Total OTC	69,896	67,376	77,347	80,049	83,397	4.2
EXCHANGE TRADED MARKETS						
Equities						
Shares	1,129	1,359	1,339	1,185	1,151	(2.9)
Options	374	504	681	816	862	5.7
Sub-Total	1,503	1,864	2,020	2,001	2,013	0.6
Futures						
Futures	26,852	33,974	47,151	46,095	49,460	7.3
Options	340	364	551	361	478	32.1
Sub-Total	27,192	34,338	47,702	46,456	49,938	7.5
Total Exchange Traded	28,695	36,202	49,722	48,457	51,951	7.2
ALL FINANCIAL MARKETS	98,591	103,578	127,069	128,507	135,348	5.3
ENERGY MARKETS						
Electricity (million megawatt hours)						
OTC Electricity Derivatives	208	221	315	227	291	28.3
Electricity Futures and Options	301	399	549	437	342	(21.8)
Total Electricity	509	620	863	664	633	(4.7)
Environmental Products (million certificates)						
Renewable Energy Certificates	8	21	47	62	78	26.0
NSW Greenhouse Gas Abatement Certificates ^c	11	14	27	2	0	(100.0)
Gas Electricity Certificates	-	2	9	1	3	82.2
Total Environmental Products	19	38	82	65	80	23.6

^a Non AUD Cross Currency Swaps were surveyed for the first time in 2011-12.

^b Credit Derivatives and Interest Rate Options data have been revised from previous years due to change in the contributed data after publication.

^c NSW Greenhouse Abatement Certificates has ceased trading and data was not surveyed in 2012-13.

THE AUSTRALIAN FINANCIAL MARKETS ANNUAL TURNOVER SUMMARY BY ASSET CLASS (AUD billion)

	2008-09	2009-10	2010-11	2011-12	2012-13	% change
DEBT MARKETS						
Physical Market Turnover						
Government Debt Securities	792	928	1,483	1,758	1,778	1.1
Non Government Debt Securities	494	675	908	592	777	31.2
Negotiable & Transferable Instruments	5,543	4,112	3,676	3,675	3,271	(11.0)
Repurchase Agreements	5,147	5,418	7,364	7,525	7,864	4.5
Sub-Total	11,976	11,134	13,430	13,549	13,690	1.0
Derivative Market Turnover						
Swaps	5,725	5,923	6,809	9,848	10,495	6.6
Overnight Index Swaps	1,031	3,000	5,313	8,703	8,894	2.2
Forward Rate Agreements	5,424	4,519	5,857	6,184	5,937	(4.0)
Interest Rate Options	285	379	370	516	475	(7.9)
Credit Derivatives	319	280	321	398	229	(42.6)
Interest Rate Futures and Options	25,065	32,042	45,184	43,885	47,473	8.2
Sub-Total	37,849	46,143	63,854	69,536	73,503	5.7
Total Debt Markets	49,825	57,277	77,284	83,085	87,193	4.9
Derivative Market to Physical Market Activity	3.2	4.1	4.8	5.1	5.4	
CURRENCY MARKETS						
Physical Market Turnover						
Spot Foreign Exchange	15,536	14,680	11,853	10,843	11,071	2.1
Derivative Market Turnover						
FX Swaps	26,250	24,884	30,391	26,837	28,818	7.4
Forward Foreign Exchange	2,517	1,872	2,274	2,242	2,514	12.1
Currency Options	834	706	730	927	1,274	37.4
Sub-Total	29,601	27,461	33,395	30,007	32,606	8.7
Total Currency Markets	45,137	42,141	45,247	40,850	43,677	6.9
Derivative Market to Physical Market Activity	1.9	1.9	2.8	2.8	2.9	
EQUITIES MARKETS						
Physical Market Turnover						
Shares	1,129	1,359	1,339	1,185	1,151	(2.9)
Derivative Market Turnover						
Options	374	504	681	816	862	5.7
Equity Futures and Options	2,126	2,296	2,518	2,571	2,464	(4.1)
Sub-Total	2,500	2,801	3,198	3,387	3,327	(1.8)
Total Equities Markets	3,629	4,160	4,538	4,572	4,478	(2.1)
Derivative Market to Physical Market Activity	2.2	2.1	2.4	2.9	2.9	
ALL FINANCIAL MARKETS	98,591	103,578	127,069	128,507	135,348	5.3

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Over-the-Counter Markets



THE YEAR IN REVIEW

Overall, 2013 saw a slow and, to a certain extent, variable rebuilding of confidence in Western economic conditions that was reflected in the financial markets. Global shifts in economic risk and adjustments in some capital flows saw significant rebalancing of global markets with confidence refocusing towards the West. This rebalancing had substantial flow-on effects for the Australian economy through impacts on a number of key financial markets, in particular commodities, interest rates and foreign exchange.

The return to a relatively surer footing for US economic growth, which rounded out the year at an annualised 2.5% assisted by the shale energy revolution and a return to form for housing, was an important driver of the changing market dynamics globally. Concerns continued to build about the US bond market beginning to retreat from record lows, particularly as the Federal Reserve began to look at the future shape and end options for its quantitative easing program.

A growing confidence in the European Central Bank's euro commitment underpinned the slow transition from an easing recession in many European Union (EU) countries to a more positive (if still weak) growth outlook for the year ahead for the zone as a whole.

Funding pressures as shown in bond premia in the EU for some peripheral countries eased substantially during 2012-13, and given the high levels of government debt in the periphery this development had significant implications for broader market confidence. Interest rates on bank loans fell and share prices rose in the zone also contributing to confidence.

While China's growth has slowed to what may prove to be a more sustainable

level above 7%, concerns around credit risk in some countries in the zone have increased, with a focus on levels of debt and asset price inflation.

Australian dollar foreign exchange markets were relatively stable for most of 2013 until they fell 14%, again due to concerns over the pullback in Chinese growth and an accompanying softening of the outlook for commodities.

Australian banks continued to position their balance sheets for the introduction of Basel III with increased use of deposit funding and reduced reliance on wholesale funding. The Basel III treatment of bank paper has had implications for the liquidity coverage ratio, consequences of holding bank paper for the final month of its term. This is likely to have implications for the dynamics of volume and relative pricing of the tenors.

MARKET TRENDS

OTC and exchange traded markets grew by 4% and 7% respectively in 2012-13, with the 6% increase in foreign activity largely responsible for the OTC market's expansion. At 62% of volumes of the Australian financial marketplace, the OTC market maintained its relative standing against the exchange traded markets as compared to the prior two years.

Government and semi government bond turnover fell slightly (-3%), with an increase in Commonwealth Government turnover being fully offset by a decrease in semi government and foreign government bond turnover. Non-government bond turnover increased 33% reflecting an improvement in investor sentiment and risk appetite from previous years. Short-term debt securities volumes fell 11%, primarily as banks' funding strategies and market conditions favoured term issuance.

OVERALL, 2013 SAW A SLOW AND, TO A CERTAIN EXTENT, VARIABLE REBUILDING OF CONFIDENCE IN WESTERN ECONOMIC CONDITIONS THAT WAS REFLECTED IN THE FINANCIAL MARKETS.

Repurchase agreement activity grew by 4.5%, the greater majority of activity being supported by Commonwealth and semi-government debt.

Credit derivatives turnover declined 43%, notwithstanding an apparent increase in risk appetite which led to a narrowing of credit spreads over the year. Positions outstanding were largely unchanged suggesting that core hedging strategies are outweighing trading opportunities as markets transition into a higher capital structure for uncleared trading portfolios. The largely interbank indices trading market now represents 79% of total market volume, up from 70% in 2011-12.

Aggregate interest rate product volumes rose slightly, with increases in swaps and overnight indexed swap activity largely offset by declining volumes in forward rate agreements and interest rate options. It is anticipated that swaps volumes will improve subsequent to the Bank for International Settlements' release of the final framework for margin requirements for non-centrally cleared derivatives and the clarity this provides.

Aggregate FX volumes increased 6% over the year, with daily turnover in FX spot and forwards markets picking up sharply in the period November 2012 to April 2013. AUD spot turnover fell 13% while the major policy changes in Japan led to an increase in non-AUD spot volumes, up



15%, mainly the result of a surge in USD/JPY activity. Non-AUD FX swap volumes increased by 19%.

Looking beyond 2013 where overall market volumes reflect the policy changes announced by the European Central Bank (i.e. its bond backstop plan, Outright Monetary Transactions) as well as Japan's own version of quantitative easing, 2014's focus will largely be on the US Federal Reserve's monetary stimulus program and the tapering that is expected.

OTC DERIVATIVES REGULATORY REFORM

The OTC derivatives market is undergoing profound change because of regulatory reforms. There are many moving parts to take into account. All of these initiatives are designed to make the financial system safer; to improve investor and consumer protection; or to make it easier to deal with the failure of financial institutions. But they also impose costs on, and change the behaviour of, financial institutions, with consequences in turn for their customers, capital markets and ultimately for the real economy. The 2013 financial year was an intensive period for OTC derivatives markets by law reform in Australia and the start of implementation of these reforms.

While there has been much talk since 2009 about OTC derivatives regulatory reform, this was mainly in the realms of public policy, statutory reform and anticipatory industry planning. We have now moved to dealing with implementation and real-world effects. It seems likely that in several years time we will look back and observe the period from 2012 to 2015 as a watershed period of concentrated change to the way capital markets operate and how participants interact with them.

Globally, the Financial Stability Board (FSB) under the authority of the G20 plays a coordinating role in the global implementation of reforms to OTC derivatives markets. Following a request by the G20 leaders, the FSB has been monitoring individual jurisdictions' progress in implementing the G20

commitments. When looking at the effect of regulation on the availability of long-term investment finance, the FSB remarked in February¹ that it is important to distinguish between transitional and permanent effects as well as the type of market or region that may be affected. In particular, the short-term adjustment costs are generally easier to identify but often rely on a static, partial equilibrium framework that does not take account of the dynamic general equilibrium process of market adjustment. In contrast to these potential transition costs, the long-term benefits of reforms tend to be understated because, being dependent on a counterfactual, they are more difficult to quantify. Moreover, the effects of reforms will differ across markets and regions given the different starting positions as well as the scope for substitution of financial providers and instruments. The FSB also cautioned that pre-crisis models and levels of financing were unsustainable and should not be the appropriate benchmark for assessing the impact of reforms on the availability and cost of long-term finance.

For Australia, the crucial development was the passing of framework legislation in December 2012, that is, the *Corporations Legislation Amendment (Derivatives Transactions) Act 2012*, which took effect in January 2013. This legislation inserted a new Part 7.5A into the *Corporations Act 2001*, establishing a regime for the imposition of mandatory requirements in respect of trade reporting, central clearing and platform trading of OTC derivatives. Under this regime, the responsible Minister can issue determinations that mandate obligations with respect to trade reporting, central clearing or platform trading for a specified class or classes of derivatives. Following on from this, determinations and regulations were made under the new law to allow ASIC to make rules around trade reporting. This gave certainty to market participants to start planning for implementation of the new regime.

In Australia, a couple of central counterparty (CCP) service offerings are being developed to allow clearing and

THE OTC DERIVATIVES MARKET IS UNDERGOING PROFOUND CHANGE BECAUSE OF REGULATORY REFORMS. ALL OF THESE INITIATIVES ARE DESIGNED TO MAKE THE FINANCIAL SYSTEM SAFER, TO IMPROVE INVESTOR AND CONSUMER PROTECTION, OR TO MAKE IT EASIER TO DEAL WITH THE FAILURE OF FINANCIAL INSTITUTIONS.

settlement of AUD interest rate swaps under Australian law. For trade execution, no decision will be made on any mandatory trade execution requirements until further assessments are done by the regulators in 2014. Future recommendations for trade execution are being made separately from mandates to centrally clear particular derivative products. The Australian regulators are placing high importance on trade reporting. The authorities want to be able to monitor, in close to real time, the nature and flow of operational and credit risk management exposures through trade reporting.

As we go through the implementation phase of the reforms, both front- and back-office teams need to change the way they handle cleared OTC derivatives, such as through the interface and connectivity with execution and affirmation platforms and through the clearing and settlement processes. At the same time, firms need to upgrade internal procedures and systems to meet more stringent requirements for uncleared OTC derivatives. Middle office teams need to adapt their reporting capabilities and valuation techniques for both cleared and uncleared OTC derivatives. Big demands are also being made on the trade reporting side where the management and reporting of data to trade repositories, particularly for uncleared trades, presents major operational challenges.

FINANCIAL TRANSACTIONS TAX

Pursuant to a directive issued by the European Commission, eleven 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 proposed, the FTT will have significant extra-territorial impacts; 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.

FIGURE 1: ANNUAL TURNOVER BY MARKET

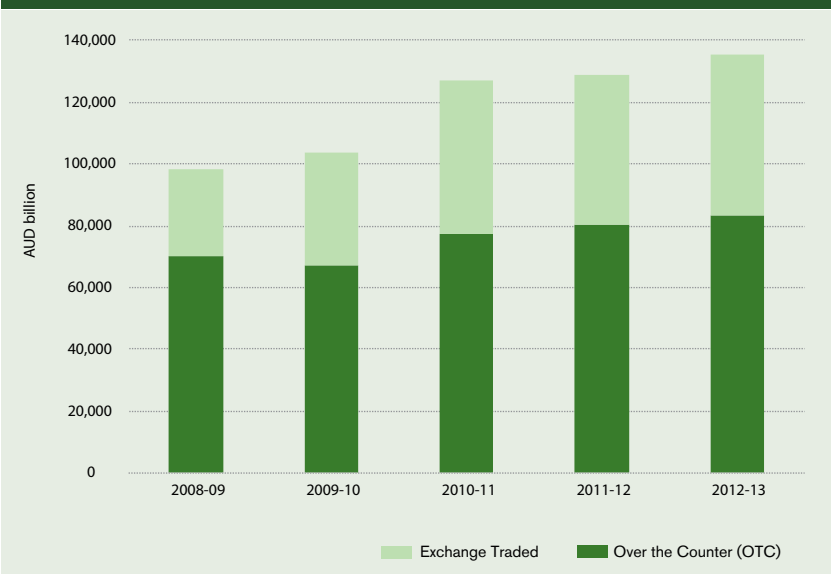


FIGURE 2: ANNUAL TURNOVER BY ASSET CLASS



Many parties have objected to the design of the proposed FTT on the basis that it will severely restrict funding markets and promote behaviours that are contrary to recent regulatory reforms, such as central clearing and appropriate hedging of risk. The broad reach of the tax has been another source of objection.

Based on AFMA's current understanding, the FTT is to commence on 1 July 2014. However, there are legislative

hurdles that will need to be overcome before the FTT can commence in its current form.

BBSW REFORMS

In mid-July IOSCO finalised its *Principles for Financial Benchmarks* which crystallised the plan for the global reforms to financial benchmark rates.

The principles draw from the earlier *Wheatley Review of LIBOR* and the related



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 WHEATLEY AND AS THE LIKELY SHAPE OF IOSCO'S PRINCIPLES BECAME CLEARER.

LIBOR CFTC settlements, and seek to improve governance and structures around financial benchmarks. 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 Wheatley and as the likely shape of IOSCO's Principles became clearer.

AFMA actively engaged with the IOSCO consultation processes and was successful in ensuring that benchmarks based on committed bids and offers in actively traded markets such as BBSW were accommodated in the principles.

Though AFMA's research supported the view that the risks associated with BBSW were structurally a great deal 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 to transition 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.

There has been significant international interest in AFMA's reforms to BBSW globally with potential for the design to become something of a benchmark itself.

In line with the Bank for International Settlements (BIS) work on reference rates and in conjunction with the Reserve Bank of Australia, AFMA has completed a survey of users of BBSW to look at the potential to

develop other benchmarks to complement BBSW.

The results of this survey suggest that, while the needs of most reference rate users are currently being met, there is some interest from the wider community of BBSW users in the development of additional reference interest rates, including risk-free rates (e.g. overnight indexed swaps) and longer tenor reference rates. Having two viable and complementary benchmarks may lead to reduced systemic risk as each rate would be de-risked.

FINANCIAL SYSTEM INQUIRY

AFMA will be an active participant in the Government's Financial System Inquiry.

AFMA will be seeking to ensure that the inquiry places the industry well to continue serving the real economy. It is critical given the importance of the financial system to the health of the broader economy that the inquiry reaches balanced outcomes that take a long-term view of how the industry should be positioned to take advantage of the changing global environment. ■

www.afma.com.au

¹ Financial Stability Board 2013, *Financial regulatory factors affecting the availability of long-term investment finance: Report to G20 Finance Ministers and Central Bank Governors*, 8 February, www.financialstabilityboard.org/publications/r_130216a.pdf

Exchange Traded Market



THE YEAR IN REVIEW

The global economy was generally more stable during the 2013 financial year (FY13). This flowed through to improving activity levels in Australia's financial markets as the year progressed. Nevertheless, operating and regulatory challenges remained for many ASX Group (ASX) customers, and we thank them for their continued business and support.

As in previous years, ASX's diversified business model, as a multi-asset class, vertically integrated exchange, provided resilience. Activity declines in areas directly linked to the equity market were offset by growth in other businesses.

New listings and capital raised were both lower in FY13. There were 82 IPOs, compared to 99 the previous year, and the total amount of capital raised was \$46.4 billion, down 8.3%.

ASX progressed a number of initiatives to strengthen Australia's position as an attractive market to list and raise capital. These included: rule changes to improve the flexibility for small and mid-cap companies to raise capital; a clearer, more detailed Guidance Note to help companies understand and comply with their continuous disclosure obligations; updated disclosure requirements for reserves and resources in the mining and oil and gas industries; and public consultation about reducing the timetable for completing rights issues.

A highlight was the quoting of Australian Government bonds on the exchange in May 2013. This makes a new asset class available to retail investors and is an important step in the development of a corporate bond market.

ASX's Cash Market trading, clearing and settlement business was impacted by

the subdued equity market activity levels, especially in the first six months of the year. While the total volume of trades was up 5.4% to a record 174.8 million trades, value was down 11.8%, to \$1.0 trillion, and the average trade size continued its downward trend to \$5,985.

The exchange introduced a range of new order types and execution services; contributed to the policy debate on market structure issues around high frequency trading and dark pools; and implemented new revenue sharing arrangements to improve alignment with its Cash Market customers. ASX has been operating a rebate scheme in its derivatives business for a number of years.

In February 2013 the Government announced, effectively, that the current market structure for equities clearing and settlement would remain in place for two years, and requested ASX to put in place a Code of Practice as the provider of these services. The Code was implemented in August 2013, and commits to provide transparent and non-discriminatory pricing and access to ASX services. In addition, ASX established a high-level industry stakeholder Forum to provide input to ASX on the operation of and investment in its clearing and settlement services. More detail about the Code and Forum is available at www.asx.com.au/cs.

Technical Services has become one of ASX's fastest growing businesses. It provides access, data, order routing and other ASX Australian Liquidity Centre (ALC) services to help clients operate in a fragmented and complex market environment.

In February 2013 ASX launched ASX Net Global, a cost-effective, low-latency (high-speed) network for global customers to connect to Australia's financial markets.

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ASX Net Global links the ALC with financial communities located in Singapore, London and Chicago, and will be extended to support Australian customers wishing to connect to those financial hubs offshore.

Derivatives is ASX's largest business, accounting for 32.0% of Group revenues in FY13. Average daily trading volumes decreased 3.6%, to 624,179 contracts, in ASX Derivatives (exchange-traded options and index options) and increased 12.2%, to 453,365 contracts, in ASX 24 Derivatives (futures and options on futures). In June 2013 a record 14.3 million futures and options contracts were traded in the ASX 24 market, a new monthly record. ASX's interest rate derivatives market is the fourth largest in the world.

ASX continues to develop its Derivatives business. Australia's equity market volatility benchmark, the S&P/ASX 200 VIX, was made available in real time in February 2013, allowing ASX to launch VIX futures later this year. In May 2013 ASX acquired d-cyphaTrade Limited (d-cypha), a specialist business that researches and markets Australian



electricity futures and options. d-cypha and ASX have been working together to develop the electricity market in Australia and the acquisition further strengthens the partnership. d-cypha has been renamed ASX Energy.

In July 2013 ASX launched the first phase of its new over-the-counter (OTC) Derivatives Clearing Service with the support of nine domestic and international banks. The service provides central counterparty clearing for standardised OTC-traded Australian dollar interest rate derivatives. It will also provide significant benefits to ASX customers, including giving Australian investors access to a domestic solution where collateral is kept onshore and subject to Australian laws and regulations.

ASX also launched the first phase of a new collateral management service, which will allow customers to use fixed income securities held in Austraclear as collateral for financial market transactions. Twelve foundation customers are working with ASX to implement the service. Equities will be added in a future phase by connecting the service to CHESS, ASX's equity sub-register.

LOOKING FORWARD

FY13 was a year of significant regulatory developments, both domestically and internationally. ASX provided constructive input and believes Australia's regulators are doing a good job. Their decisions on market structure have left Australia in a better position than many other western markets.

An important area of focus in FY14 will be ensuring Australia strengthens its position globally. This will present challenges, as many of the international regulations that affect Australia are not being designed to suit local conditions. But a changing environment also creates new business opportunities for ASX and its customers.

The successful \$553 million equity raising that ASX completed in July 2013 will support ASX's clearing operations and enable it to meet new and higher international standards. The

investments ASX is making in its financial market infrastructure put Australia in a strong position to be globally competitive. We look forward to working with our clients to build on the initiatives over the next 12 months.

PRIMARY MARKETS

After a slow first half, momentum in primary markets accelerated in the second, with \$9.9 billion in initial capital raised during FY13, down slightly on FY12. Overall, 82 new entities listed, a decrease of 17.2% on the previous corresponding period (pcp). The resources industry was heavily represented in initial offerings – 38.0% of domestic floats in FY13 were miners and 15.5% were energy companies.

The largest listing of the year was Mighty River Power Ltd, the first in a series of privatisations of New Zealand state-owned enterprises. On listing in April 2013 it had a market capitalisation of \$2.8 billion and raised almost \$1.4 billion in capital, also the largest raising of new funds for the year. Other notable listings were APT Pipelines, raising \$515 million and Shopping Centres Australasia Property Group which raised \$472 million.

ASX increased global investment opportunities for local investors as a number of foreign firms completed successful listings. The majority of these were in the mining sector, including Xero Limited, Marengo Mining Canada Limited, Bathurst Resources (New Zealand) Limited and Laramide Resources Limited. Other successful additions in FY13 include New Zealand's Fonterra Shareholders' Funds, Etherstack PLC from the United Kingdom, Oilfield Workforce Group from Singapore and TTG Mobile Coupon Services from Hong Kong.

Secondary raisings of equity capital in FY13 totalled \$32.4 billion, on par with FY12, with the first half stronger than the second. Placements accounted for 57.5% or \$18.7 billion of secondary raisings, and a 52.5% increase on pcp. The largest placements were Westpac (\$1.7 billion in subordinated notes and \$1.4 billion in

IN JULY 2013 ASX LAUNCHED THE FIRST PHASE OF ITS NEW OVER-THE-COUNTER (OTC) DERIVATIVES CLEARING SERVICE WITH THE SUPPORT OF NINE DOMESTIC AND INTERNATIONAL BANKS. THE SERVICE PROVIDES CENTRAL COUNTERPARTY CLEARING FOR STANDARDISED OTC-TRADED AUSTRALIAN DOLLAR INTEREST RATE DERIVATIVES.

convertible perpetual notes), followed by NAB (\$1.5 billion). Commonwealth Bank also raised \$2.0 billion through Perpetual Exchangeable Resaleable Listed Securities (PERLS VI). Rights and accelerated issues saw a 51.0% decrease to almost \$4.0 billion or 12.2% of secondary raisings. Use of dividend reinvestment plans (DRPs) continued its downward trend, falling 25.6% to \$6.9 billion.

SECONDARY EQUITY MARKET

Returns from Australian equities tracked those of world markets. The S&P/ASX All Ordinaries index rose 15.5%, with the accumulation index up 20.7%. In comparison, the MSCI World Index was up 16.0% and the S&P 500 was up 17.9% in FY13.

Trading activity was subdued with turnover velocity averaging 86%. The average daily traded value was \$4.6 billion, down 3.4% on the pc. Turnover improved in the fourth quarter with an average daily value of \$5.4 billion and velocity of 94%, as volatility increased following comments from the chairman of the US Fed. Despite a few outbreaks, volatility was moderate throughout most of the year, with the S&P/ASX 200 VIX averaging 14.6, down significantly from 23.5 in the previous year.

Despite subdued market conditions, the number of trades continued to surge upwards. A daily average of 693,454 trades were executed on ASX in FY13, which was up 5.8% on the pc. Across all markets there were 814,000 daily trades, which was up 22.0% on the pc. The average number of trades exceeded a million per day in the last quarter. Underlying the growth in trade volumes was a 20.5% reduction in the average trade size. Fragmentation of the Australian equity market contributed to the smaller average trade size.

On 26 May 2013 ASIC introduced a price improvement rule for crossings under block size, as well as additional tiers for block trades. The impact has seen volume move from dark to lit trading venues. ASX discontinued Priority and Centre Point Priority crossings. Subsequently, off-market

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dark execution under block size reduced by over 51.9%.

ASX EXCHANGE-TRADED OPTIONS (ETO) MARKET

ETO market volumes were down 4.0% in FY13 compared to pc. Despite the overall decline in volumes, the notional value of Index (XJO) ETOs traded increased by 13.6%, while single stock LEPO contracts increased by 135.6%. The ETO market observed a continued shift to European-style flex options over the traditional American-style single stock options. European-style flex ETOs accounted for 27.1% of the single stock ETO volume, which has increased over the past three to four years from approximately 1.0%.

In October 2012 the ability for ASX to request a quote in all ETO series listed on a daily basis was introduced. The mechanism was designed to improve price transparency and internal risk management. In December 2012 ASX changed the methodology for margining equity ETO contracts to CME SPAN. This change was to align the methodologies across ASX's clearing houses while offering a more accurate and appropriate margining system.

ASX is continuing with further reforms in FY14 to improve the ETO market. The changes include: a new market-making scheme substantially increasing quoting obligations; an enhancement to ASX Equity

OTC Clear (Phase 2) which incorporates automation of option trade reports while also expanding the scope of allowable contracts; and a change to the ETO crossing rules to provide a simpler, fairer and more time-effective execution mechanism.

ASX SPI 200® FUTURES AND OPTIONS

Despite the equity market rallying from below 4100 at the start of FY13 to above 5200 by May, ASX SPI 200® futures and options activity decreased in comparison to the previous financial year. ASX SPI 200® futures volume decreased by 13.1% and options volume by 26.9% compared to pc. This decrease could have been the result of the relatively low levels of volatility seen during FY13 compared to previous years. Predictably, notional value traded for ASX SPI 200® futures and options also declined in FY13. However, in the case of ASX SPI 200® futures, this decline was partially offset by the equity market rally and the increase in the notional value of individual contracts. As a result, ASX SPI 200® futures notional value traded declined by 4.3% compared to pc.

ASX WARRANTS

The ASX warrant market saw an increase in activity for FY13 compared to pc, both in terms of total warrants listed, with 5,140, up 8.4%, and value traded of \$3.8 billion, up 3.5%. MINIs continue to replace instalments as the most popular type of warrant offered on ASX, both by number of warrants offered and value traded. ASX was pleased to welcome Credit Suisse to the Australian warrant market in FY13 with the introduction of a suite of MINIs. The total number of warrant issuers in the market is now six.

EXCHANGE-TRADED PRODUCTS (ETPS)

The expansion of new ETPs slowed during FY13 with only five new ETPs coming to market. This compares to 25 new ETPs during the pc. A new ETP issuer also entered the market and the first delisting, of six ETPs occurred. Fund inflows during the



period favoured those ETPs with a high dividend and international exposure. Total ETP market capitalisation rose strongly from \$5.1 billion to \$7.7 billion.

ASX-LISTED CONTRACTS-FOR-DIFFERENCE (CFD) MARKET

ASX-listed CFD volumes and notional value traded declined in FY13 compared to pc. Just over 110 million equity and index ASX-listed CFD contracts traded during FY13, a decrease of 13.9% on pc; and total notional value traded during FY13 was \$1.5 billion, a decrease of 39.3% compared to pc.

ASX INTEREST RATE SECURITIES MARKET

The ASX interest rate securities market experienced significant growth during FY13. The major milestone was the commencement of the Exchange-traded Australian Government Bond market on 21 May 2013. With a total of 18 Exchange-traded Treasury Bonds and five Exchange-traded Treasury Indexed Bonds, the market capitalisation now available for investment has increased by over \$275 billion to \$315 billion. Excluding government bonds, there were 18 new listings – nine hybrids, five floating rate notes and four convertibles. Excluding government bonds, the sector also achieved record market capitalisation at \$37.6 billion, up 31.9% on pc, and averaged over 1,800 trades per day with an approximate average monthly value of \$678 million, up 62.6% on pc. There are currently 101 securities listed, up 44.3% on pc, consisting of 33 hybrids, 17 convertible notes, 24 floating rate notes, four corporate bonds and 23 Australian Government Bonds.

ASX 24 INTEREST RATE FUTURES MARKET

ASX 24 interest rate futures volumes were strong throughout FY13 with a number of contracts experiencing periods of record activity. Market activity was driven by ongoing concerns for global economic recovery and European debt conditions.

The Australian economy witnessed some softening during FY13, resulting in the RBA easing monetary policy.

A record level of activity was witnessed in the 3 year Treasury bond futures for FY13, reaching 47.5 million contracts traded, an increase of 11.7% on pc. Activity in the 10 year Treasury bond futures contract increased by 23.2% on pc to reach record volume of 21.2 million contracts. Record activity was also seen in 90 day bank bill futures, with 25.9 million contracts traded, an increase of 19.5% on pc. The increase in bond futures activity continued to be influenced by the strong Australian dollar and the related robust investment and trading activity in the Australian physical debt market. Increase in cash flow from offshore proprietary business was also a driver of volume growth across the interest rate product suite.

One-session options on 3 year bond futures recovered from the previous year's decline in activity. A return to relatively stable volatility during FY13 saw an increase in 3 year option volume of 64.9%, with 3.9 million contracts traded.

Liquidity, as measured by order book depth, across all benchmark interest rate futures contracts experienced a significant increase during FY13. Bid/offer spreads continued to be at the minimum increment during both the day and night sessions.

Activity through the exchange-for-physicals continued to be strong, increasing 4.2%. Exchange-for-physical transactions contributed 9.9% of interest rate futures activity in FY13, up slightly on pc. Block trade activity in bond futures contracts increased 62.2% on pc.

TRADING ACTIVITY IN A 24-HOUR TRADING DAY

The SYCOM (ASX Trade24) trading system permits near 24-hour trading of ASX's futures contracts, making the market accessible at any time from many major global financial centres through the ASX Trade24 distribution network. The following chart shows average trading activity that occurs over a 24-hour period.

THE SYCOM (ASX TRADE24) TRADING SYSTEM PERMITS NEAR 24-HOUR TRADING OF ASX'S FUTURES CONTRACTS, MAKING THE MARKET ACCESSIBLE AT ANY TIME FROM MANY MAJOR GLOBAL FINANCIAL CENTRES THROUGH THE ASX TRADE24 DISTRIBUTION NETWORK.

Activity during the day session predominantly occurs with the open of the interest rate and ASX SPI 200 contracts market; around economic and RBA cash rate announcements; and in the lead up to market close. During the night session, trading activity centres around the session open and early trading in the European and US markets. Night session activity represented 26.2% of total trading activity during FY13, an increase on previous years.

AUSTRACLEAR

Austraclear is the major central securities depository for the domestic debt market. It primarily provides settlement, custody and issuer services for Australian dollar-denominated debt securities and has a direct link to the Reserve Bank Information and Transfer System (RITS), thus facilitating real-time gross settlement of Australian dollar debt, cash, foreign exchange and derivatives transactions. Austraclear currently has just under 800 participants, including banks, Commonwealth and state government authorities, trustee companies, custodian banks, other non-bank financial institutions, and large corporates.

Total Austraclear debt holdings experienced moderate growth in FY13, rising by 5.7%, to \$1,406.8 billion at the end of June 2013 from \$1,330.9 billion at the end of the pc. This growth was mainly driven by strong increases in floating rate notes, Treasury and state government bond issuance. Floating rate note holdings at the end of June 2013 had increased by 10.5%, Treasury bond holdings had increased by 13.8%, while state government debt holdings had increased by 9.1%.

Issuance of short-dated discount securities experienced a 4.5% decrease overall. Electronic certificates of deposit holdings decreased by 1.5%, while bank bill holdings had declined by 30.6% and promissory notes declined by 23.7% by the end of June 2013.

ASX ENERGY AND ENVIRONMENTAL MARKETS

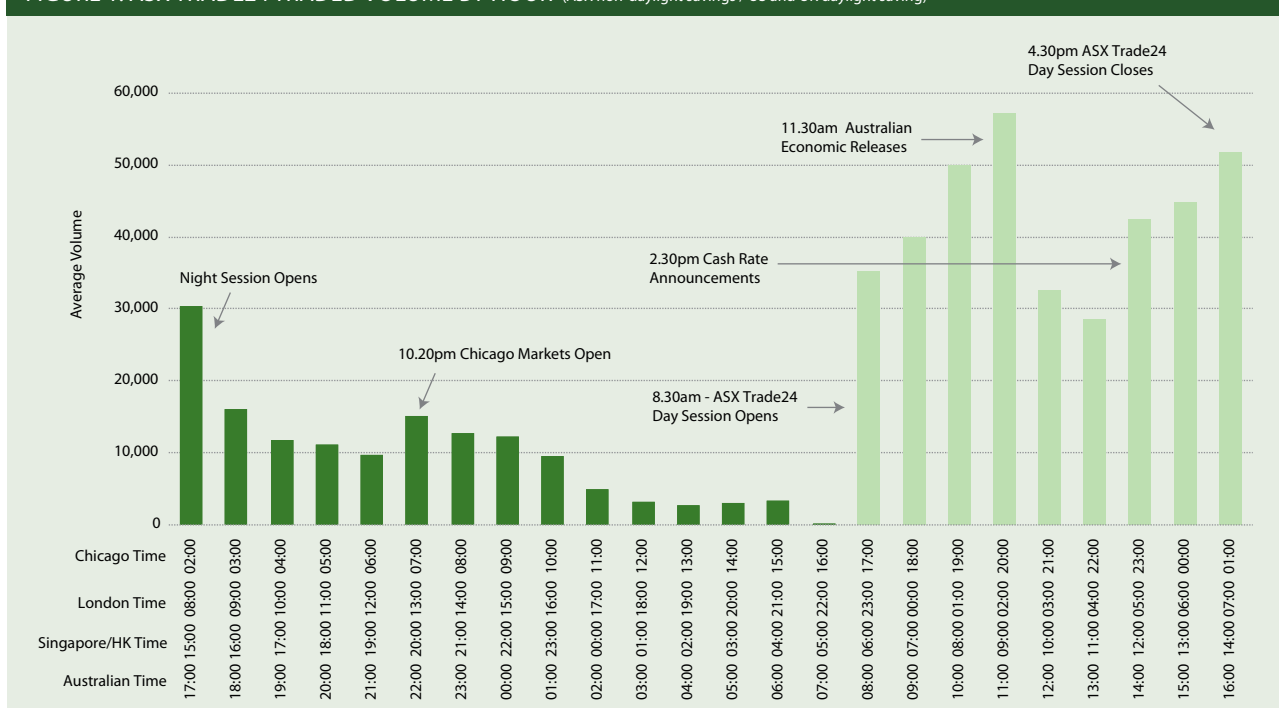
The ASX Australian Electricity market traded \$17.2 billion face value during FY13. This equated to 341.7 TWh of traded energy, or 186.0% of the underlying NEM system demand. The average daily volume of energy

THE ASX AUSTRALIAN ELECTRICITY MARKET TRADED \$17.2 BILLION FACE VALUE DURING FY13. THIS EQUATED TO 341.7 TWH OF TRADED ENERGY, OR 186.0% OF THE UNDERLYING NEM SYSTEM DEMAND.

traded was 1.35 TWh with a face value of \$67.8 million. The options products traded 101 TWh with a face value of \$5.6 billion, representing 55.0% of annual underlying NEM system demand.

The most liquid products were the base load calendar quarter futures at 53.5% of traded energy, followed by the base load calendar year options at 27.3%, base load \$300 cap futures at 14.2%, peak load calendar quarter futures at 2.7%, and base load financial year options and base load calendar month futures contracts, which were listed for trading on 8 May 2013, made up the remaining 2.3%. The bulk of

FIGURE 1: ASX TRADE24 TRADED VOLUME BY HOUR (ASX non-daylight savings / US and UK daylight saving)





the annual traded energy was in New South Wales at 44.4%, followed by Queensland at 28.6%, Victoria at 24.4% and South Australia at 2.6%.

Price (\$/MWh) movements in the 2014 base load futures were mixed across the regions. In Queensland, high temperature-driven demand and mothballed generation contributed to a 10.1% rally to \$57.92. In South Australia, a temporary drop in wind generation and high pool prices helped the 2014 futures rally 4.0% to \$56.39. From its high, the New South Wales futures price fell 11.1% to \$52.90, and overall Victoria 2014 futures prices sold off 7.2% to \$49.50 despite generator outages in that state.

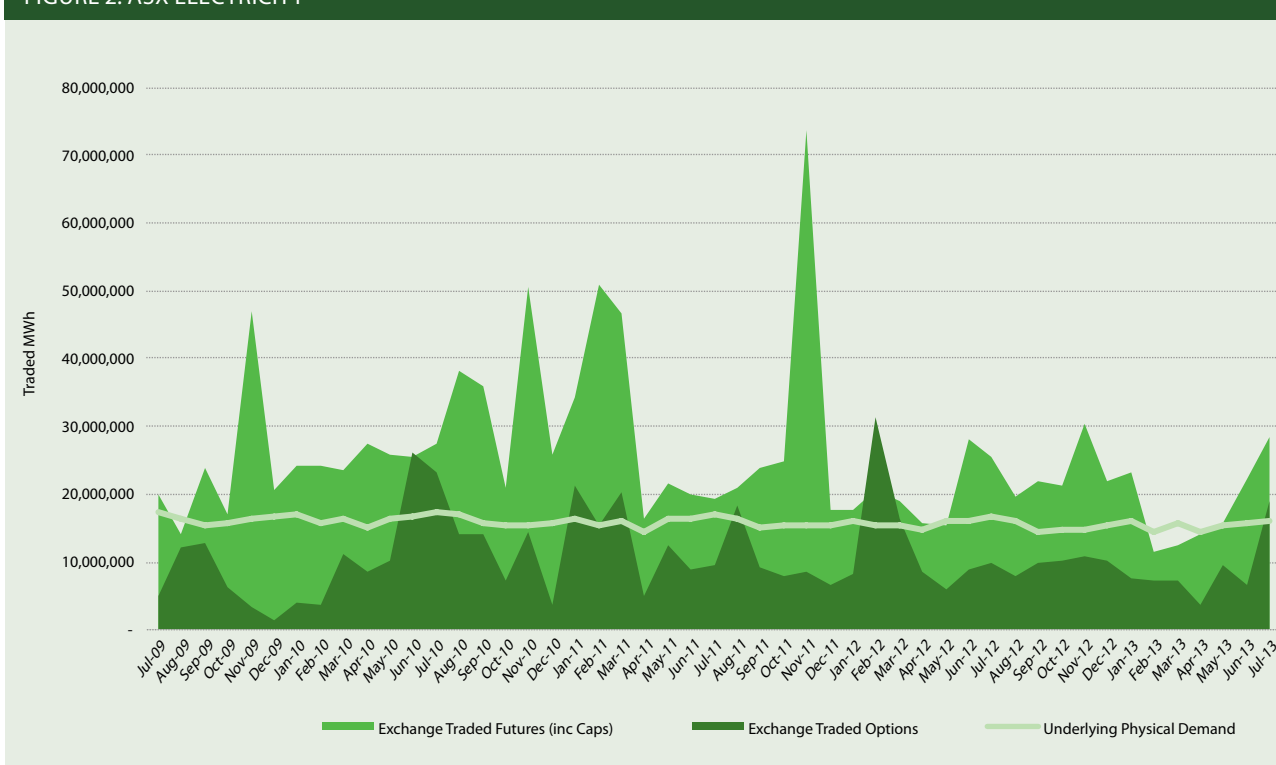
ASX has reviewed the grain market contract offering and has implemented a number of specification changes that will foster greater market activity in FY14. The deregulation of Australia's bulk wheat export marketing framework is expected to continue to be supportive for future market growth. A promising winter season for the crops across Australia has growers and industry alike once again hopeful of a solid harvest of high-quality milling wheat in FY14. ■

ASX AGRICULTURAL DERIVATIVES

Trading activity on the ASX grain futures and option market was less active in FY13 than FY12. The total volume traded was 360,255 contracts, which equates to 7,205,100 tonnes of Australian grain and oilseed – representing a 20.3% decline in volume on pc.

www.asx.com.au

FIGURE 2: ASX ELECTRICITY



Government Debt Securities

2012-13 could best be described as a year of consolidation for government debt securities in Australia. This stands in contrast to the last five years or so, when financial turmoil and market volatility was considered to be the norm.

Over the course of the year, bond yields rose slightly, with 3 year bonds rising from 2.33% to 2.67% and 10 year bonds rising from 3.00% to 3.54%. This was despite the downward move in the RBA cash rate which fell from 3.50% to 2.75% in the same period. This “normalisation” in market rates is a reflection of expectations that the Reserve Bank of Australia is close to the end of its current easing cycle. This also reflects an improved expectation of the global economic outlook.

Consolidation also occurred in the relativities between Commonwealth and semi government debt, where we saw a marked contraction in yield spreads. For example, the indicative 3 year New South Wales Treasury Corporation spread to Commonwealth contracted from 92 basis points to a more normal 38 basis points, while the equivalent contraction in the 10 year sector was from 106 basis points to 76 basis points.

Issuance from both the Commonwealth and state governments increased over the year. Total long-term government securities issued in Australia rose from \$406 billion to \$461 billion. The AOFM initially planned to issue \$35 billion in debt, but this was subsequently increased to \$53.75 billion due to a worsening of the budget position and a decision to decrease Treasury note issuance. There was \$26 billion of maturities during the year and hence net issuance by the Commonwealth was \$27.75 billion. State government net issuance increased by a similar amount.

Overall, turnover was slightly lower than FY12, with an increase in Commonwealth Government turnover offset by a decrease in semi government and foreign government bond turnover.

The coming year should see continued issuance from the Commonwealth and states, as budgetary conditions are not expected to improve in the near future. The actual amount of issuance will be highly dependent on economic conditions and fiscal decisions following the Federal election. ■

FIGURE 1: ANNUAL TURNOVER



FIGURE 2: TURNOVER BY ISSUER

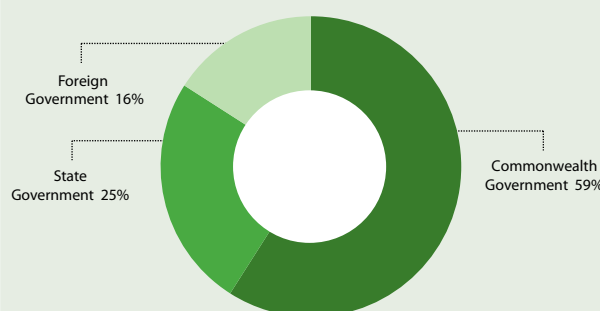
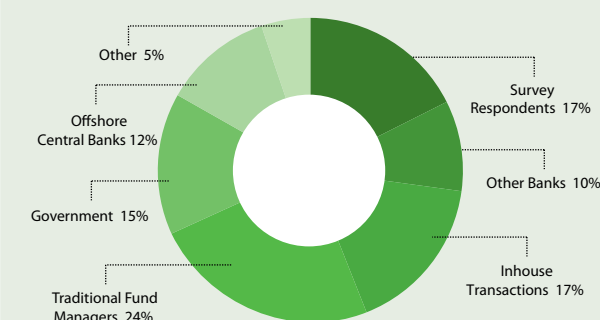


FIGURE 3: TURNOVER BY COUNTERPARTY



GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds/CTA'S	Government	Offshore Central Banks	Other	Total
COMMONWEALTH GOVERNMENT BONDS									
2008-09	55,675	37,925	70,961	75,047	212	32,041	5,841	21,560	299,261
2009-10	84,470	45,851	122,162	81,020	15	65,380	23,375	30,209	452,481
2010-11	150,885	52,502	216,234	120,504	2,355	49,983	58,537	38,834	689,834
2011-12	183,565	77,667	211,011	201,486	1,944	73,214	187,414	37,905	974,206
2012-13	187,918	89,244	184,724	269,762	4,639	88,572	185,499	39,052	1,049,411
% change	2.4	14.9	(12.5)	33.9	138.6	21.0	(1.0)	3.0	7.7
STATE GOVERNMENT BONDS									
2008-09	54,659	39,017	84,345	85,570	71	137,187	3,022	38,232	442,104
2009-10	78,780	34,390	71,256	71,652	25	114,768	10,276	13,628	394,775
2010-11	127,592	35,758	98,994	120,457	1,209	173,887	14,238	25,541	597,676
2011-12	114,618	27,752	119,800	114,109	192	128,469	9,822	15,295	530,057
2012-13	98,106	25,036	67,991	108,222	3,860	125,189	9,018	7,796	445,217
% change	(14.4)	(9.8)	(43.2)	(5.2)	1,910.4	(2.6)	(8.2)	(49.0)	(16.0)
FOREIGN GOVERNMENT BONDS									
2008-09	4,932	9,864	8,146	5,969	4	1,498	1,748	18,685	50,846
2009-10	7,840	2,941	26,479	11,861	0	2,033	2,363	26,978	80,495
2010-11	32,270	19,594	71,841	13,511	262	1,878	4,181	51,650	195,186
2011-12	34,694	40,226	50,848	37,209	159	45,083	4,736	40,560	253,515
2012-13	26,601	56,149	46,388	43,711	275	53,036	11,483	45,641	283,285
% change	(23.3)	39.6	(8.8)	17.5	73.0	17.6	142.5	12.5	11.7
TOTAL									
2008-09	115,266	86,806	163,452	166,586	287	170,726	10,610	78,477	792,211
2009-10	171,090	83,182	219,896	164,533	40	182,181	36,014	70,815	927,751
2010-11	310,747	107,853	387,069	254,472	3,826	225,748	76,956	116,025	1,482,696
2011-12	332,877	145,644	381,659	352,804	2,295	246,766	201,972	93,760	1,757,777
2012-13	312,624	170,430	299,104	421,694	8,774	266,797	206,000	92,489	1,777,914
% change	(6.1)	17.0	(21.6)	19.5	282.3	8.1	2.0	(1.4)	1.1

FIXED GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds/CTA'S	Government	Offshore Central Banks	Other	Total
COMMONWEALTH GOVERNMENT BONDS									
2008-09	53,852	37,431	67,306	70,837	140	31,962	5,841	20,419	287,787
2009-10	78,061	45,007	114,411	68,390	15	58,167	23,241	29,620	416,912
2010-11	143,163	51,294	209,456	106,329	2,355	48,483	58,366	38,007	657,453
2011-12	175,005	74,847	206,497	181,082	1,913	70,956	187,357	36,857	934,513
2012-13	175,561	87,548	180,593	247,271	4,487	85,722	185,265	37,294	1,003,740
% change	0.3	17.0	(12.5)	36.6	134.6	20.8	(1.1)	1.2	7.4
STATE GOVERNMENT BONDS									
2008-09	54,419	38,947	83,741	84,401	57	135,983	3,022	38,097	438,667
2009-10	73,398	33,971	68,315	65,937	25	112,744	9,854	12,263	376,507
2010-11	126,218	35,557	97,803	111,312	1,209	172,593	14,058	25,338	584,088
2011-12	113,042	27,339	118,194	108,691	191	126,679	9,822	14,888	518,848
2012-13	94,910	24,022	63,514	100,919	3,803	120,016	8,978	7,436	423,600
% change	(16.0)	(12.1)	(46.3)	(7.2)	1,891.1	(5.3)	(8.6)	(50.1)	(18.4)
FOREIGN GOVERNMENT BONDS									
2008-09	4,880	9,804	8,018	5,832	4	1,498	1,740	18,494	50,270
2009-10	7,637	2,925	25,792	11,643	0	2,016	2,363	26,914	79,290
2010-11	31,979	19,545	71,231	12,910	262	1,873	4,181	47,133	189,114
2011-12	34,601	35,573	50,351	37,018	159	44,656	4,736	39,993	247,086
2012-13	26,391	54,096	46,191	43,348	275	52,882	11,417	43,734	278,334
% change	(23.7)	52.1	(8.3)	17.1	73.0	18.4	141.1	9.4	12.6
TOTAL									
2008-09	113,151	86,182	159,064	161,070	202	169,442	10,602	77,011	776,725
2009-10	159,096	81,903	208,518	145,969	40	172,928	35,458	68,796	872,709
2010-11	301,359	106,396	378,490	230,551	3,826	222,949	76,605	110,478	1,430,655
2011-12	322,649	137,759	375,042	326,791	2,264	242,291	201,914	91,738	1,700,447
2012-13	296,863	165,666	290,298	391,539	8,565	258,620	205,659	88,464	1,705,674
% change	(8.0)	20.3	(22.6)	19.8	278.3	6.7	1.9	(3.6)	0.3

INDEX LINKED GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds/CTA'S	Government	Offshore Central Banks	Other	Total
COMMONWEALTH GOVERNMENT BONDS									
2008-09	1,823	493	3,655	4,210	72	79	0	1,141	11,474
2009-10	6,344	825	7,750	12,630	0	7,213	134	589	35,485
2010-11	7,722	1,208	6,778	14,175	0	1,499	171	827	32,381
2011-12	8,560	2,820	4,514	20,404	31	2,258	58	1,048	39,693
2012-13	12,356	1,697	4,132	22,491	152	2,851	235	1,758	45,671
% change	44.3	(39.8)	(8.5)	10.2	390.3	26.3	305.2	67.7	15.1
STATE GOVERNMENT BONDS									
2008-09	238	71	499	1,157	14	1,115	0	135	3,228
2009-10	5,276	399	2,941	5,694	0	1,875	417	1,366	17,967
2010-11	1,334	201	1,190	9,140	0	1,227	180	203	13,474
2011-12	1,274	257	1,604	4,360	0	744	0	347	8,587
2012-13	1,543	122	1,520	5,845	57	797	0	326	10,210
% change	21.1	(52.5)	(5.2)	34.1	na	7.1	na	(6.1)	18.9
FOREIGN GOVERNMENT BONDS									
2008-09	52	42	117	134	0	0	0	114	459
2009-10	203	13	687	217	0	17	0	9	1,145
2010-11	18	4	462	208	0	5	0	22	719
2011-12	6	0	278	57	0	20	0	206	566
2012-13	11	0	6	168	0	142	27	0	354
% change	83.3	na	(97.8)	194.7	na	610.0	na	(100.0)	(37.5)
TOTAL									
2008-09	2,112	606	4,271	5,501	86	1,194	0	1,390	15,160
2009-10	11,824	1,236	11,378	18,540	0	9,104	551	1,964	54,597
2010-11	9,074	1,412	8,431	23,523	0	2,731	351	1,052	46,574
2011-12	9,839	3,077	6,395	24,821	31	3,023	58	1,601	48,846
2012-13	13,910	1,819	5,658	28,504	209	3,790	261	2,084	56,235
% change	41.4	(40.9)	(11.5)	14.8	574.2	25.4	350.0	30.2	15.1

COMMONWEALTH GOVERNMENT BONDS LIQUIDITY RATIO (AUD million)

Survey Year	Outstandings ^a	Turnover	Ratio
2008-09	63,098	299,261	4.7
2009-10	110,199	452,481	4.1
2010-11	158,801	689,834	4.3
2011-12	208,877	974,206	4.7
2012-13	241,412	1,049,411	4.3

^a Outstandings was calculated as an average of monthly data on Commonwealth Government Bonds as published by AOFM

GOVERNMENT DEBT SECURITIES TRADING CONCENTRATION

Market Rank	% Market Share ^a	% Cumulative Share	Top 8 Respondents	% Market Share ^a
1	20.8	20.8	2008-09	79.6
2	15.6	36.4	2009-10	88.0
3	11.4	47.9	2010-11	76.7
4	11.0	58.9	2011-12	80.1
5	8.7	67.5	2012-13	85.3
6	6.8	74.3		
7	6.0	80.3		
8	5.0	85.3		

^a Market share data excludes Inhouse transactions

^a Market share data excludes Inhouse transactions

Non Government Debt Securities

The most significant event for the non-government debt securities market in 2012-13 was the announcement by the Federal Reserve in May 2013 that they would look to taper their bond-buying program known as “quantitative easing” in the coming months. This had the effect of dramatically increasing volatility across most asset classes. The volatility resulted in reluctance from both issuers and investors to look at primary markets towards the end of the financial year, a normally active time for primary markets.

Volatility in the past year has been exacerbated by the large-scale withdrawal of funds from emerging markets and some investment-grade bond funds. This has had a negative impact on both credit spreads and demand for primary issues. New bonds that were being issued in the period required larger new issue premiums to reach the volumes required by the issuer.

When the Bank of Japan embarked on a new quantitative easing program earlier in 2013, expectations were that Australia’s credit markets would be the beneficiary, as Japanese asset managers and insurers would look to allocate more funds to higher yielding countries. Initially, this appeared to be the case, with a strong performance by the currency and spread product, but in recent months this flow has been more muted than expected, and the performance has unwound as the currency has depreciated.

Despite these market-moving events, the Australian primary debt markets have shown an improvement over the entire financial year, as investor sentiment and risk appetite has improved over previous years. As a result, both the volume of issuance and the number of new bonds across the various sectors have increased. Consequently, turnover has picked up again, particularly in corporate debt, as investors have started to add more risk assets to their portfolios.

The Australian primary markets have again demonstrated their resilience and rebounded very quickly once global volatility subsided. Cash continues to build for both local and international investors so any quiet periods of issuance are followed by periods of activity as investors look to take advantage of the good liquidity points that the new issues provide. At times, secondary liquidity and turnover have suffered, but this is not surprising in a market which regularly has small issues which are tightly held.

Looking forward, notwithstanding the ongoing potential volatility associated with the Fed’s tapering, global investors will continue to look to the relative high yields that Australia has to offer and continue to allocate funds in particular to spread products. Investors will look to add risk assets to their portfolios as the global backdrop continues to improve. Borrowers will continue to see the debt capital markets as a very effective way to achieve their funding targets. ■

FIGURE 1: ANNUAL TURNOVER

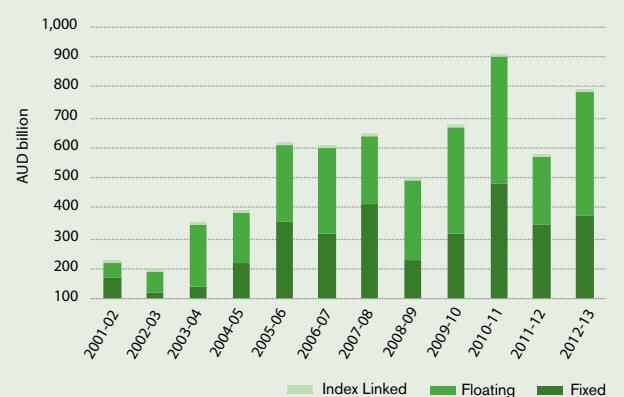


FIGURE 2: TURNOVER BY INSTRUMENT

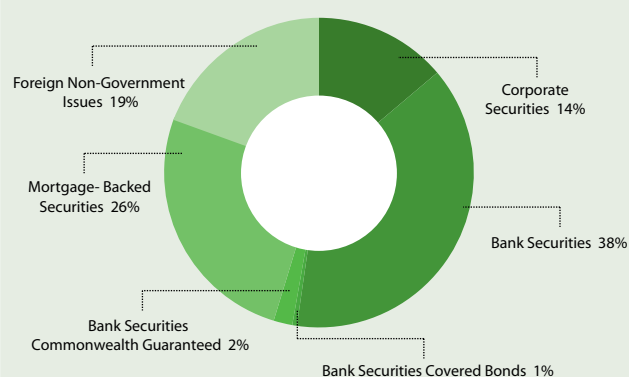
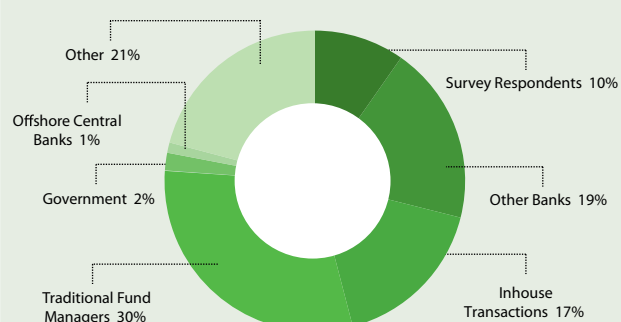


FIGURE 3: TURNOVER BY COUNTERPARTY



NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds/CTA'S	Government	Offshore Central Banks	Other	Total
CORPORATE SECURITIES									
2008-09	9,712	8,866	23,718	30,243	44	1,674	1,076	18,940	94,272
2009-10	16,167	17,096	18,754	38,662	49	10,095	1,687	20,735	123,246
2010-11	19,221	40,993	40,741	32,848	504	3,942	1,521	36,744	176,514
2011-12	9,533	10,478	11,061	29,481	11	1,616	1,177	16,484	79,840
2012-13	11,930	17,726	13,133	37,123	67	2,289	1,590	23,557	107,416
% change	25.1	69.2	18.7	25.9	509.1	41.6	35.1	42.9	34.5
BANK SECURITIES									
2008-09	15,780	73,197	30,607	16,323	72	3,260	491	25,869	165,600
2009-10	67,172	100,262	47,582	57,685	5	11,182	1,209	48,909	334,006
2010-11	93,845	108,023	85,506	48,709	46	10,639	3,287	30,209	380,265
2011-12	64,591	42,624	65,744	46,160	34	5,972	2,967	33,863	261,952
2012-13	39,319	78,490	71,709	56,947	104	9,282	4,628	38,133	298,612
% change	(39.1)	84.1	9.1	23.4	205.9	55.4	56.0	12.6	14.0
BANK SECURITIES COVERED BONDS									
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	1,864	581	6,832	2,410	6	125	5	405	12,228
2012-13	561	297	1,376	1,010	2	80	56	363	3,746
% change	(69.9)	(48.9)	(79.9)	(58.1)	(66.7)	(36.0)	1,020.0	(10.4)	(69.4)
BANK SECURITIES COMMONWEALTH GUARANTEED									
2008-09	5,589	37,465	6,445	27,266	90	2,125	60	9,534	88,574
2009-10	4,025	24,143	13,256	8,175	5	1,301	30	1,848	52,783
2010-11	2,548	5,222	7,341	6,684	0	1,206	183	1,102	24,285
2011-12	3,454	2,002	2,722	4,731	25	307	335	1,254	14,829
2012-13	2,372	1,343	5,364	4,417	166	279	648	657	15,245
% change	(31.3)	(32.9)	97.1	(6.6)	564.0	(9.1)	93.4	(47.6)	2.8
MORTGAGE BACKED SECURITIES									
2008-09	2,462	26,765	10,318	31,116	73	2,432	496	9,455	83,118
2009-10	4,693	35,407	9,268	74,985	0	1,672	378	16,709	143,112
2010-11	10,101	16,182	18,646	111,858	0	2,348	129	20,247	179,511
2011-12	5,321	3,686	9,080	74,217	0	972	0	8,057	101,333
2012-13	6,388	25,449	13,190	114,288	51	967	0	42,173	202,507
% change	20.1	590.4	45.3	54.0	na	(0.5)	na	423.4	99.8
OTHER ASSET BACKED SECURITIES									
2008-09	51	1,377	1,594	19,210	0	46	0	1,176	23,455
2009-10	23	1,171	329	946	0	20	0	1,063	3,552
2010-11	0	0	142	44	0	0	0	351	537
2011-12	407	887	337	854	0	64	0	1,559	4,108
2012-13	502	0	108	160	0	66	0	165	1,001
% change	23.3	(100.0)	(68.0)	(81.3)	na	3.1	na	(89.4)	(75.6)

cont...

NON GOVERNMENT DEBT SECURITIES

NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER SUMMARY (AUD million)...cont'

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds/CTA'S	Government	Offshore Central Banks	Other	Total
OFFSHORE AUD ISSUES									
2008-09	627	3,559	3,713	2,541	10	551	459	3,818	15,279
2009-10	1,378	716	5,180	171	0	10	0	527	7,982
2010-11	679	425	2,039	279	0	83	120	891	4,516
2011-12	704	2,240	4,450	2,526	0	16	14	315	10,267
2012-13	0	0	0	1	0	0	0	0	2
% change	(100.0)	(100.0)	(100.0)	(100.0)	na	(100.0)	(100.0)	(100.0)	(100.0)
FOREIGN NON GOVERNMENT ISSUES									
2008-09	1,648	3,000	6,673	8,435	6	1,043	134	2,465	23,404
2009-10	2,495	3,264	1,901	891	1	477	71	1,574	10,675
2010-11	21,433	10,823	24,108	15,795	70	507	1,770	67,588	142,096
2011-12	11,855	19,466	19,385	12,989	41	1,320	1,273	41,190	107,518
2012-13	14,423	25,860	27,209	20,034	0	1,724	1,698	57,146	148,093
% change	21.7	32.8	40.4	54.2	(100.0)	30.6	33.4	38.7	37.7
TOTAL									
2008-09	35,868	154,230	83,070	135,135	295	11,131	2,716	71,258	493,703
2009-10	95,952	182,059	96,271	181,517	60	24,756	3,376	91,365	675,355
2010-11	147,828	181,668	178,522	216,217	620	18,725	7,011	157,131	907,724
2011-12	97,729	81,964	119,611	173,367	116	10,390	5,771	103,128	592,076
2012-13	75,495	149,165	132,089	233,980	390	14,687	8,621	162,195	776,622
% change	(22.8)	82.0	10.4	35.0	236.2	41.4	49.4	57.3	31.2

FIXED NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds/CTA'S	Government	Offshore Central Banks	Other	Total
CORPORATE SECURITIES									
2008-09	7,751	6,250	5,855	23,567	40	1,350	1,076	8,381	54,268
2009-10	9,921	7,034	12,144	20,152	38	7,666	1,624	13,008	71,587
2010-11	9,649	8,685	27,105	18,179	3	1,853	1,350	22,357	89,180
2011-12	5,428	5,367	7,161	19,800	8	1,060	1,165	13,806	53,795
2012-13	7,448	5,210	6,782	26,127	58	751	1,416	17,719	65,510
% change	37.2	(2.9)	(5.3)	32.0	625.0	(29.2)	21.5	28.3	21.8
BANK SECURITIES									
2008-09	7,942	38,517	15,721	10,484	48	1,646	487	13,516	88,360
2009-10	56,728	51,745	25,679	35,863	0	6,296	1,081	30,371	207,763
2010-11	73,773	64,181	59,773	29,372	24	5,880	2,958	17,926	253,887
2011-12	52,469	25,936	42,305	28,542	20	2,185	2,917	21,599	175,973
2012-13	23,003	43,005	39,055	32,521	20	4,200	4,310	25,770	171,883
% change	(56.2)	65.8	(7.7)	13.9	0.0	92.2	47.8	19.3	(2.3)

cont..

FIXED NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)...cont'

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds/CTA'S	Government	Offshore Central Banks	Other	Total
BANK SECURITIES COMMONWEALTH GUARANTEED									
2008-09	-	-	-	-	-	-	-	-	-
2009-10	3,911	18,153	4,325	14,793	53	1,067	60	5,910	48,272
2010-11	2,787	4,984	6,197	5,708	5	403	22	1,554	21,660
2011-12	1,515	1,971	4,818	4,513	0	525	183	818	14,343
2012-13	2,109	754	4,472	3,622	0	62	538	566	12,123
% change	39.2	(61.7)	(7.2)	(19.7)	na	(88.2)	194.0	(30.8)	(15.5)
MORTGAGE BACKED SECURITIES									
2008-09	0	0	0	0	0	0	0	0	0
2009-10	2	57	0	28	0	0	0	56	143
2010-11	119	224	810	816	0	0	0	549	2,518
2011-12	131	0	2,574	39	0	0	0	53	2,797
2012-13	0	0	254	241	0	0	0	24	519
% change	(100.0)	na	(90.1)	517.9	na	na	na	(54.7)	(81.4)
OTHER ASSET BACKED SECURITIES									
2008-09	37	190	313	208	0	28	0	124	902
2009-10	0	0	0	28	0	0	0	62	90
2010-11	0	0	28	10	0	0	0	3	41
2011-12	0	0	50	4	0	50	0	13	117
2012-13	0	0	66	5	0	66	0	1	139
% change	na	na	32.0	25.0	na	32.0	na	(92.3)	18.8
OFFSHORE AUD ISSUES									
2008-09	530	3,549	3,481	2,462	10	551	459	3,715	14,758
2009-10	1,378	716	5,180	171	0	10	0	527	7,982
2010-11	432	325	1,713	279	0	83	120	415	3,367
2011-12	569	2,088	3,916	1,838	0	16	14	35	8,476
2012-13	0	0	0	1	0	0	0	0	2
% change	(100.0)	(100.0)	(100.0)	(99.9)	na	(100.0)	(100.0)	(100.0)	(100.0)
FOREIGN NON GOVERNMENT ISSUES									
2008-09	1,592	2,654	6,157	8,107	5	1,043	134	2,244	21,936
2009-10	2,260	3,113	1,871	627	1	477	71	1,359	9,780
2010-11	19,263	10,534	16,670	14,991	69	488	1,710	58,828	122,553
2011-12	11,082	16,617	17,294	11,168	41	1,290	1,244	38,212	96,948
2012-13	13,279	22,203	23,565	16,514	0	1,694	1,620	51,956	130,832
% change	19.8	33.6	36.3	47.9	(100.0)	31.3	30.2	36.0	35.0
TOTAL									
2008-09	21,764	69,313	35,851	59,622	155	5,685	2,216	33,891	228,497
2009-10	73,076	67,650	51,071	62,578	44	14,853	2,798	46,936	319,005
2010-11	104,752	85,920	110,917	68,160	96	8,829	6,321	100,895	485,889
2011-12	71,996	50,443	75,785	63,966	69	4,833	5,507	74,458	347,056
2012-13	45,838	71,172	74,194	79,031	78	6,773	7,884	96,036	381,007
% change	(36.3)	41.1	(2.1)	23.6	13.0	40.1	43.2	29.0	9.8

^a Hedge Funds/CTA's and Offshore Central Banks are included in Other

NON GOVERNMENT DEBT SECURITIES

FLOATING NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds/CTA'S	Government	Offshore Central Banks	Other	Total
CORPORATE SECURITIES									
2008-09	1,961	2,616	17,863	6,642	4	292	0	10,559	39,937
2009-10	6,195	10,055	6,598	14,545	11	2,330	63	7,587	47,384
2010-11	9,530	32,304	13,573	14,401	501	2,062	171	14,344	86,886
2011-12	4,106	5,105	3,804	9,536	3	556	12	2,621	25,743
2012-13	4,470	12,514	6,349	10,847	9	1,533	175	5,803	41,700
% change	8.9	145.1	66.9	13.7	260.0	176.0	1,355.0	121.4	62.0
BANK SECURITIES									
2008-09	7,708	34,680	14,887	5,675	25	1,581	4	12,041	76,600
2009-10	10,443	48,510	21,903	21,678	5	4,872	128	18,522	126,062
2010-11	20,068	43,842	25,700	19,208	22	4,759	330	12,275	126,204
2011-12	12,121	16,687	22,760	17,531	14	3,787	50	12,264	85,214
2012-13	16,315	35,479	32,654	24,001	84	5,082	318	12,363	126,296
% change	34.6	112.6	43.5	36.9	500.0	34.2	537.2	0.8	48.2
BANK SECURITIES COMMONWEALTH GUARANTEED									
2008-09	1,677	19,312	2,121	12,473	37	1,058	0	3,623	40,302
2009-10	1,238	19,158	7,059	2,466	0	898	8	294	31,122
2010-11	1,033	3,250	2,523	2,171	0	681	0	284	9,942
2011-12	1,136	1,568	237	2,156	25	75	168	514	5,879
2012-13	263	588	892	795	166	217	110	91	3,123
% change	(76.8)	(62.5)	276.0	(63.1)	564.0	189.3	(34.5)	(82.3)	(46.9)
MORTGAGE BACKED SECURITIES									
2008-09	2,462	26,765	10,318	31,116	73	2,432	496	9,415	83,078
2009-10	4,691	35,350	9,268	74,956	0	1,672	378	16,628	142,943
2010-11	9,981	15,958	17,830	111,042	0	2,348	129	19,695	176,985
2011-12	3,946	3,586	6,390	71,274	0	960	0	7,365	93,521
2012-13	6,388	25,449	12,936	114,047	51	967	0	42,149	201,988
% change	61.9	609.7	102.5	60.0	na	0.8	na	472.2	116.0
OTHER ASSET BACKED SECURITIES									
2008-09	13	1,187	1,281	19,001	0	18	0	1,052	22,553
2009-10	23	1,171	329	884	0	20	0	966	3,393
2010-11	0	0	100	34	0	0	0	345	479
2011-12	407	887	287	849	0	14	0	1,546	3,990
2012-13	502	0	42	155	0	0	0	164	862
% change	23.3	(100.0)	(85.5)	(81.8)	na	(100.0)	na	(89.4)	(78.4)
OFFSHORE AUD ISSUES									
2008-09	97	10	232	79	0	0	0	103	521
2009-10	0	0	0	0	0	0	0	0	0
2010-11	248	100	326	0	0	0	0	476	1,150
2011-12	135	152	534	688	0	0	0	280	1,790
2012-13	0	0	0	0	0	0	0	0	0
% change	(100.0)	(100.0)	(100.0)	(100.0)	na	na	na	(100.0)	(100.0)

cont...

FLOATING NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)...cont'

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds/CTA'S	Government	Offshore Central Banks	Other	Total
FOREIGN NON GOVERNMENT ISSUES									
2008-09	56	346	516	328	1	0	0	221	1,468
2009-10	234	90	30	214	0	0	0	215	784
2010-11	2,170	289	7,438	805	2	19	60	8,760	19,542
2011-12	773	2,848	2,091	1,820	0	30	29	2,979	10,570
2012-13	1,144	3,657	3,644	3,519	0	29	78	5,190	17,261
% change	47.9	28.4	74.3	93.3	na	(1.8)	170.2	74.2	63.3
TOTAL									
2008-09	13,974	190,197	47,218	75,315	139	5,381	500	37,015	264,459
2009-10	22,824	114,334	45,187	114,743	16	9,792	577	44,212	351,688
2010-11	43,030	95,744	67,490	147,660	525	9,869	690	56,179	421,187
2011-12	22,625	30,833	36,104	103,854	42	5,421	259	27,569	226,707
2012-13	29,083	77,688	56,516	153,363	310	7,829	681	65,759	391,229
% change	28.5	152.0	56.5	47.7	647.0	44.4	163.0	138.5	72.6

BANK SECURITIES COVERED BONDS ANNUAL TURNOVER (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds/CTA'S	Government	Offshore Central Banks	Other	Total
BANK SECURITIES COVERED BONDS – AUD DOMICILE, AUD CURRENCY									
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	1,646	562	6,469	2,286	6	125	5	404	11,503
2012-13	457	295	1,322	901	2	80	56	253	3,366
% change	(72.2)	(47.6)	(79.6)	(60.6)	(66.7)	(35.6)	1,014.7	(37.3)	(70.7)
BANK SECURITIES COVERED BONDS – OTHER									
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	218	19	363	125	0	0	0	1	726
2012-13	104	2	54	110	0	0	1	110	380
% change	(52.5)	(89.6)	(85.1)	(12.0)	0	0	0	9,914.0	(47.6)
TOTAL									
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	1,864	581	6,832	2,410	6	125	5	405	12,228
2012-13	561	297	1,376	1,010	2	80	56	363	3,746
% change	(69.9)	(48.9)	(79.9)	(58.1)	(66.7)	(35.6)	1,025.6	(10.3)	(69.4)

NON GOVERNMENT DEBT SECURITIES TRADING CONCENTRATION

Market Rank	% Market Share ^a	% Cumulative Share	Top 8 Respondents	% Market Share ^a
1	39.8	39.8	2008-09	88.7
2	26.0	65.8	2009-10	98.9
3	12.1	77.9	2010-11	90.4
4	6.8	84.8	2011-12	90.6
5	5.4	90.2	2012-13	96.9
6	3.2	93.4		
7	2.1	95.5		
8	1.4	96.9		

^a Market share data excludes Inhouse transactions

^a Market share data excludes Inhouse transactions

Negotiable and Transferable Instruments

In 2012-13, the Reserve Bank of Australia (RBA) lowered the overnight cash rate target by 75 basis points from 3.50% to 2.75% due to softer economic conditions on both the global and local fronts. Global growth was below trend over the year, while China's growth moderated, and Australia began adjusting to lower forecasted levels of mining investment. Locally, higher domestic unemployment, a high AUD exchange rate and lower than optimal domestic confidence all contributed to the RBA's easing bias. In the face of lower overnight cash rates, and with the prospect of more to come, 3 month bank bill rates fell from 3.55% to 2.82% over the year.

Increasingly accommodative global financial conditions assisted bank funding domestically, with term issuance spreads for Australian major banks reaching lows not seen since prior to the global financial crisis. This is illustrated by the fall in 3 year AUD FRN spreads for domestic major banks from around 115 basis points to a low of 47 basis points over the period. Meanwhile, competition for alternative funding via term deposits was high as banks were faced with the challenge of how best to manage their balance sheets under the Basel III liquidity standards.

With this backdrop of strong funding conditions and increased reliance on term deposits, along with slowing domestic credit growth, the supply of short-term bank paper in the NTI market decreased over the year. The reduced supply caused a compression in short-term bank spreads, with the 3 month BBSW/OIS spread (often seen as a gauge of bank funding pressures) tightening to a low of 2 basis points, and averaging approximately 15 basis points over the year. In addition to the spread tightening, market liquidity and price support had been excellent, and with diminished downside risks for Europe and the absence of large global market shocks, the spread traded within a relatively tight and stable 30 basis point range.

In the wake of the LIBOR scandal, we have seen increased scrutiny over benchmark rates as illustrated by the release of the Wheatley Review and IOSCO Principles. AFMA has moved to enhance the BBSW benchmark and maintain best practice in this field, while minimising costs to contributing members. The methodology of this benchmark will change in the coming year to move from a submissions-based process of collecting data to an electronic collection process, supported by market-making obligations of Prime Banks.

Looking forward, we expect the relative stability in the NTI market to continue, barring any major global financial shocks. With funding and credit conditions unlikely to change substantially, short-term bank spreads and issuance should be similar in 2013-14. ■

FIGURE 1: ANNUAL TURNOVER

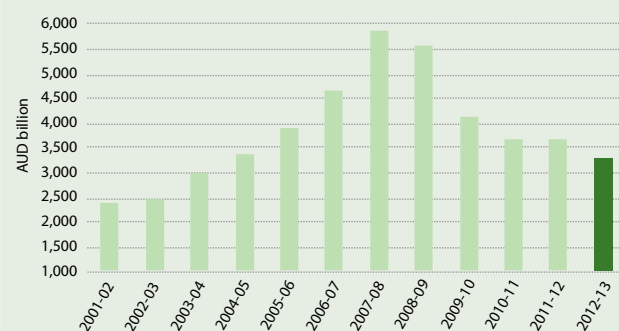


FIGURE 2: TURNOVER BY INSTRUMENT

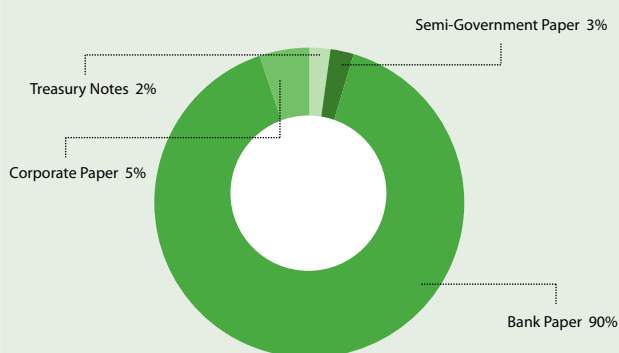
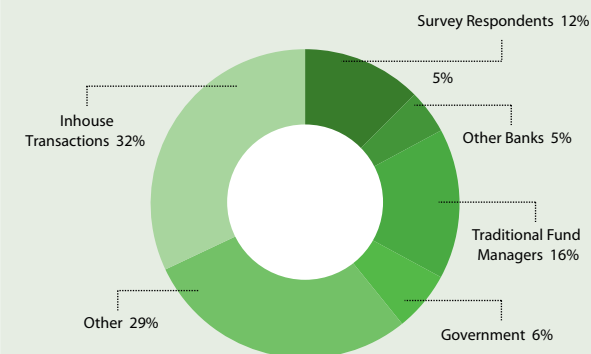


FIGURE 3: TURNOVER BY COUNTERPARTY



NEGOTIABLE AND TRANSFERABLE INSTRUMENTS

NEGOTIABLE AND TRANSFERABLE INSTRUMENTS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government	Other ^a	Total	Inhouse Transactions	Grand Total
TREASURY NOTES								
2008-09	1,074	3,216	4,173	6,657	5,532	20,653	1,931	22,584
2009-10	4,576	5,399	3,659	9,877	13,173	36,684	1,601	38,285
2010-11	5,854	3,877	1,314	12,247	15,496	38,788	2,396	41,184
2011-12	4,948	2,698	1,258	11,937	20,207	41,048	1,178	42,226
2012-13	8,581	5,826	6,134	23,082	26,433	70,057	1,896	71,953
% change	73.4	115.9	387.6	93.4	30.8	70.7	61.0	70.4
SEMI GOVERNMENT PAPER								
2008-09	715	365	1,140	36,470	780	39,470	1,000	40,470
2009-10	6,164	5,052	5,590	68,243	1,481	86,530	1,994	88,524
2010-11	4,406	971	6,474	37,116	1,688	50,655	500	51,155
2011-12	3,526	3,724	13,004	49,206	3,096	72,555	3,093	75,648
2012-13	3,981	4,189	12,983	54,294	1,846	77,294	2,361	79,655
% change	12.9	12.5	(0.2)	10.3	(40.4)	6.5	(23.7)	5.3
BANK PAPER								
2008-09	471,450	260,610	553,504	107,574	1,238,051	2,631,189	1,887,312	4,518,501
2009-10	449,519	223,430	609,678	167,336	616,448	2,066,412	1,347,595	3,414,007
2010-11	533,669	202,998	501,197	200,400	522,306	1,960,570	1,243,709	3,204,279
2011-12	503,618	260,752	579,088	185,218	565,171	2,093,848	1,211,224	3,305,072
2012-13	378,552	114,524	435,912	126,462	854,295	1,909,745	1,039,514	2,949,259
% change	(24.8)	(56.1)	(24.7)	(31.7)	51.2	(8.8)	(14.2)	(10.8)
CORPORATE PAPER								
2008-09	48,502	142,135	266,543	20,589	342,617	820,386	138,495	958,881
2009-10	34,791	57,797	163,412	6,503	213,696	476,199	94,997	571,196
2010-11	31,849	16,606	118,562	3,618	168,055	338,689	40,075	378,764
2011-12	21,749	24,385	92,295	5,461	97,710	241,600	9,763	251,363
2012-13	18,351	26,581	60,419	1,897	59,607	166,855	3,200	170,055
% change	(15.6)	9.0	(34.5)	(65.3)	(39.0)	(30.9)	(67.2)	(32.3)
FOREIGN GOVERNMENT PAPER								
2008-09	0	182	0	0	2,629	2,811	169	2,980
2009-10	33	65	0	0	0	98	0	98
2010-11	53	413	0	0	36	502	0	502
2011-12	32	358	0	0	26	416	0	416
2012-13	0	0	0	0	28	29	0	29
% change	(100.0)	(100.0)	na	na	7.7	(93.0)	na	(93.0)
TOTAL								
2008-09	521,741	406,509	825,359	171,290	1,589,609	3,514,509	2,028,907	5,543,416
2009-10	495,082	291,744	782,339	251,959	844,799	2,665,922	1,446,188	4,112,110
2010-11	575,831	224,865	627,547	253,380	707,581	2,389,203	1,286,680	3,675,883
2011-12	533,873	291,917	685,646	251,821	686,209	2,449,466	1,225,259	3,674,725
2012-13	409,465	151,120	515,449	205,735	942,210	2,223,980	1,046,971	3,270,951
% change	(23.3)	(48.2)	(24.8)	(18.3)	37.3	(9.2)	(14.6)	(11.0)

^a Hedge Funds/CTA's and Offshore Central Banks are included in Other

TREASURY NOTE LIQUIDITY RATIO (AUD million)

Survey Year	Outstandings ^a	Turnover	Ratio
2008-09	9,950	22,584	2.3
2009-10	11,467	38,285	3.3
2010-11	14,908	41,184	2.8
2011-12	13,317	42,226	3.2
2012-13	14,667	71,953	4.9

^a Outstandings was calculated as an average of monthly data on Treasury Notes from March to June 2012 as published by AOFM

BANK PAPER LIQUIDITY RATIO (AUD million)

Survey Year	Outstandings ^a	Turnover	Ratio
2008-09	363,182	4,518,501	12.4
2009-10	296,130	3,414,007	11.5
2010-11	258,834	3,204,279	12.4
2011-12	254,312	3,305,072	13.0
2012-13	235,884	2,949,259	12.5

^a Outstandings was calculated as an average of monthly data on Bank Paper as reported by APRA

NEGOTIABLE AND TRANSFERABLE INSTRUMENTS TRADING CONCENTRATION

Market Rank	% Market Share ^a	% Cumulative Share	Top 8 Respondents	% Market Share ^a
1	22.7	22.7	2008-09	90.1
2	22.5	45.2	2009-10	93.0
3	19.2	64.5	2010-11	90.9
4	16.3	80.8	2011-12	95.2
5	4.7	85.5	2012-13	92.9
6	2.9	88.4		
7	2.8	91.2		
8	1.8	92.9		

^a Market share data excludes Inhouse transactions

^a Market share data excludes Inhouse transactions

Repurchase Agreements

As concerns around the 2012 European sovereign debt crisis subsided, the Australian debt and repo market participants refocused attention on the 2015 introduction of the Basel III liquidity standards and the increased and competing demands on the available supply of high-quality liquid assets (HQLA) crucial to all major global banks meeting the liquidity coverage ratio (LCR). Unlike many of the other major jurisdictions Australia has a very small stock of HQLA-eligible securities on issue relative to GDP, and these holdings continue to attract strong demand both domestically and from offshore investors, the latter holding upwards of 75% of Commonwealth Government Securities (CGS) and approximately 40% of semi government bonds. Furthermore, an overall decline in re-hypothecation is likely given clients' desire for collateral assets to be protected. In response to these stock shortfalls, the Reserve Bank of Australia (RBA) intends to provide a fee-based committed liquidity facility (CLF) to eligible authorised deposit-taking institutions against a very broad range of collateral.

Over the year the Australian repo market experienced a modest increase in turnover, up 4.5%, and a 13% increase in outstanding positions from 2012, to some extent representing the expansion of the survey sample. Excluding in-house transactions, Commonwealth and semi government debt (GC1) supported 86% of outstanding repo positions (2012; 93%), the decline in relative terms offset by increased use of corporate and bank debt as well as RMBS in repo activities.

Short-dated repos (one month or less to maturity) accounted for 92% of outstanding positions, slightly below 2012's 94%, reflecting an increase in 90–180 day term repo. Overall, domestic business volumes accounted for 95% of outstanding repo positions, up slightly on 2012.

The consistent and relatively strong demand for government and semi-government bonds from bank balance sheet managers

and fixed income traders has been accommodated by the market without these classes of securities trading special for extended periods of time at expensive funding levels. A likely explanation for this development would be the need for trading desks to finance inventories externally, independent of in-house funding sources and the willingness of bank balance sheet managers to lend their stock holdings as cheaply as 5 basis points below the official cash rate. At the same time as the steady increase in government and semi government issuance has been occurring, in recent months foreign central banks' acquisition of this new debt has tempered somewhat and this in turn has increased the supply of issues trading as GC securities in the repo market.

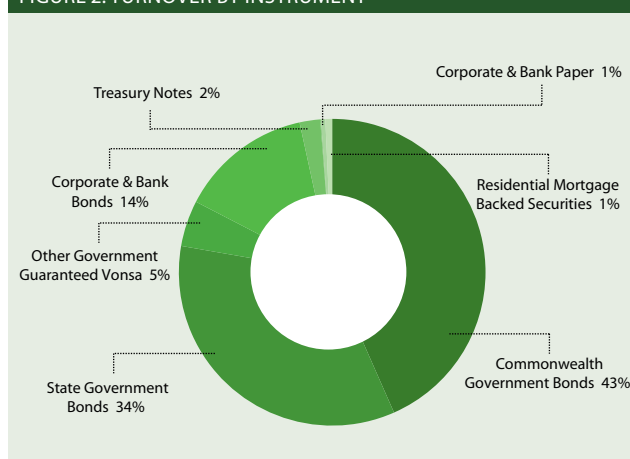
Increased demand for high-quality collateral to support derivatives market activities is also becoming evident. However, the future effects that this may have on stock availability are hard to gauge with a high degree of certainty at this time. Nevertheless, the likely increase in the use of tri-party repo and collateral management services in the domestic marketplace should provide participants with a means to assist them in achieving the goal of optimising the value and use of their available collateral resources on a firm-wide and multi-product (swaps, repos etc) basis.

The continued very low incidence of settlement failures, which could otherwise adversely impact the liquidity and transparency of the underlying cash markets, continues to be a positive feature of this market. Credit risk mitigation using the margining protocol, which has now largely replaced repricing, is widely practised among the primary market participants, and guidelines specific to the Australian margining standard are being finalised. These guidelines will complement the AFMA Repo Conventions and Trade Matching Guidelines in conveying best practice in this marketplace, and draw extensively on the International Capital Market Association's European Repo Council margining guide as the means to closely align our standards to global best practice.

FIGURE 1: ANNUAL TURNOVER



FIGURE 2: TURNOVER BY INSTRUMENT



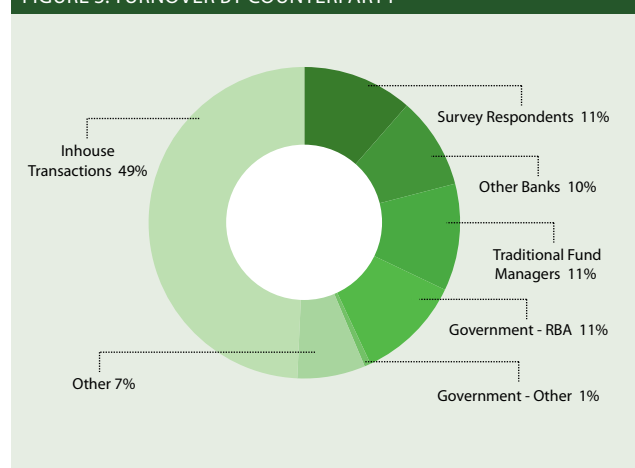
Looking to 2014, we expect that collateral management services will be more widely used in an endeavour to maximise the use of available collateral. The cash market will also respond to changes being implemented in November 2013 which will result in the RBA's Information and Transfer System (RITS) being open until 10:00pm to accommodate feeder systems. With this is the potential for late evening cash market activity as well as the likelihood that the RBA's second round dealings will be conducted more frequently during the settlement close session to square the system before the 6:30pm evening session close. As it's not the RBA's intention to directly square members, there is also the potential for an increase in evening repo activity among member banks given unsecured lending constraints generally experienced in cash markets nowadays.

On the global front the Financial Stability Board (FSB) has released policy recommendations from its late 2012 consultation on addressing shadow banking risks in repo and securities lending markets. The policy recommendations cover a wide range of measures that relate to such areas as transparency and data reporting and collection; disclosure requirements for fund managers; minimum regulatory standards for non-bank entities; principles in relation to re-hypothecation of client assets; minimum regulatory standards on collateral valuation and management; and the use of clearing counterparties. Importantly, the FSB proposes to introduce a framework of numerical haircut floors that will apply to non-centrally cleared securities financing transactions in which entities not subject to regulation of capital and liquidity/maturity transformation receive financing from regulated financial intermediaries against

collateral other than government securities. Securities financing received by financial entities subject to regulation of capital and liquidity/maturity transformation; transactions performed in any operation with central banks; transactions backed by government securities; and cash collateralised securities lending transactions (but not special repos) will be exempt from the proposed numerical haircut floors.

The FSB will undertake further consultation on this proposed framework, and AFMA's Repo Committee will consider the impacts on the Australian market. ■

FIGURE 3: TURNOVER BY COUNTERPARTY



REPURCHASE AGREEMENTS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government - RBA ^a	Government - Other	Other ^b	Total	Inhouse Transactions	Grand Total
COMMONWEALTH GOVERNMENT BONDS									
2008-09	258,732	169,680	94,896	12,780	12,097	145,598	693,783	878,842	1,572,624
2009-10	518,025	272,208	140,948	88,544	15,133	92,816	1,127,675	849,405	1,977,080
2010-11	642,364	426,969	231,512	121,262	7,929	216,392	1,646,428	1,413,025	3,059,453
2011-12	508,053	375,765	268,187	265,406	13,587	124,217	1,555,216	1,561,955	3,117,171
2012-13	461,437	268,863	432,758	415,566	4,952	292,308	1,875,884	1,536,573	3,412,457
% change	(9.2)	(28.4)	61.4	56.6	(63.6)	135.3	20.6	(1.6)	9.5
STATE GOVERNMENT BONDS									
2008-09	372,469	214,195	169,476	111,874	95,515	102,729	1,066,259	1,206,356	2,272,614
2009-10	419,543	267,539	156,320	269,052	90,358	82,538	1,285,350	1,217,107	2,502,457
2010-11	425,667	378,829	253,063	287,464	88,483	106,504	1,540,009	1,411,633	2,951,642
2011-12	388,508	303,111	241,733	361,685	65,917	72,682	1,433,637	1,654,497	3,088,134
2012-13	355,653	236,253	318,720	279,130	45,854	98,502	1,334,112	1,367,591	2,701,703
% change	(8.5)	(22.1)	31.8	(22.8)	(30.4)	35.5	(6.9)	(17.3)	(12.5)

cont..

REPURCHASE AGREEMENTS

REPURCHASE AGREEMENTS ANNUAL TURNOVER SUMMARY (AUD million)...cont'

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government - RBA	Government - Other	Other ^a	Total	Inhouse Transactions	Grand Total
OTHER GOVERNMENT GUARANTEED BONDS									
2008-09	9,169	7,847	2,779	4,041	50	20,684	44,571	73,450	118,021
2009-10	41,077	21,841	22,725	11,913	60	24,982	122,596	66,290	188,886
2010-11	79,283	96,118	32,533	26,932	471	45,425	280,763	149,646	430,409
2011-12	100,513	148,813	40,316	23,999	460	60,180	374,280	290,776	665,056
2012-13	38,847	43,405	45,142	31,991	0	42,107	201,492	179,965	381,457
% change	(61.4)	(70.8)	12.0	33.3	(100.0)	(30.0)	(46.2)	(38.1)	(42.6)
CORPORATE & BANK BONDS									
2008-09	16,126	18,594	13,536	129,352	200	30,022	207,831	80,384	288,215
2009-10	10,776	8,634	3,890	71,977	152	42,624	138,053	100,382	238,435
2010-11	15,047	51,612	61,106	104,545	1,241	17,601	251,151	381,852	633,003
2011-12	23,466	52,545	34,352	77,693	1,025	4,416	193,495	270,513	464,008
2012-13	30,751	143,776	76,604	64,053	100	119,374	434,659	665,198	1,099,857
% change	31.0	173.6	123.0	(17.6)	(90.2)	2,603.2	124.6	145.9	137.0
TREASURY NOTES									
2008-09	0	168	0	3,658	0	0	3,827	4,040	7,866
2009-10	30,705	0	0	6,840	0	0	37,545	51,241	88,786
2010-11	13,852	3,858	0	17,214	0	12	34,936	36,914	71,850
2011-12	6,450	12,904	266	27,078	0	0	46,698	25,359	72,057
2012-13	10,966	55,077	138	26,941	0	661	93,782	76,360	170,142
% change	70.0	326.8	(48.1)	(0.5)	na	na	100.8	201.1	136.1
SEMI GOVERNMENT PROMISSORY NOTES									
2008-09	6,707	0	2,843	8,959	13	16	18,539	52,364	70,903
2009-10	0	0	0	0	0	0	0	0	0
2010-11	0	0	0	0	0	0	0	0	0
2011-12	0	31	0	998	0	0	1,029	5,292	6,321
2012-13	0	98	0	4,710	0	0	4,808	1,521	6,329
% change	na	216.1	na	371.9	na	na	367.2	(71.3)	0.1
CORPORATE & BANK PAPER									
2008-09	73,200	13,407	3,544	393,098	79	13,697	497,026	198,988	696,014
2009-10	16,076	64,994	5,467	26,788	0	3,412	116,737	237,616	354,353
2010-11	11,736	26,672	924	15,550	0	30,693	85,576	110,264	195,840
2011-12	632	22,455	2,230	3,533	0	14,344	43,194	62,528	105,722
2012-13	993	1,902	430	11,532	0	2,200	17,056	18,779	35,835
% change	57.1	(91.5)	(80.7)	226.4	na	(84.7)	(60.5)	(70.0)	(66.1)
RESIDENTIAL MORTGAGE BACKED SECURITIES									
2008-09	0	0	0	81,766	0	0	81,766	26,879	108,646
2009-10	0	0	1,087	35,685	0	0	36,772	29,275	66,047
2010-11	74	0	0	19,616	0	0	19,690	0	19,690
2011-12	0	415	0	1,912	0	0	2,326	2,083	4,409
2012-13	792	0	0	26,417	0	0	27,210	29,240	56,450
% change	na	(100.0)	na	1,281.6	na	na	1,069.8	1303.7	1,180.3

cont..

REPURCHASE AGREEMENTS ANNUAL TURNOVER SUMMARY (AUD million)...cont'

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government - RBA	Government - Other	Other ^a	Total	Inhouse Transactions	Grand Total
ASSET BACKED COMMERCIAL PAPER									
2008-09	0	0	843	8,736	0	0	9,579	2,247	11,826
2009-10	0	0	2,447	0	0	0	2,447	0	2,447
2010-11	0	0	0	1,780	0	0	1,780	0	1,780
2011-12	0	0	0	1,663	0	0	1,663	0	1,663
2012-13	0	0	0	0	0	0	0	0	0
% change	na	na	na	(100.0)	na	na	(100.0)	na	(100.0)
TOTAL									
2008-09	736,404	423,892	287,918	754,266	107,955	312,746	2,623,181	2,523,549	5,146,729
2009-10	1,036,202	635,215	332,884	510,799	105,702	246,372	2,867,175	2,551,316	5,418,491
2010-11	1,188,023	984,057	579,138	594,364	98,124	416,626	3,860,331	3,503,335	7,363,666
2011-12	1,027,621	916,039	587,084	763,965	80,989	275,838	3,651,537	3,873,004	7,524,541
2012-13	899,440	749,373	873,792	860,339	50,907	555,153	3,989,003	3,875,228	7,864,231
% change	(12.5)	(18.2)	48.8	12.6	(37.1)	101.3	9.2	0.1	4.5

^a Hedge Funds/CTA's and Offshore Central Banks are included in Other

REPURCHASE AGREEMENTS TRADING CONCENTRATION

Market Rank	% Market Share ^a	% Cumulative Share	Top 8 Respondents	% Market Share ^a
1	23.5	23.5	2008-09	97.8
2	14.3	37.9	2009-10	96.2
3	13.8	51.7	2010-11	95.7
4	8.8	60.5	2011-12	92.9
5	8.0	68.5	2012-13	88.6
6	7.9	76.4		
7	6.5	82.9		
8	5.7	88.6		

^a Market share data excludes Inhouse transactions

^a Market share data excludes Inhouse transactions

Swaps and Forward Rate Agreements

The interest rate swaps and forward rate agreement (FRA) markets were impacted by a number of events over the course of 2012-13. In the United States, the main driver of rates over most of the year was the Fed's open-ended program of unlimited purchases of mortgage-backed securities, known as "Quantitative Easing 3" (or QE3). This had the effect of pushing yields lower during the rest of 2012.

Towards the end of the financial year however, the US Fed's announcement that they would begin to "taper" some of their quantitative easing policies in late 2013 caused an immediate rise in yields across the curve but predominately in the 10 year sector.

Domestically, rallies in local rates were supported by the Reserve Bank of Australia (RBA) easing the overnight cash rate by 0.75% in response to weaker domestic economic conditions. However, longer term rates also rose in 2013 in response to the US sell-off, and as market expectations with respect to an end to the current easing cycle began to surface.

Notwithstanding the above effects, there was a reduction in rateset volatility in comparison to previous years. This had the effect of improving liquidity overall as more entities were encouraged to trade most dates. Turnover as a result has improved slightly although this is marginal. Liquidity did fall away substantially when the concept of Fed tapering caused a major spike in volatility. This knee-jerk reaction of liquidity to sudden changes in rates has been par for the course over the last few years.

The increased focus on counterparty credit risk due to Basel III has impacted a number of participants in the last few years, and volumes have fallen away substantially for some, while increased for a few local banks that have been able to utilise their balance sheets.

Looking ahead, changes in market share will continue to be a feature of the interest rate swap market in Australia, while QE3 tapering and domestic conditions will be the likely drivers of interest rate levels. ■

FIGURE 1: ANNUAL TURNOVER

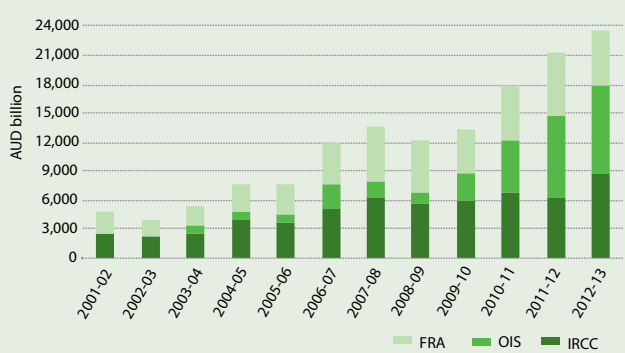


FIGURE 2: IRCC TURNOVER BY COUNTERPARTY

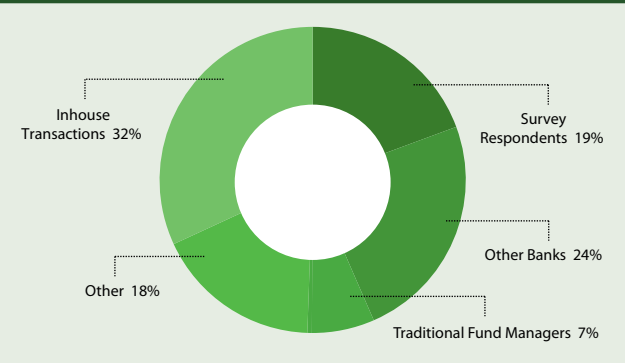


FIGURE 3: FRA TURNOVER BY COUNTERPARTY

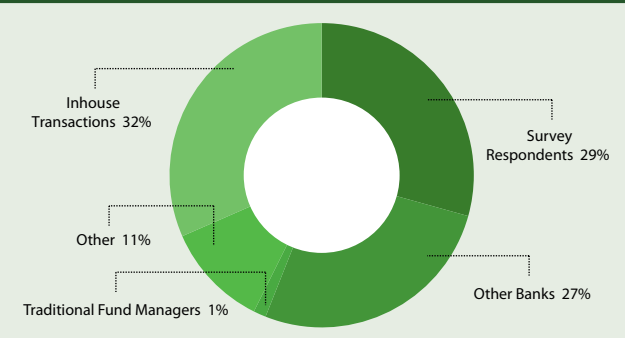
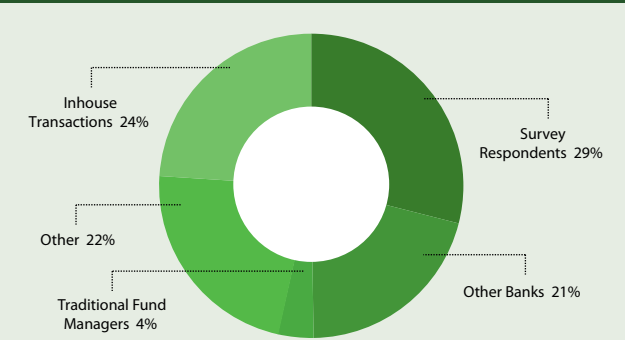


FIGURE 4: OIS TURNOVER BY COUNTERPARTY



INTEREST RATE AND CROSS CURRENCY SWAPS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government	Other ^a	Total	Inhouse Transactions	Grand Total
FIXED AUD:FLOATING AUD								
2008-09	602,503	958,675	103,323	11,622	570,326	2,246,449	1,894,305	4,140,754
2009-10	760,185	592,417	126,394	21,806	520,327	2,021,131	2,008,685	4,029,816
2010-11	820,384	590,706	74,965	37,318	647,615	2,166,787	2,499,354	4,666,141
2011-12	907,005	854,243	177,152	24,625	574,159	2,537,184	1,741,223	4,278,407
2012-13	1,331,585	1,732,416	489,147	40,981	1,275,454	4,869,582	1,922,865	6,792,447
% change	46.8	102.8	176.1	66.4	122.1	91.9	10.4	58.8
FLOATING AUD:FLOATING AUD								
2008-09	55,968	54,374	835	30	48,767	159,974	241,953	401,927
2009-10	90,608	61,713	245	0	15,211	167,778	447,963	615,741
2010-11	94,541	40,225	601	320	26,661	162,348	700,497	862,845
2011-12	104,563	64,511	28,232	292	42,179	239,776	355,526	595,302
2012-13	95,364	105,194	25,657	0	84,347	310,562	377,519	688,081
% change	(8.8)	63.1	(9.1)	(100.0)	100.0	29.5	6.2	15.6
FIXED AUD:NON AUD								
2008-09	9,457	8,913	23,515	0	8,679	50,564	445,578	496,142
2009-10	3,330	15,190	1,147	50	13,161	32,879	213,605	246,484
2010-11	9,007	18,436	2	166	24,745	52,356	300,152	352,508
2011-12	4,081	12,756	1,385	232	11,297	29,751	431,923	461,674
2012-13	224	9,562	33	11	16,706	26,536	135,793	162,329
% change	(94.5)	(25.0)	(97.6)	(95.2)	47.9	(10.8)	(68.6)	(64.8)
FLOATING AUD:NON AUD								
2008-09	108,067	152,851	12,482	161	79,309	352,870	333,753	686,623
2009-10	315,552	254,486	5,786	246	62,841	638,911	391,974	1,030,885
2010-11	301,773	224,294	4,823	427	78,975	610,292	305,170	915,462
2011-12	232,253	305,167	24,271	569	39,836	602,095	215,698	817,793
2012-13	287,550	290,086	68,973	667	181,885	829,161	392,118	1,221,280
% change	23.8	(4.9)	184.2	17.3	356.6	37.7	81.8	49.3
INFLATION-LINKED SWAPS								
2008-09	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-
2010-11	5,276	943	3,903	417	523	11,061	1,113	12,174
2011-12	9,359	1,640	4,497	1,995	2,266	19,757	1,142	20,899
2012-13	4,748	2,044	4,134	294	646	11,866	2,671	14,537
% change	(49.3)	24.6	(8.1)	(85.3)	(71.5)	(39.9)	133.8	(30.4)
TOTAL								
2008-09	775,995	1,174,813	140,155	11,813	707,081	2,809,857	2,915,588	5,725,445
2009-10	1,169,676	923,807	133,572	22,102	611,541	2,860,698	3,062,228	5,922,926
2010-11	1,230,980	874,604	84,294	34,447	778,519	3,002,844	3,806,286	6,809,130
2011-12	1,257,260	1,238,316	235,538	27,713	669,736	3,428,563	2,745,512	6,174,075
2012-13	1,719,471	2,139,302	587,944	41,953	1,559,037	6,047,708	2,830,967	8,878,675
% change	36.8	72.8	149.6	51.4	132.8	76.4	3.1	43.8

^a Hedge Funds/CTA's and Offshore Central Banks are included in Other

CROSS CURRENCY SWAP ANNUAL TURNOVER SUMMARY – NON AUD (AUD million)

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government	Other ^a	Total	Inhouse Transactions	Grand Total
FIXED NON AUD:FLOATING NON AUD^b								
2011-12	243,971	1,166,778	22,375	210	93,986	1,527,320	879,377	2,406,697
2012-13	248,085	167,302	268,018	45	311,484	994,935	409,077	1,404,012
% change	1.7	(85.7)	1,097.9	(78.3)	231.4	(34.9)	(53.5)	(41.7)
FLOATING NON AUD:FLOATING NON AUD^b								
2011-12	42,977	38,202	1,945	1,070	5,669	89,864	1,177,798	1,267,662
2012-13	35,355	41,008	4,959	0	42,842	124,163	87,730	211,894
% change	(17.7)	7.3	155.0	(100.0)	655.7	38.2	(92.6)	(83.3)
TOTAL								
2011-12	286,949	1,204,981	24,319	1,280	99,656	1,617,184	2,057,174	3,674,358
2012-13	283,440	208,310	272,977	45	354,326	1,119,098	496,807	1,615,905
% change	(1.2)	(82.7)	1,022.5	(96.5)	255.5	(30.8)	(75.9)	(56.0)

^a Hedge Funds/CTAs and Offshore Central Banks are included in Other^b Non AUD Cross Currency Swaps were surveyed for the first time in 2011-12.

INTEREST RATE AND CROSS CURRENCY SWAPS TRADING CONCENTRATION

Market Rank	% Market Share ^a	% Cumulative Share	Top 8 Respondents	% Market Share ^a
1	25.0	25.0	2008-09	93.1
2	15.2	40.1	2009-10	95.4
3	13.1	53.3	2010-11	85.7
4	8.9	62.1	2011-12	89.3
5	8.0	70.1	2012-13	85.8
6	5.5	75.6	^a Market share data excludes inhouse transactions Note: Non AUD Cross Currency Swaps were surveyed for the first time in 2011-12. For consistency in year-on-year reporting these are excluded from the totals	
7	5.1	80.7		
8	5.1	85.8		

^a Market share data excludes inhouse transactions

Note: Non AUD Cross Currency Swaps were surveyed for the first time in 2011-12. For consistency in year-on-year reporting these are excluded from the totals

OVERNIGHT INDEX SWAPS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government	Other ^a	Total	Inhouse Transactions	Grand Total
2008-09	298,293	241,318	18,998	0	111,969	670,578	360,109	1,030,686
2009-10	720,544	529,478	38,579	4,148	214,040	1,506,789	1,493,627	3,000,416
2010-11	1,642,986	901,433	110,370	9,332	464,857	3,875,311	2,184,362	5,313,339
2011-12	2,354,502	2,591,129	459,450	44,918	1,299,045	6,749,044	1,954,447	8,703,491
2012-13	2,576,782	1,848,193	325,052	6,220	2,005,915	6,762,162	2,132,283	8,894,445
% change	9.4	(28.7)	(29.3)	(86.2)	54.4	0.2	9.1	2.2

^a Hedge Funds/CTA's and Offshore Central Banks are included in Other

OVERNIGHT INDEX SWAPS TRADING CONCENTRATION

Market Rank	% Market Share ^a	% Cumulative Share	Top 8 Respondents	% Market Share ^a
1	20.9	20.9	2008-09	88.9
2	14.0	35.0	2009-10	99.8
3	13.2	48.1	2010-11	94.9
4	11.7	59.8	2011-12	87.2
5	10.7	70.5	2012-13	87.3
6	6.1	76.6	^a Market share data excludes Inhouse transactions	
7	5.9	82.5		
8	4.8	87.3		

^a Market share data excludes Inhouse transactions

FORWARD RATE AGREEMENTS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government	Other ^a	Total	Inhouse Transactions	Grand Total
AUD								
2008-09	785,234	910,586	14,955	2,660	759,184	2,472,618	1,347,103	3,819,722
2009-10	832,698	715,501	3,975	2,446	190,473	1,745,094	2,042,536	3,787,630
2010-11	1,390,206	802,722	2,249	2,567	253,397	2,451,141	1,564,432	4,015,573
2011-12	1,295,869	1,381,494	395,224	2,415	89,329	3,166,930	1,142,343	4,309,273
2012-13	1,445,226	1,069,249	54,704	2,477	155,824	2,727,480	728,068	3,455,548
% change	11.5	(22.6)	(86.2)	2.6	74.4	(13.9)	(36.3)	(19.8)
USD^b								
2008-09	103,167	441,838	5,653	0	312,300	862,957	85,061	948,018
2009-10	128,923	322,747	0	0	108,573	560,243	52,973	613,216
2010-11	165,739	227,517	28	0	97,096	490,381	70,431	560,812
2011-12	124,737	428,959	15,897	120	90,793	660,506	35,593	696,099
2012-13	149,259	325,964	7,383	0	403,701	886,308	62,744	949,052
% change	19.7	(24.0)	(53.6)	(100.0)	344.6	34.2	76.3	36.3

cont...

SWAPS AND FORWARD RATE AGREEMENTS

FORWARD RATE AGREEMENTS ANNUAL TURNOVER SUMMARY (AUD million) ...cont'

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government	Other ^a	Total	Inhouse Transactions	Grand Total
NZD								
2008-09	72,361	112,293	1,227	50	110,340	296,270	288,098	584,368
2009-10	21,546	40,983	221	0	9,836	72,586	7,464	80,050
2010-11	96,859	101,741	177	0	48,282	247,059	773,357	1,020,416
2011-12	60,118	147,683	387	0	19,840	228,029	859,716	1,087,745
2012-13	125,427	112,817	14,665	0	41,089	293,999	1,079,307	1,373,306
% change	108.6	(23.6)	3,689.4	na	107.1	28.9	25.5	26.3
OTHER								
2008-09	1,113	51,547	0	0	12,092	64,753	6,667	71,420
2009-10	11,864	16,196	0	0	7,272	35,333	2,675	38,008
2010-11	22,458	13,481	0	0	221,864	257,803	2,172	259,975
2011-12	27,702	55,105	0	0	8,322	91,129	20	91,149
2012-13	21,078	76,618	0	0	57,979	155,676	3,548	159,224
% change	(23.9)	39.0	na	na	596.7	70.8	17,640.0	74.7
SUB TOTAL (NON AUD)								
2008-09	176,641	605,678	6,880	50	434,732	1,223,980	379,827	1,603,807
2009-10	162,333	379,926	221	0	125,682	668,162	63,112	731,274
2010-11	285,056	342,740	205	0	367,242	995,243	845,960	1,841,203
2011-12	212,557	631,747	16,284	120	118,955	979,664	895,329	1,874,993
2012-13	295,764	515,400	22,049	0	502,769	1,335,983	1,145,599	2,481,582
% change	39.1	(18.4)	35.4	(100.0)	322.7	36.4	28.0	32.4
TOTAL								
2008-09	961,875	1,516,264	21,835	2,710	1,193,916	3,696,598	1,726,930	5,423,528
2009-10	995,031	1,095,427	4,196	2,446	316,154	2,413,256	2,105,648	4,518,904
2010-11	1,675,262	1,145,462	2,454	2,567	620,639	3,446,384	2,410,392	5,856,776
2011-12	1,508,427	2,013,240	411,508	2,535	210,884	4,146,594	2,037,672	6,184,266
2012-13	1,740,990	1,584,649	76,753	2,477	658,593	4,063,462	1,873,667	5,937,129
% change	15.4	(21.3)	(81.3)	(2.3)	212.3	(2.0)	(8.0)	(4.0)

^a Hedge Funds/CTAs and Offshore Central Banks are included in Other

^b Non AUD turnover was collected in original currency and converted to AUD using an average end of month exchange rates for 2012-13 as reported by Thomson Reuters.

FORWARD RATE AGREEMENTS TRADING CONCENTRATION

Market Rank	% Market Share ^a	% Cumulative Share	Top 8 Respondents	% Market Share ^a
1	25.9	25.9	2008-09	90.2
2	22.1	48.0	2009-10	92.5
3	9.8	57.9	2010-11	89.8
4	9.4	67.3	2011-12	97.7
5	8.2	75.5	2012-13	92.3
6	6.9	82.4	^a Market share data excludes Inhouse transactions	
7	5.4	87.8		
8	4.4	92.3		

^a Market share data excludes Inhouse transactions

Interest Rate Options

The swaption market was again the dominant source of interest rate option turnover in 2012-13, with only minor turnover in caps/floors and bond options. Turnover was down slightly from the previous year.

Major events have impacted the local market over the year, such as the mooted prospect of the end of the US Fed's latest quantitative easing activities. This has impacted liquidity both globally and locally and price action at times has been erratic. New global regulations with respect to derivatives have continued to impact our markets. Dodd-Frank and European Market Infrastructure Regulation considerations have affected pricing as participants have had to factor in the higher funding costs associated with collateral management and the transactional costs accompanying central clearing.

With respect to central clearing, a highlight for the year was the move to a forward premium London Clearing House cleared structure as the new standard. This occurred virtually overnight and was utterly seamless. This has had the effect of aiding market liquidity.

Looking ahead to 2013-14, the Fed's tapering of QE3 will be the major driver of rates and options pricing, amid continued global uncertainty. ■

FIGURE 1: ANNUAL TURNOVER

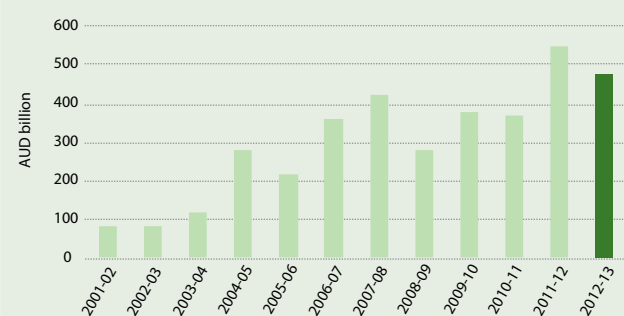


FIGURE 2: TURNOVER BY INSTRUMENT

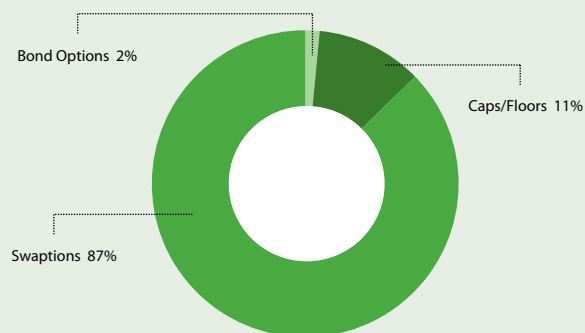
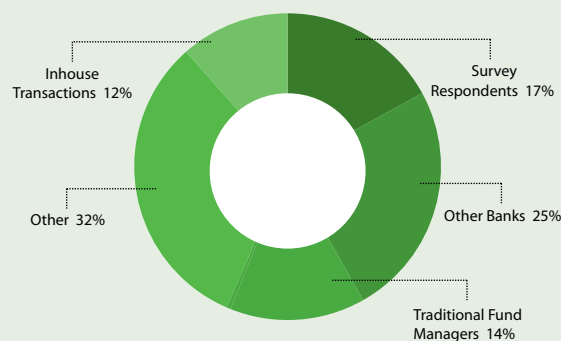


FIGURE 3: TURNOVER BY COUNTERPARTY



INTEREST RATE OPTIONS

INTEREST RATE OPTIONS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government	Other ^a	Total	Inhouse Transactions	Grand Total
BOND OPTIONS								
2008-09	0	188	411	0	1,235	1,834	0	1,834
2009-10	0	195	2,169	12	440	2,817	589	3,406
2010-11	0	261	3,411	550	1,329	5,551	292	5,843
2011-12	0	200	3,784	200	3,992	8,176	100	8,276
2012-13	0	0	4,430	900	52	5,382	1,800	7,182
% change	na	(100.0)	17.1	350.0	(98.7)	(34.2)	1,700.0	(13.2)
CAPS / FLOORS								
2008-09	1,536	7,610	20,387	4	25,917	55,453	26,229	81,682
2009-10	4,890	8,362	50,502	0	42,931	106,685	40,328	147,013
2010-11	981	13,056	4,285	0	29,020	47,341	7,696	55,037
2011-12	5,381	15,561	5,952	0	21,936	48,829	10,737	59,566
2012-13	5,226	25,678	672	0	19,821	51,397	1,836	53,233
% change	(2.9)	65.0	(88.7)	na	(9.6)	5.3	(82.9)	(10.6)
SWAPPTIONS								
2008-09	17,133	51,752	16,395	0	78,430	163,710	37,594	201,303
2009-10	18,518	31,724	11,766	1,100	44,423	107,531	120,604	228,135
2010-11	34,679	68,469	32,917	3,085	47,665	186,814	122,245	309,059
2011-12	66,551	149,909	55,619	470	125,343	397,892	50,067	447,959
2012-13	75,848	91,940	62,694	1,140	132,187	363,808	51,075	414,883
% change	14.0	(38.7)	12.7	142.6	5.5	(8.6)	2.0	(7.4)
TOTAL								
2008-09	18,668	59,550	37,193	4	105,583	220,997	63,822	284,819
2009-10	23,408	40,281	64,437	1,112	87,794	217,032	161,522	378,554
2010-11	35,659	81,786	40,613	3,635	78,014	239,707	130,233	369,940
2011-12	71,931	165,671	65,355	670	151,271	454,898	60,904	515,802
2012-13	81,074	117,618	67,796	2,040	152,059	420,588	54,711	475,299
% change	12.7	(29.0)	3.7	204.5	0.5	(7.5)	(10.2)	(7.9)

Figures for previous year have been revised due to change in the contributed data after publication.

^a Hedge Funds/CTAs and Offshore Central Banks are included in Other

INTEREST RATE OPTIONS TRADING CONCENTRATION

Market Rank	% Market Share ^a	% Cumulative Share	Top 8 Respondents	% Market Share ^a
1	21.0	21.0	2008-09	99.6
2	19.8	40.8	2009-10	99.6
3	18.4	59.2	2010-11	98.8
4	12.9	72.1	2011-12	100.0
5	9.4	81.6	2012-13	100.0
6	8.5	90.1		
7	7.7	97.8		
8	2.2	100.0		

^a Market share data excludes Inhouse transactions

^a Market share data excludes Inhouse transactions

Credit Derivatives

A generally brighter credit outlook emerged throughout the year. Concerns around the European sovereign debt position abated and the US economy strengthened, the latter reflecting the annualised 2.5% increase in the nation's GDP seen in June 2013, as low interest rate policies and a stronger employment outlook lifted both spending and consumer confidence to the highest level since the GFC.

At the same time and in a bid to restore Japan's economy to health and banish the deflation that has dogged the country for more than a decade, the authorities there introduced Japan's version of government-sponsored quantitative easing, lifting the economic outlook along with its equities markets. China meanwhile continues to face the challenge of making economic growth more economically and environmentally sustainable without losing sight of the need to ensure that monetary policy is appropriate to control property prices, inflation and its shadow banking industry. These factors notwithstanding, uncertainties are evident in many economies, and particularly the United States as it moves towards the day when it will commence tapering its bond buying program and "ease" out of qualitative easing.

Australia's GDP growth was on par with that experienced in the United States, with the overall economy resilient despite its mining dependencies. Against this backdrop Australian bank and corporate sector debt traded more consistently than in prior years, new issues being well received and seasoned debt trading favourably in terms of both market spread and depth, notwithstanding a temporary sell-off in June as trading books contracted.

Overall, Australian market activity was subdued in spite of an apparent increase in risk appetite which led to a narrowing of credit spreads over the year. Overall reported volumes declined 43%, although outstanding positions were largely unchanged suggesting that core hedging strategies are outweighing trading opportunities as markets transition into a higher capital structure for uncleared trading portfolios. The largely interbank indices trading market now represents 79% of total market volume, up from 70% in 2011-12. Also of note was that in the early part of 2013 Markit revised its iTraxx Australia S19 contract, replacing Crown, AMP and Jemena with Goodman, SPI and Asciano.

Looking to 2014, instinctively the markets are now reacting to the reality that it's when, not if, the United States will begin tapering their bond buying program, and this has already had a major impact on bond pricing, as evidenced by the yield on the 10 year US Treasury bond increasing to 2.7% from 2% in a relatively short time. A further deterioration in bond prices may be forthcoming once tapering commences, with accompanying fears that this may spread to other economies including ultimately our own.

Meanwhile China, exhibiting some industrial overcapacity and at risk of losing momentum could see GDP growth slip slightly below 7% in an environment where tighter credit policy may be mandated by the authorities as they seek to rein in shadow banking and the risks it poses to the overall economy.

The Australian market will watch these factors closely, and with it the potential for some slippage in Australia's economic position accompanied by an increase in volatility in the credit spreads of corporations reliant on that economy. Given the lack of depth within dealer balance sheets seen during the June sell-off, an ongoing issue for the credit trading markets globally will be increasing capital requirements placed on trading portfolios and the balance sheet constraints accompanying this. ■

FIGURE 1: ANNUAL TURNOVER

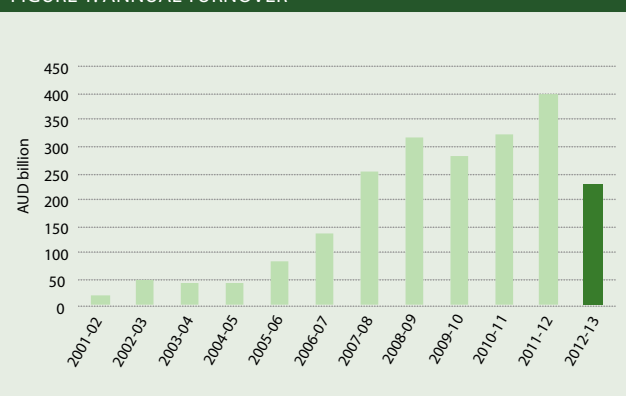


FIGURE 2: TURNOVER BY INSTRUMENT

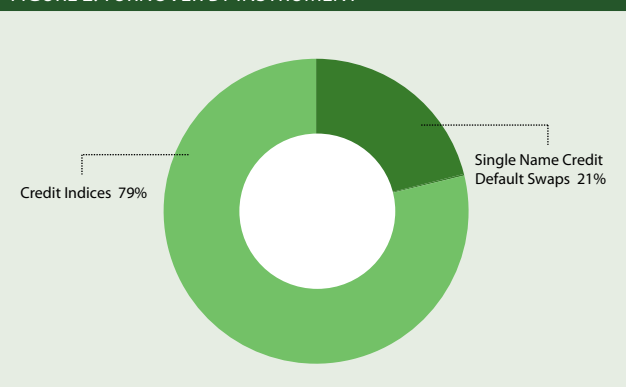
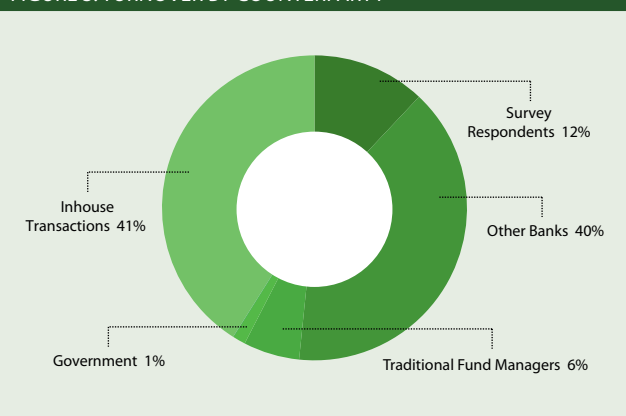


FIGURE 3: TURNOVER BY COUNTERPARTY



GLOBAL CREDIT DERIVATIVES ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government	Other ^a	Total	Inhouse Transactions	Grand Total
SINGLE NAME CREDIT DEFAULT SWAPS								
2008-09	16,014	47,545	4,462	858	58,903	127,782	53,552	181,334
2009-10	18,500	29,372	1,829	1,555	47,092	98,348	25,072	123,420
2010-11	29,866	44,380	4,874	1,879	22,304	103,302	21,753	125,055
2011-12	20,005	48,299	2,503	585	16,217	87,610	29,680	117,290
2012-13	6,537	17,631	7,541	1,243	9,378	42,330	5,823	48,153
% change	(67.3)	(63.5)	201.3	112.4	(42.2)	(51.7)	(80.4)	(58.9)
TOTAL RATE OF RETURN SWAPS								
2008-09	5	20	0	0	0	25	118	143
2009-10	19	39	39	0	266	363	0	363
2010-11	0	0	0	0	0	0	0	0
2011-12	10	95	0	0	115	220	0	220
2012-13	97	0	0	0	0	97	292	389
% change	856.8	(100.0)	na	na	(100.0)	(55.8)	na	76.6
CREDIT INDICES								
2008-09	10,271	36,593	3,544	570	39,404	90,383	46,947	137,330
2009-10	21,962	35,927	1,775	1,759	28,933	90,356	66,318	156,674
2010-11	36,777	78,707	1,738	1,661	17,133	136,016	59,586	195,603
2011-12	35,018	121,479	3,648	1,133	15,172	176,448	104,266	280,714
2012-13	15,889	56,567	3,619	1,372	31,837	109,283	70,782	180,066
% change	(54.6)	(53.4)	(0.8)	21.1	109.8	(38.1)	(32.1)	(35.9)
TOTAL								
2008-09	26,289	84,159	8,012	1,428	98,307	218,195	100,618	318,813
2009-10	40,481	65,338	3,643	3,314	76,292	189,068	91,390	280,457
2010-11	66,643	123,086	6,612	3,540	39,437	239,318	81,339	320,657
2011-12	55,033	169,873	6,151	1,718	31,504	264,279	133,945	398,224
2012-13	22,523	74,198	11,160	2,615	41,215	151,710	76,897	228,608
% change	(59.1)	(56.3)	81.4	52.2	30.8	(42.6)	(42.6)	(42.6)

Note: Figures for previous year have been revised due to changes in the contributed data after publication

^a Hedge Funds/CTAs and Offshore Central Banks are included in Other

AUSTRALIAN CREDIT DERIVATIVES ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government	Other ^a	Total	Inhouse Transactions	Grand Total
SINGLE NAME CREDIT DEFAULT SWAPS								
2008-09	14,931	40,293	4,402	788	57,376	117,789	50,887	168,676
2009-10	16,608	26,177	1,829	1,555	45,921	92,090	24,614	116,704
2010-11	27,713	39,072	4,384	1,858	16,492	89,520	19,182	108,702
2011-12	18,854	42,280	2,474	585	14,933	79,126	26,208	105,334
2012-13	6,326	16,875	7,282	1,243	8,768	40,494	5,614	46,108
% change	(66.4)	(60.1)	194.3	112.4	(41.3)	(48.8)	(78.6)	(56.2)
TOTAL RATE OF RETURN SWAPS								
2008-09	5	20	0	0	0	25	118	143
2009-10	10	19	0	0	266	295	0	295
2010-11	0	0	0	0	0	0	0	0
2011-12	10	95	0	0	115	220	0	220
2012-13	97	0	0	0	0	97	292	389
% change	856.8	(100.0)	na	na	(100.0)	(55.8)	na	76.6
CREDIT INDICES								
2008-09	9,527	33,367	3,501	570	37,561	84,526	26,948	111,475
2009-10	19,458	24,791	1,775	1,759	26,307	74,090	47,490	121,580
2010-11	29,446	42,800	1,737	1,661	12,139	87,783	37,126	124,908
2011-12	29,188	67,893	3,558	1,133	13,461	115,232	53,292	168,524
2012-13	10,373	28,293	3,555	1,211	6,387	49,819	39,952	89,771
% change	(64.5)	(58.3)	(0.1)	6.9	(52.6)	(56.8)	(25.0)	(46.7)
TOTAL								
2008-09	24,462	73,681	7,908	1,358	94,937	202,346	77,953	280,299
2009-10	36,076	50,987	3,604	3,314	72,495	166,475	72,104	238,579
2010-11	57,159	81,872	6,121	3,520	28,631	177,303	56,308	233,611
2011-12	48,052	110,268	6,032	1,718	28,509	194,579	79,500	274,079
2012-13	16,796	45,169	10,836	2,454	15,155	90,410	45,858	136,268
% change	(65.0)	(59.0)	79.7	42.9	(46.8)	(53.5)	(42.3)	(50.3)

Note: Figures for previous year have been revised due to changes in the contributed data after publication

^a Hedge Funds/CTAs and Offshore Central Banks are included in Other

CREDIT DERIVATIVES TRADING CONCENTRATION

Market Rank	% Market Share ^a	% Cumulative Share
1	80.7	80.7
2	6.0	86.7
3	5.5	92.2
4	3.5	95.7
5	3.2	98.8
6	0.7	99.5
7	0.5	100.0
8	0.3	100.0

^a Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share ^a
2008-09	94.9
2009-10	98.7
2010-11	99.7
2011-12	100.0
2012-13	100.0

^a Market share data excludes inhouse transactions

Foreign Exchange and Currency Options

In September 2012 the European Central Bank (ECB) announced its bond backstop plan, Outright Monetary Transactions. While any purchases of sovereign bonds will be highly conditional, there is no limit on the size of any purchases to support a Eurozone nation that is deemed to be unfairly targeted by speculative investors. The ECB has not had to implement this program but its announcement had a powerful impact on markets. Spanish 10 year bond yields promptly tumbled from 6.90% to 5.65% and have rallied substantially further in H1 2013. EUR/USD jumped from around 1.22 in August to above 1.31. The improvement in global market sentiment also helped the Australian dollar, which rose about 4 cents in the days following the ECB announcement.

In April 2013, newly appointed Bank of Japan (BOJ) Governor Kuroda announced aggressive monetary easing, ramping up the previously cautious pace of quantitative easing (QE) to JPY5.5 trillion per month. Anticipation of a major change in policy under Japan's bold new Prime Minister Abe (elected in December 2012) helped stoke heavy JPY selling and a sharp rise in Tokyo FX turnover. Further global impact is likely from the BOJ's unprecedented monetary stance, including potentially very large outflows to foreign bond markets. There were signs of such a move beginning to emerge in mid-2013. AUD is one possible key beneficiary.

The Reserve Bank of Australia's (RBA) 7 May interest rate cut looked to be a tipping point for AUD after an extended period of apparent over-valuation. AUD/USD fell from above 1.02 on the day of the RBA's cash rate cut (to 2.75%) and extended its decline to 0.93 by the end of June. The RBA made it clear that there was scope for further AUD depreciation over time. Adding to the case for AUD decline in Q2 were softer growth readings in China; indications from the US Federal Reserve's chairman Bernanke that the Fed was considering reducing the pace of its asset purchases; and broad-based weakness in commodity prices.

Aggregate FX volumes increased 6% over the year, with daily turnover in FX spot and forwards markets picking up sharply in the period November 2012 to April 2013. AUD spot turnover fell 13% while the major policy changes in Japan led to an increase in non-AUD spot volumes, up 15% mainly the result of a surge in USD/JPY activity. Non-AUD FX swap volumes increased 19%.

Overall market volumes seem to have been heavily reliant on the extraordinary policy changes in Japan to maintain momentum. Such radical change will not be repeated often. However, 2013-14 should see considerable volatility generated by the likely reduction in the US Fed's monetary stimulus. Having accumulated \$3.3 trillion in assets, the Fed has become a huge (direct) player in US Treasury markets and indirectly in global capital flows, impacting FX volumes. Its monetary easing caused major volatility at times, and similarly any tapering going forward will cause global ripples, and potentially shock waves, as it is reduced. This of course will occur alongside the BOJ's large-scale monetary easing, which is likely to have an increasing impact on AUD turnover in the year ahead. ■

FIGURE 1: ANNUAL TURNOVER



FIGURE 2: TURNOVER BY INSTRUMENT

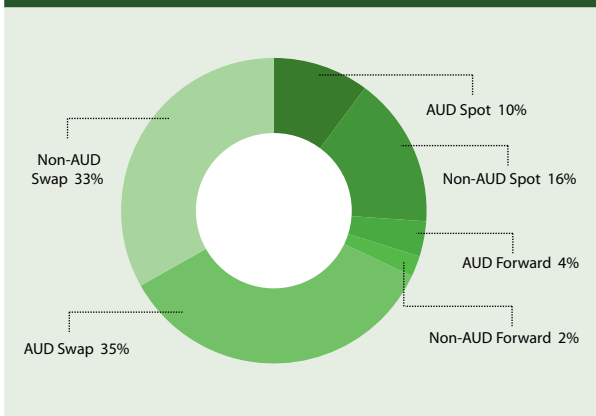
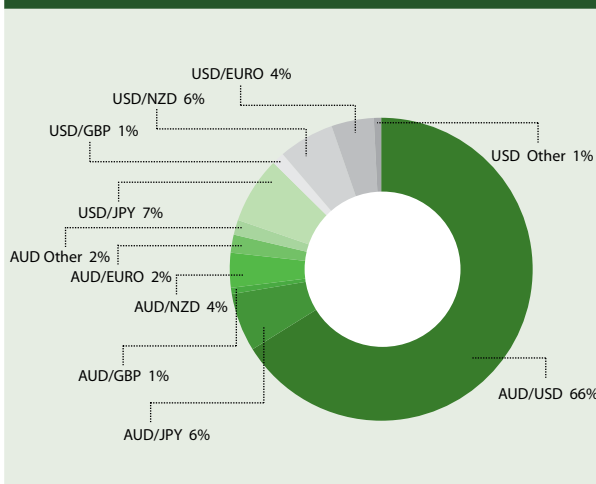


FIGURE 3: CO TURNOVER BY CURRENCY PAIR



FOREIGN EXCHANGE ANNUAL TURNOVER SUMMARY (AUD billion)

Survey Year	With local financial institutions	With overseas financial institutions	With non-financial institutions	Total
AUD SPOT				
2008-09	1,399	2,918	1,460	5,776
2009-10	1,025	2,881	1,311	5,217
2010-11	855	2,833	1,208	4,896
2011-12	778	2,941	1,229	4,949
2012-13	774	2,687	851	4,312
% change	(0.5)	(8.7)	(30.8)	(12.9)
NON AUD SPOT				
2008-09	931	8,119	709	9,759
2009-10	765	7,753	945	9,463
2010-11	880	5,651	425	6,957
2011-12	804	4,891	199	5,895
2012-13	853	5,715	192	6,759
% change	6.0	16.8	(3.7)	14.7
AUD FORWARD				
2008-09	543	565	295	1,402
2009-10	459	466	246	1,172
2010-11	498	520	310	1,328
2011-12	523	501	410	1,434
2012-13	605	468	509	1,581
% change	15.5	(6.6)	24.2	10.3
NON AUD FORWARD				
2008-09	153	909	53	1,115
2009-10	135	521	43	700
2010-11	171	694	81	946
2011-12	173	551	84	808
2012-13	171	635	127	932
% change	(1.5)	15.3	51.4	15.4
AUD SWAP				
2008-09	4,961	7,059	601	12,621
2009-10	3,912	8,399	431	12,742
2010-11	3,878	11,928	574	16,380
2011-12	4,149	10,012	827	14,988
2012-13	3,418	10,611	728	14,757
% change	(17.6)	6.0	(11.9)	(1.5)
NON AUD SWAP				
2008-09	3,660	9,555	414	13,629
2009-10	2,872	8,901	369	12,142
2010-11	2,725	10,864	422	14,011
2011-12	1,465	9,811	573	11,850
2012-13	1,599	11,607	855	14,061
% change	9.1	18.3	49.2	18.7

cont..

FOREIGN EXCHANGE ANNUAL TURNOVER SUMMARY (AUD billion)...cont'

Survey Year	With local financial institutions	With overseas financial institutions	With non-financial institutions	Total
TOTAL				
2008-09	11,647	29,125	3,532	44,303
2009-10	9,169	28,922	3,345	41,436
2010-11	9,007	32,491	3,019	44,517
2011-12	7,893	28,708	3,322	39,923
2012-13	7,419	31,721	3,262	42,403
% change	(6.0)	10.5	(1.8)	6.2

CURRENCY OPTIONS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Traditional Fund Managers	Government	Other ^a	Total	Inhouse Transactions	Grand Total
CURRENCY OPTIONS (AUD LEG)								
2008-09	62,005	192,823	16,745	1,109	130,120	402,803	106,641	509,444
2009-10	55,784	254,152	4,180	1,110	101,023	416,249	113,133	529,382
2010-11	53,538	202,463	19,468	1,895	102,747	380,111	89,307	469,418
2011-12	47,783	205,216	12,846	594	143,210	409,648	168,017	577,665
2012-13	68,547	301,978	36,035	119	294,829	701,508	321,284	1,022,792
% change	43.5	47.2	180.5	(80.0)	105.9	71.2	91.2	77.1
CURRENCY OPTIONS (NO AUD LEG)^b								
2008-09	21,775	142,948	6,570	3,239	70,756	245,288	79,149	324,437
2009-10	10,870	97,245	2,183	352	30,885	141,535	34,730	176,265
2010-11	23,262	139,317	9,153	93	21,165	192,988	67,678	260,666
2011-12	21,235	181,767	4,688	56	23,880	231,626	118,085	349,711
2012-13	17,116	100,178	8,896	0	44,257	170,448	80,984	251,432
% change	(19.4)	(44.9)	89.8	(100.0)	85.3	(26.4)	(31.4)	(28.1)
TOTAL								
2008-09	83,780	335,770	23,315	4,349	200,877	648,091	185,790	833,881
2009-10	66,654	351,398	6,363	1,462	131,908	557,784	147,863	705,647
2010-11	76,799	341,780	28,621	1,988	123,912	573,099	156,985	730,084
2011-12	69,018	386,983	17,534	650	167,090	641,274	286,102	927,376
2012-13	85,664	402,155	44,931	119	339,086	871,956	402,268	1,274,224
% change	24.1	3.9	156.3	(81.7)	102.9	36.0	40.6	37.4

^a Hedge Funds/CTAs and Offshore Central Banks are included in Other

^b Turnover for currency with no AUD leg was collected in USD and converted to AUD using an average end of month exchange rates for 2011-12 as reported by the RBA.

CURRENCY OPTIONS TRADING CONCENTRATION

Market Rank	% Market Share ^a	% Cumulative Share
1	40.2	40.2
2	27.0	67.2
3	13.1	80.2
4	9.8	90.0
5	9.3	99.4
6	0.6	100.0
7	8.1	99.1
8	0.9	100.0

^a Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share ^a
2008-09	99.6
2009-10	99.7
2010-11	98.9
2011-12	100.0
2012-13	100.0

^a Market share data excludes Inhouse transactions

Electricity

During 2012-13 the major issue affecting the electricity market was the continued political uncertainty regarding the future of carbon pricing. Liquidity in the market has suffered as a result, particularly in latter year contracts. Turnover fell during the year due to a decline in demand for electricity, and hence less need for contracts to cover liquidity demands.

Despite the future uncertainty with respect to carbon pricing, the market has had a relatively smooth transition to the new carbon

pricing mechanism, with no disruption to contracts already in place, in large part due to the successful uptake in the AFMA carbon pass through addendum.

Looking ahead, the electricity market will continue to focus on carbon repeal risk and demand uncertainty, and the AFMA Carbon Benchmark Addendum will continue to be valuable in managing any ongoing carbon price uncertainty. ■

FIGURE 1: ANNUAL TURNOVER



FIGURE 2: STATE ANNUAL TURNOVER

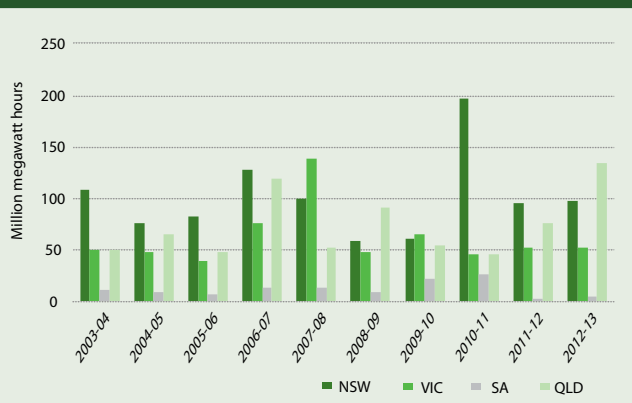


FIGURE 3: TURNOVER BY PRODUCT

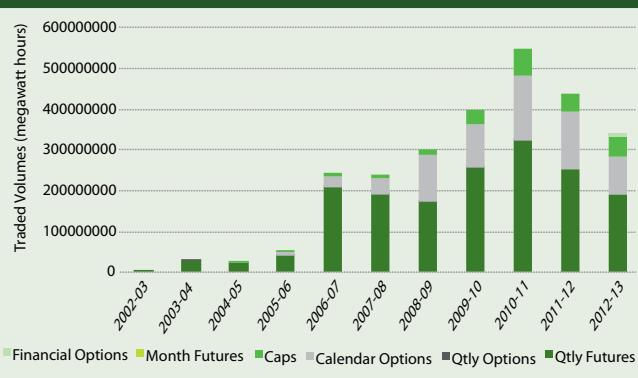
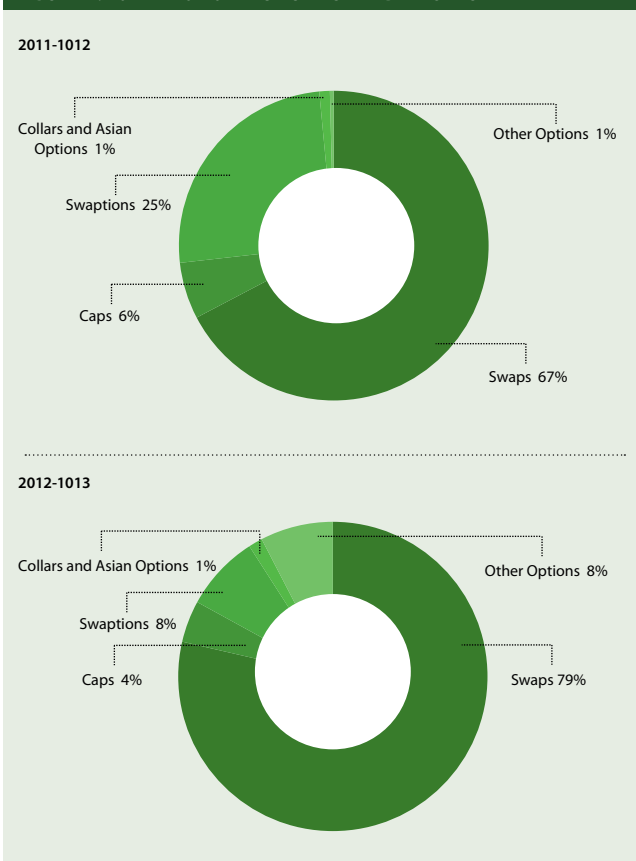


FIGURE 4: 2011-12 & 2012-13 TURNOVER BY INSTRUMENT



ELECTRICITY ANNUAL TURNOVER SUMMARY (megawatt hours)

Survey Year	Generators	Retailers	Intermediaries	Other	Total	≤ 12 months (%)	> 12 months (%)
SWAPS							
2008-09	47,994,351	42,406,260	26,495,246	17,745,687	134,641,544	70.3	29.7
2009-10	54,591,445	58,917,668	37,716,340	11,549,882	162,775,334	82.5	17.5
2010-11	55,495,212	45,339,753	53,164,419	7,795,126	161,794,509	86.5	13.5
2011-12	41,823,620	50,847,189	60,137,201	0	152,808,009	93.1	6.9
2012-13	106,386,757	98,303,627	24,004,474	205,230	228,900,087	61.3	38.7
% change	154.4	93.3	(60.1)	na	49.8		
CAPS							
2008-09	15,465,926	25,108,688	937,840	891,060	42,403,513	57.4	42.6
2009-10	15,137,089	12,868,469	1,146,720	2,038,830	31,191,108	78.3	21.7
2010-11	58,743,193	20,277,730	1,432,040	3,697,875	84,150,838	18.9	81.1
2011-12	4,529,727	5,593,927	3,308,004	0	13,431,658	99.2	0.8
2012-13	8,400,609	3,935,266	296,040	90,000	12,721,915	79.2	20.8
% change	85.5	(29.7)	(91.1)	na	(5.3)		
SWAPTIONS							
2008-09	2,692,200	919,800	2,111,604	6,501,960	12,225,564	30.0	70.0
2009-10	3,409,800	1,781,171	951,420	4,817,400	10,959,791	76.7	23.3
2010-11	2,304,520	788,400	0	4,996,920	8,089,840	88.2	11.8
2011-12	4,461,480	3,706,620	49,219,824	0	57,387,924	95.9	4.1
2012-13	14,961,600	5,830,380	2,338,440	0	23,130,420	33.2	66.8
% change	235.4	57.3	(95.2)	na	(59.7)		
COLLARS AND ASIAN OPTIONS							
2008-09	1,668,300	3,042,600	548,400	0	5,259,300	59.9	40.1
2009-10	142,200	0	887,400	0	1,029,600	100.0	0.0
2010-11	175,180	7,651,104	195,840	0	8,022,124	100.0	0.0
2011-12	322,140	1,042,740	1,122,360	0	2,487,240	100.0	0.0
2012-13	2,603,160	629,145	1,025,955	0	4,258,260	96.8	3.2
% change	708.1	(39.7)	(8.6)	na	71.2		
OTHER OPTIONS							
2008-09	5,519	0	13,146,000	393,120	13,544,639	2.9	97.1
2009-10	197,460	14,859,720	0	0	15,057,180	5.2	94.8
2010-11	110,040	49,105,800	320,400	3,002,496	52,538,736	6.4	93.6
2011-12	552,600	336,000	27,300	0	915,900	60.6	39.4
2012-13	11,212,440	10,956,000	0	0	22,168,440	1.0	99.0
% change	1929.0	3160.7	(100.0)	na	2320.4		
TOTAL							
2008-09	67,826,295	71,477,347	43,239,090	25,531,827	208,074,560	63.9	36.1
2009-10	73,477,994	88,427,027	40,701,880	18,406,112	221,013,013	78.0	22.0
2010-11	116,828,145	123,162,787	55,112,699	19,492,417	314,596,047	55.4	44.6
2011-12	51,689,567	61,526,475	113,814,689	0	227,030,730	94.1	5.9
2012-13	143,564,566	119,654,417	27,664,909	295,230	291,179,122	55.8	44.2
% change	177.7	94.5	(75.7)	na	28.3		

ASX ENERGY, ASX ELECTRICITY TRADED VOLUMES (megawatt hours)

Survey Year	Futures	Quarterly Options	Calendar Options	Financial Options ^a	Caps	Total
2008-09	175,289,418	73,725	114,819,480	na	10,645,128	300,827,751
2009-10	258,787,929	211,425	104,879,280	na	35,018,496	398,897,130
2010-11	322,631,835	73,200	160,075,200	na	65,861,904	548,642,139
2011-12	253,121,325	0	139,738,464	na	44,045,112	436,904,901
2012-13	192,082,353	0	93,337,800	7,621,200	48,643,080	341,684,433
% change	(24.1)	na	(33.2)	na	10.4	(21.8)

Data are supplied by ASX Energy

^a Peak Quarterly Options were delisted this year and ASX Energy listed new contracts: Month Futures & Financial Options on 8 May 2013

ELECTRICITY LIQUIDITY RATIO (megawatt hours)

Survey Year	NEM System Demand ^a	Turnover	Ratio
2008-09	197,364,824	508,902,311	2.6
2009-10	195,336,797	619,910,143	3.2
2010-11	192,295,774	863,238,186	4.5
2011-12	188,952,811	663,935,631	3.5
2012-13	183,727,278	632,863,555	3.4

^a NEM System Demand data is supplied by ASX Energy

ELECTRICITY TRADING CONCENTRATION

Market Rank	% Market Share	% Cumulative Share	Top 8 Respondents	% Market Share
1	36.3	36.3	2008-09	82.5
2	11.2	47.5	2009-10	79.2
3	11.1	58.6	2010-11	90.9
4	10.9	69.5	2011-12	91.1
5	7.7	77.2	2012-13	92.0
6	6.0	83.1		
7	4.7	87.9		
8	4.2	92.0		

Environmental Products

Most domestic environmental markets are suffering from a period of regulatory uncertainty. This is having a significant impact on liquidity for some affected markets. Some of the environmental schemes suffered from regulatory intervention over the course of the year, whether it is to change or to end the relevant scheme.

The 2012 Review made no material recommendations for changes to the scheme and recommended that reviews only occur every four years. These recommendations were not legislated and as such the next review is still scheduled for 2014. This impending review and a lack of definitive direction from the Government have resulted in limited major investment in large scale renewable projects.

The Small Scale Renewable Technology Target saw an increase in broker traded volume of around 15% from 2011/12 to 2012/13. A significant excess of permits from 2012 resulted in higher than

expected 2013 Small-scale Technology Percentage (STP) to bring the market back to a balanced supply/demand situation. Particularly notable was a 400% increase in option trading activity.

The Queensland Gas Scheme is due to cease operation at the end of the 2013 compliance year, with no further GEC creation or liability after 31 December 2013. The announcement of the wind-up was largely anticipated by the market.

In the Victoria Energy Efficiency Target changes to the scheme have seen a lowering of the eligibility criteria for liable parties. Changes have also been made to creation rules to allow for additional activities to create certificates.

The Clean Energy Future scheme saw the first full year of a fixed price on carbon and the implementation and creation of units under the Carbon Farming Initiative. The future of the scheme is uncertain and trading remain at low levels as a result. ■

FIGURE 1: TOTAL RECS ANNUAL TURNOVER

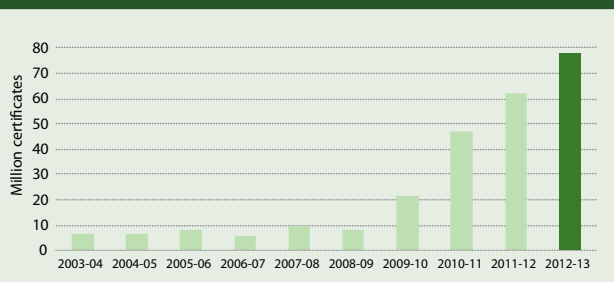


FIGURE 2: TOTAL RECS TURNOVER BY INSTRUMENT PERIOD

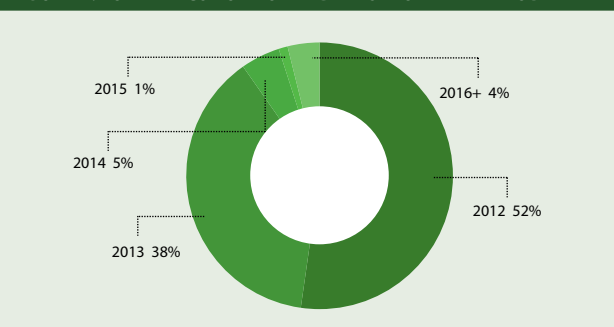


FIGURE 3: LARGE SCALE GENERATION CERTIFICATE TURNOVER BY INSTRUMENT PERIOD

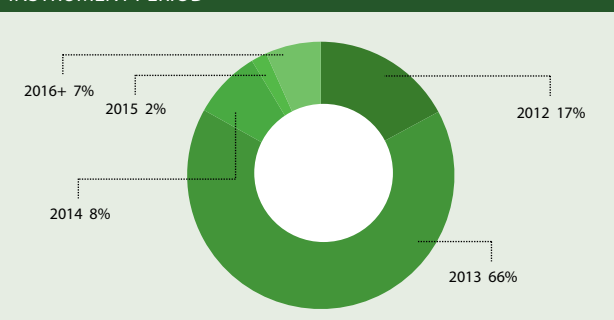


FIGURE 4: SMALL SCALE TECHNOLOGY CERTIFICATE TURNOVER BY INSTRUMENT PERIOD

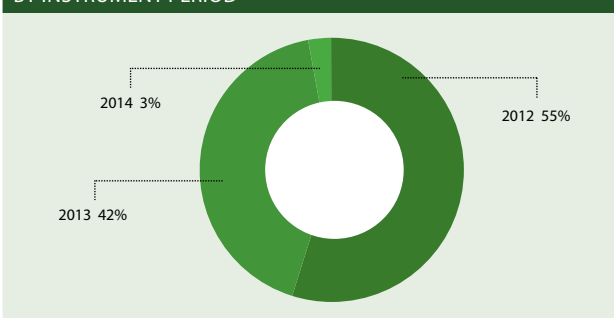


FIGURE 5: GAS CERTIFICATES ANNUAL TURNOVER

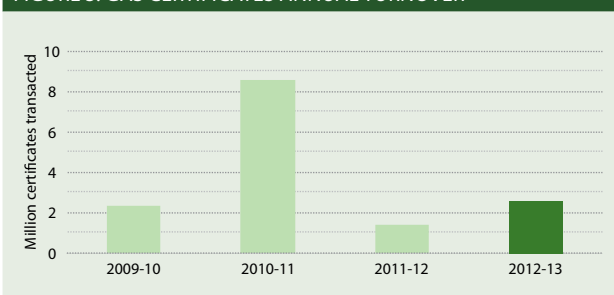
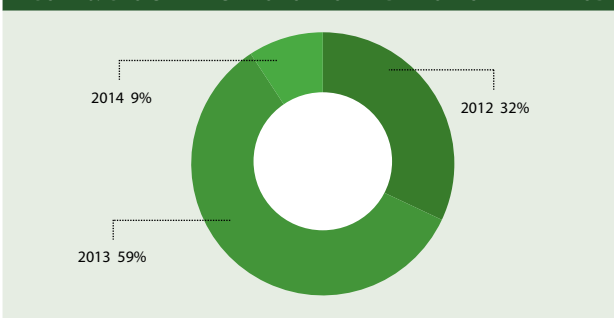


FIGURE 6: GAS CERTIFICATES TURNOVER BY INSTRUMENT PERIOD



TOTAL RENEWABLE ENERGY CERTIFICATES ANNUAL TURNOVER SUMMARY (certificates)

Survey Year	Eligible Producer	Liabe Party	Intermediaries	Total
2008-09	5,277,118	2,108,887	1,069,098	8,455,103
2009-10	7,712,653	5,040,791	8,736,038	21,489,481
2010-11	32,562,638	9,916,500	4,869,075	47,348,213
2011-12	32,503,717	9,804,744	19,429,597	61,738,057
2012-13	20,668,565	26,768,857	30,356,781	77,794,203
% change	(36.4)	173.0	56.2	26.0

TOTAL RENEWABLE ENERGY CERTIFICATES ANNUAL TURNOVER SUMMARY 2011-12 (certificates)

Instruments	Eligible Producer	Liabe Party	Intermediaries	Total
2012				
Forwards	10,106,498	11,069,887	15,447,635	36,624,020
Options	0	2,862,500	1,164,398	4,026,898
Sub Total	10,106,498	13,932,387	16,612,033	40,650,918
2013				
Forwards	6,958,750	6,564,421	11,304,816	24,827,986
Options	250,000	2,887,500	1,607,651	4,745,151
Sub Total	7,208,750	9,451,921	12,912,467	29,573,137
2014				
Forwards	763,555	1,440,450	271,500	2,475,505
Options	275,000	660,000	300,000	1,235,000
Sub Total	1,038,555	2,100,450	571,500	3,710,505
2015				
Forwards	261,515	255,100	59,000	575,615
Options	150,000	100,000	25,000	275,000
Sub Total	411,515	355,100	84,000	850,615
2016 +				
Forwards	1,903,247	879,000	176,781	2,959,028
Options	0	50,000	0	50,000
Sub Total	1,903,247	929,000	176,781	3,009,028
TOTAL				
Forwards	19,993,565	20,208,857	27,259,732	67,462,154
Options	675,000	6,560,000	3,097,049	10,332,049
Total	20,668,565	26,768,857	30,356,781	77,794,203

RENEWABLE ENERGY CERTIFICATES TRADING CONCENTRATION

Market Rank	% Market Share	% Cumulative Share	Top 4 Respondents	% Market Share
1	47.5	47.5	2008-09	83.2
2	17.7	65.2	2009-10	86.5
3	14.0	79.2	2010-11	89.3
4	7.1	86.3	2011-12	93.4
			2012-13^a	86.3

^a Large and small scale RECs combined

GAS ELECTRICITY CERTIFICATES ANNUAL TURNOVER SUMMARY (certificates)

Survey Year	Eligible Producer	Liabe Party	Intermediaries	Total
2009-10	1,027,500	1,013,994	322,500	2,363,994
2010-11	7,404,740	1,134,744	0	8,539,484
2011-12	842,000	598,950	0	1,440,950
2012-13	826,250	1,089,707	709,069	2,625,026
% change	(1.9)	81.9	na	82.2

GAS ELECTRICITY CERTIFICATES ANNUAL TURNOVER SUMMARY 2012-13 (certificates)

Instruments	Eligible Producer	Liabe Party	Intermediaries	Total
2012				
Forwards	603,250	197,000	10,000	810,250
Options	0	29,600	0	29,600
Sub Total	603,250	226,600	10,000	839,850
2013				
Forwards	223,000	625,607	684,069	1,532,676
Options	0	10,000	0	10,000
Sub Total	223,000	635,607	684,069	1,542,676
2014				
Forwards	0	227,500	15,000	242,500
Options	0	0	0	0
Sub Total	0	227,500	15,000	242,500
2015				
Forwards	0	0	0	0
Options	0	0	0	0
Sub Total	0	0	0	0
2016 +				
Forwards	0	0	0	0
Options	0	0	0	0
Sub Total	0	0	0	0
TOTAL				
Forwards	826,250	1,050,107	709,069	2,585,426
Options	0	39,600	0	39,600
Total	826,250	1,089,707	709,069	2,625,026

GAS ELECTRICITY CERTIFICATES TRADING CONCENTRATION

Market Rank	% Market Share	% Cumulative Share	Top 4 Respondents	% Market Share
1	48.9	48.9	2009-10	88.4
2	29.5	78.3	2010-11	100.0
3	17.8	96.1	2011-12	99.5
4	2.7	98.8	2012-13	98.8

Exchange Traded Market Data



Primary Market Activity

NEW CAPITAL RAISINGS FOR CASH (AUD million)

Survey Year	Floats	Privatisations Including Installments	Rights Issues	Placements	Calls on Contributing Shares	Exercise of Options	Employee Share Schemes	DRP	Prospectus	SPP	Total	% of average market cap
2008-09	1,885	0	28,506	38,235	117	302	1,762	15,010	373	3,775	89,964	7.5
2009-10	11,460	0	23,182	23,120	683	138	2,300	10,186	4	5,474	76,547	5.6
2010-11	29,387	6,198	7,362	8,952	119	251	1,856	7,768	116	1,123	63,132	4.6
2011-12	10,187	0	8,060	12,234	9	275	2,118	9,327	1	535	42,745	3.1
2012-13	9,908	0	3,952	18,663	50	390	1,904	6,939	0	548	42,355	3.2
% change	(2.7)	0.0	(51.0)	52.5	483.6	42.1	(10.1)	(25.6)	(100.0)	2.5	(0.9)	3.2

COMPANIES LISTED ON ASX AT 30 JUNE 2013

Survey Year	Number of Companies with Quoted Securities	Market Capitalisation of all Listed Equities (AUD million)	Domestic Companies with Quoted Equities	Market Capitalisation with Listed Domestic Equities (AUD million)	Market Value of Average Domestic Company (AUD million)
2008-09	1,985	1,204,947	1,903	1,098,451	577
2009-10	1,975	1,341,797	1,893	1,253,711	662
2010-11	2,034	1,445,469	1,941	1,348,534	695
2011-12	2,012	1,270,579	1,916	1,185,936	619
2012-13	1,989	1,495,715	1,888	1,347,186	714
% change	(1.1)	17.7	(1.5)	13.6	15.3

Data from previous years has been reviewed and some figures have been adjusted.

Secondary Market Activity

EQUITY TRADING ON ASX

Survey Year	Number of Shares per Annum (million)	Annual Value (AUD million)	Trades per Annum ('000)	Average Daily Trades	Average Daily Value (AUD million)
2008-09	387,802	1,129,460	106,680	420,002	4,447
2009-10	659,424	1,359,304	132,250	522,729	5,373
2010-11	670,096	1,339,140	144,321	570,440	5,293
2011-12	510,530	1,185,327	165,806	655,359	4,685
2012-13	415,121	1,045,952	174,750	693,454	4,151
% change	(18.7)	(11.8)	5.4	5.8	(11.4)

Data from previous years has been reviewed and some figures have been adjusted.

TURNOVER AS % OF AVERAGE MARKET CAP (AUD billion)

Survey Year	Equity Turnover	Average Market Cap	% liquidity
2008-09	1,129	1,060	106.5
2009-10	1,359	1,325	102.6
2010-11	1,339	1,383	96.9
2011-12	1,185	1,230	96.3
2012-13	1,046	1,341	78.0
% change	(11.8)	9.0	(19.0)

Data from previous years has been reviewed and some figures have been adjusted.

Equity Derivatives

EQUITY DERIVATIVES CONTRACT VOLUME ('000)

Survey Year	Call Trades ^a	Put Trades ^a	Total Contracts ^a	SPI 200 [®] Futures	SPI 200 [®] Options
2008-09	10,905	8,100	19,005	10,360	398
2009-10	11,977	9,677	21,654	9,738	352
2010-11	11,634	11,514	23,148	10,506	379
2011-12	13,680	13,761	27,441 b	11,811	477
2012-13	13,336	12,979	26,315 b	10,259	349
% change	(2.5)	(5.7)	(4.0)	(13.1)	(26.9)

^a Includes Stock Options, Cash Index Options and LEPOs

^b Converted to previous contract size

EQUITY DERIVATIVES TURNOVER BY NOTIONAL VALUE (AUD billion)

Survey Year	Stock Options	Cash Index Options ^a	LEPOs	SPI 200 [®] Futures	SPI 200 [®] Options
2008-09	235.4	130.5	7.8	1,022	42
2009-10	297.0	197.0	10.4	1,099	40
2010-11	352.0	314.0	14.5	1,206	44
2011-12	337.4	474.2	4.5	1,222	50
2012-13	313.1	538.7	10.6	1,169	40
% change	(7.2)	13.6	135.6	(4.3)	(20.0)

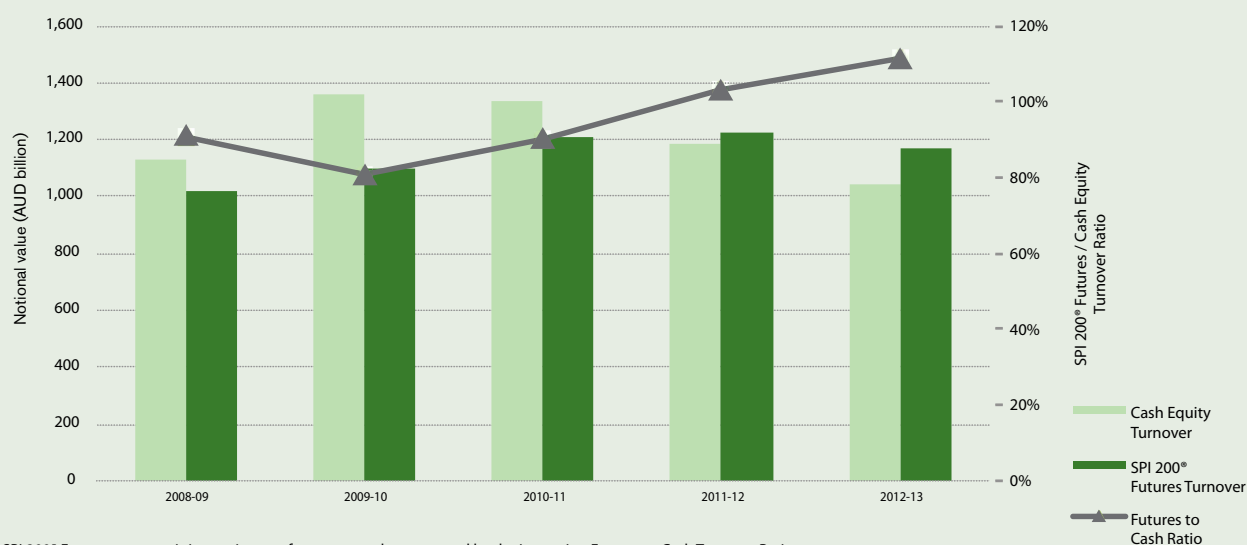
^a Includes Cash Index LEPOs

WARRANTS

Survey Year	Number of Issues	Trades ('000)	Contract Value (AUD million)
2008-09	2,516	516	5,336
2009-10	2,226	485	5,987
2010-11	2,409	282	2,948
2011-12	4,743	333	3,630
2012-13	5,140	319	3,758
% change	8.4	(4.2)	3.5

Data from previous years has been reviewed and some figures have been adjusted.

SPI 200[®] FUTURES TO CASH EQUITY TURNOVER



SPI 200[®] Futures turnover is increasing at a faster rate as demonstrated by the increasing Futures to Cash Turnover Ratio.

Interest Rate and Energy Derivatives

FUTURES AND OPTIONS TURNOVER BY CONTRACT VOLUME ('000 contracts)

Survey Year	30 Day IB	90 Day Bills	3 Year Bonds	10 Year Bonds	Electricity	Grain ^a	Other ^b	Total Exchange ^c
FUTURES VOLUME ^{d, e}								
2008-09	2,105	15,184	22,275	10,813	96.1	198.3	10,379	60,852
2009-10	3,691	16,538	30,196	11,274	145.1	386.1	9,753	71,597
2010-11	6,195	20,729	38,832	15,230	203.0	473.8	10,513	91,702
2011-12	5,334	21,652	42,499	17,216	170.9	432.5	11,836	98,992
2012-13	4,780	25,866	47,492	21,211	161.0	353.3	10,278	110,141
% change	(10.4)	19.5	11.7	23.2	(5.8)	(18.3)	(13.2)	11.3
OPTIONS VOLUME								
2008-09	0	132	1,244	11	13.1	1.6	398.9	1,799
2009-10	0	37	2,459	6	12.254	1.7	351.7	2,866
2010-11	0	52	4,105	8	18.3	10.0	378.7	4,562
2011-12	0	25	2,354	3	15.9	12.9	477.1	2,886
2012-13	0	7	3,882	20	11.5	6.94	348.6	4,276
% change	na	(72.0)	64.9	566.7	(27.7)	(46.2)	(26.9)	48.2
TOTAL								
2008-09	2,105	15,316	23,519	10,824	109.2	200.0	10,777.8	62,651
2009-10	3,691	16,575	32,655	11,280	157.3	387.8	10,104.7	74,463
2010-11	6,195	20,781	42,937	15,238	221.3	483.2	10,891.7	96,264
2011-12	5,334	21,677	44,853	17,219	186.8	445.5	12,313.2	101,878
2012-13	4,780	25,873	51,374	21,231	172.5	360.24	10,626.3	114,417
% change	(10.4)	19.4	14.5	23.3	(7.7)	(19.1)	(13.7)	12.3

^a ASX Grain Futures & Options market was migrated to ASX 24 on 24.10.2011. The data listed is not included in the "Total Exchange" data.

^b Other includes SPI 200 Futures and Options, Wool Futures and Options and environmental contracts

^c Where the exchange is that operated by Australian Securities Exchange Ltd

^d Data from previous years has been reviewed and some figures have been adjusted.

^e Data does not include NZ dominated contracts

EXCHANGE TRADED MARKET DATA

FUTURES AND OPTIONS TURNOVER BY CONTRACT VALUE (AUD billion)

Survey Year	30 Day IB	90 Day Bills	3 Year Bonds	10 Year Bonds	Electricity	Grain ^a	Other ^b	Total Exchange ^c
FUTURES VOLUME^{d, e}								
2008-09	6,315	15,184	2,228	1,081	9.0	na	1,022.2	25,839
2009-10	11,073	16,538	3,020	1,127	11.6	na	1,117.4	32,887
2010-11	18,586	20,729	3,883	1,523	13.9	na	1,224.1	45,959
2011-12	16,001	21,652	4,250	1,722	13.4	na	1,248.3	44,887
2012-13	14,340	25,866	4,749	2,121	14.7	na	1,215.3	48,308
% change	(10.4)	19.5	11.7	23.2	9.7	na	(2.6)	7.6
OPTIONS VOLUME								
2008-09	0	132	124	1.1	6.4	na	40.1	304
2009-10	0	37	246	1	4.3	na	39.7	328
2010-11	0	52	410	1	6.2	na	43.8	513
2011-12	0	25	235	0.3	7.3	na	50.4	318
2012-13	0	7	388	2	5.5	0.04	39.46	442
% change	0.0	(72.0)	65.1	566.7	(24.7)	na	(21.7)	39.0
TOTAL								
2008-09	6,315	15,316	2,352	1,082	15.4	na	1,062.3	26,143
2009-10	11,073	16,575	3,266	1,128	15.9	na	1,157.1	33,216
2010-11	18,586	20,781	4,293	1,524	20.1	na	1,267.9	46,472
2011-12	16,001	21,677	4,485	1,722	20.7	na	1,298.7	45,205
2012-13	14,340	25,873	5,137	2,123	20.2	0.04	1,254.76	48,750
% change	(10.4)	19.4	14.5	23.3	(2.4)	na	(3.3)	7.8

^a ASX Grain Futures & Options market was migrated to ASX 24 on 24.10.2011. The data listed is not included in the "Total Exchange" data.

^b Other includes SPI 200 Futures and Options, Wool Futures and Options and environmental contracts

^c Where the exchange is that operated by Australian Securities Exchange Ltd

^d Data from previous years has been reviewed and some figures have been adjusted.

^e Data does not include NZ dominated contracts

FUTURES AND OPTIONS OPEN INTEREST AT 30 JUNE 2013

Survey Year	30 Day IB	90 Day Bills	3 Year Bonds	10 Year Bonds	Electricity	Grain ^a	Other ^b	Total Exchange ^c
2008-09	117,276	807,381	467,678	317,835	52,830	39,342	465,080	2,228,080
2009-10	271,465	662,475	577,552	334,255	65,536	89,395	446,657	2,357,940
2010-11	463,462	898,667	728,919	409,668	46,360	108,774	428,880	2,975,956
2011-12	200,978	697,579	429,792	374,093	43,421	52,974	436,731	2,235,568
2012-13	224,404	894,281	497,426	436,194	45,117	29,832	405,692	2,532,946
% change	11.7	28.2	15.7	16.6	3.9	(43.7)	(7.1)	13.3

^a ASX Grain Futures & Options market was migrated to ASX 24 on 24.10.2011. The data listed is not included in the "Total Exchange" data.

^b Other includes SPI 200 Futures and Options, Wool Futures and Options and environmental contracts

^c Where the exchange is that operated by Australian Securities Exchange Ltd

Data from previous years has been reviewed and some figures have been adjusted.

Contracts for Difference (ASX Listed CFD[®])

CFD TURNOVER BY CONTRACT VOLUME ('000)

Survey Year	Equity Indices	Equities	Commodities	Currencies	Total Exchange ^a
2008-09	91,687	89,303,881	245,890	688,186	90,329,644
2009-10	214,271	151,415,490	67,853	1,250,481	152,948,095
2010-11	276,117	176,181,034	34,487	32,200	176,523,838
2011-12	217,878	127,820,888	45,431	0	128,084,197
2012-13	62,851	110,223,618	9,268	0	110,295,737
% change	(71.2)	(13.8)	(79.6)	0.0	(13.9)

^a Where the exchange is that operated by Australian Securities Exchange Ltd

CFD OPEN INTEREST VALUE AT 30 JUNE 2011 (AUD)

Survey Year	Equity Indices	Equities	Commodities	Currencies	Total Exchange ^a
2008-09	25,253,351	38,431,463	5,605,113	963,000	70,252,927
2009-10	38,525,314	75,606,284	3,009,661	1,506,126	118,647,385
2010-11	14,901,523	70,870,457	1,332,150	0	87,104,130
2011-12	16,660,145	47,509,416	1,528,135	0	65,697,696
2012-13	8,540,744	44,375,949	0	0	52,916,693
% change	(48.7)	(6.6)	(100.0)	0.0	(19.5)

^a Where the exchange is that operated by Australian Securities Exchange Ltd



Chi-X Australia



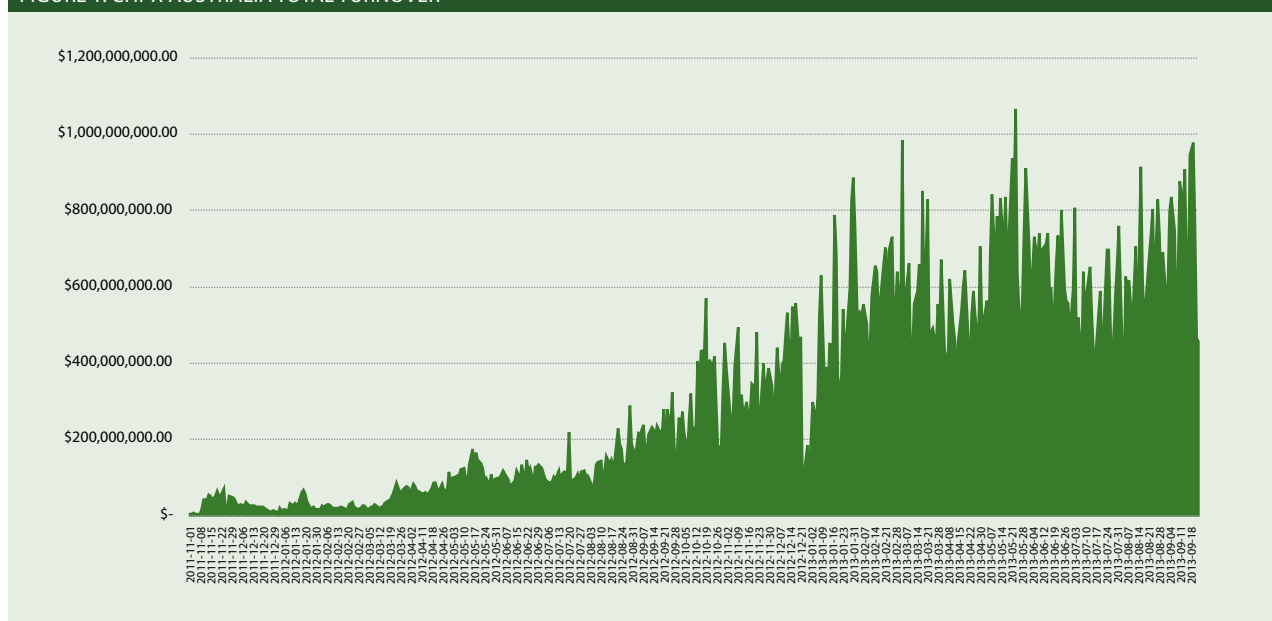
The 2012-13 financial year was the first full financial year of Chi-X Australia's operations. During that time, Chi-X's market share of total cash equity market trading (i.e. including on and off order book trading) rose from approximately 2.5% to reach a record daily high of more than 17%. Establishing this foothold in the Australian market has enabled Chi-X to provide alternate liquidity that has delivered significant benefits for market participants and the wider investor community. An independent study by academics from the University of New South Wales and the University of Sydney concluded that the introduction of competition by Chi-X had:

- improved market efficiency, as proxied by transaction costs and price discovery

- delivered welfare effects between \$36 million and \$220 million to market participants.

In the short period since its market launch on 31 October 2011, Chi-X has established a reputation for reliability and has developed innovative and market-enhancing order types, fee arrangements and infrastructure in the trading of all ASX-listed equity market products. Over the next 12 months, Chi-X will look to build on the acknowledged permanent base it has established by further developing its presence in cash equity markets and bringing the benefits of its business model to other product areas. ■

FIGURE 1: CHI-X AUSTRALIA TOTAL TURNOVER



EQUITY TRADING ON CHI-X AUSTRALIA^a

Survey Year	Number of Shares Per Annum (million)	Annual Value (AUD million)	Trades Per Annum ('000)	Average Daily Trades	Average Daily Value (AUD million)
2012-13 ^b	25,409	105,097	31,389	124,560	417
% change	na	na	na	na	na

^a Chi-X Australia had their market launch on 31 October 2011.

^b The 2012-2013 financial year was the first full financial year of Chi-X Australia operations.

Methodology

The Australian Financial Markets Report (AFMR) is produced by aggregating and analysing data submitted by the over-the-counter (OTC) market participant organisations as determined by the relevant AFMA Market Committees.

INTEGRITY CHECKS

Before publishing survey results, comprehensive analyses are undertaken to ensure data integrity, including checking for:

- variations from prior years in participant data (where available) and aggregated data
- comparative variations in trends of participant data consistency in aggregated data for individual markets through to summary results
- consistency with other data sources.

DATA SOURCES

The bulk of the data is related to OTC markets. As no central repository of such data exists, an extensive survey of OTC market participants is conducted.

Thirty-three participants submitted 128 data surveys including foreign exchange data as provided to the Reserve Bank of Australia. Data relating to exchange-traded financial products was provided by the Australian Securities Exchange (ASX) and Chi-X Australia.

SOURCES OF DATA UTILISED

Financial Market	Data Source
Over-the-Counter (except FX)	Respondent surveys
Equities and Futures	Australian Securities Exchange
Equities	Chi-X Australia
Foreign Exchange	Reserve Bank of Australia

SURVEY RESPONDENTS AND COVERAGE

The 2013 survey covers the period 1 July 2012 to 30 June 2013. Two important points should be noted regarding the survey coverage.

The first relates to the types of transactions included and the second to respondent selection.

First, the survey reports transactions

- dealt, risk managed and settled by offices in Australia (Australian booking entity)
- dealt and risk managed by offices in Australia but settled by offices offshore (offshore booking entity)
- dealt by offices offshore but risk managed and settled by offices in Australia (Australian booking entity)
- dealt and settled by offices in Australia but risk managed by offices offshore (Australian booking entity)

The survey excludes transactions:

- dealt and settled by offices offshore but risk managed by offices in Australia (offshore booking entity)
- dealt and risk managed by offices offshore but settled by offices in Australia (Australian booking entity)
- dealt, risk managed and settled by offices offshore (offshore booking entity).

Second, to provide the best possible picture of the state of Australian OTC markets, the survey aims to capture the vast majority of activity in each market. This is achieved in two related ways:

1. Participants in each survey were determined by the relevant AFMA Market Committee, thus ensuring all major participants in that market were included. Appendix B is a summary of respondents.
2. Provided at least one party to any transaction is a survey respondent, it will be captured. Although transactions between non respondents are not captured, their magnitude is considered not to be significant given the process of respondent selection. The market concentration data presented in each section also supports this assumption. Transactions between survey respondents are aggregated separately and double counting is thus avoided. ■



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www.sirca.org.au

Survey Respondents

OVER-THE-COUNTER MARKETS

Respondents (23)	Government Debt Securities (15)	Non-Gov. Debt Securities (11)	Negotiable & Transferable Instruments (15)	Repurchase Agreements (12)	Swaps (14)	Forward Rate Agreements (11)	Interest Rate Options (8)	Credit Derivatives (7)	Currency Options (6)
ANZ Banking Group Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bank of America Merrill Lynch Australia	✓				✓	✓			
Bank of Queensland Limited			✓						
Barclays Bank plc.	✓			✓	✓	✓			
BNP Paribas	✓		✓		✓	✓			
Citi	✓	✓	✓	✓	✓	✓	✓		
Commonwealth Bank of Australia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Deutsche Bank AG	✓	✓	✓	✓	✓	✓	✓	✓	✓
Goldman Sachs	✓								
HSBC Bank Australia Limited	✓	✓			✓				
ING Bank (Australia) Limited			✓						
JP Morgan Chase Bank, N.A.	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lloyds TSB Bank plc, Australia Branch			✓		✓	✓			
Macquarie Group Limited			✓	✓					
Morgan Stanley Australia Limited			✓				✓		
National Australia Bank Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nomura Australia Limited	✓								
Rabobank Nederland (Australia Branch)			✓						
Royal Bank of Canada	✓	✓		✓					
Suncorp Metway Ltd			✓						
The Royal Bank of Scotland, Plc		✓		✓	✓				
UBS AG Australia Branch	✓	✓		✓	✓			✓	
Westpac Banking Corporation	✓	✓	✓	✓	✓	✓	✓	✓	✓

ENERGY MARKETS

Respondents (13)	Electricity (11)	Environmental Products (8)
AGL Energy Limited	✓	✓
ANZ Banking Group	✓	✓
Deutsche Bank	✓	
Energy Australia		✓
Ergon Energy Corporation Limited	✓	
ERM Power	✓	✓
GDF Suez	✓	
Hydro Tasmania		✓
Intergen (Australia) Pty Ltd	✓	
Macquarie Group Limited	✓	
Origin Energy	✓	✓
Snowy Hydro	✓	✓
Westpac Banking Corporation	✓	✓

Survey Design

The surveys for each OTC market covered a range of activity attributes. Data was collected on turnover, number of transactions, outstandings, maturity and brokered activity by instrument type and counterparty.

Counterparty types, instruments and other survey attributes are defined below.

COUNTERPARTY DEFINITIONS

COUNTERPARTY TYPE	SURVEY DEFINITIONS
Survey Respondents	Those organisations identified in Appendix B.
Other Banks	Non survey respondents who are Authorised Deposit-Taking Institutions classified as banks (Australian Owned, Foreign Subsidiary or Branches of Foreign Banks licensed under the Commonwealth Banking Act 1959) and regulated by APRA.
In-house	Internal trading desks and internal divisions, both onshore and offshore.
Funds Managers – Traditional	Life Offices, other Insurance Companies, Superannuation Funds and other Nominee and Trust Structures.
Funds Managers – Hedge Funds/CTAs	Hedge Funds and Commodity Trading Advisors.
Government	Commonwealth and State Governments, Reserve Bank of Australia and Central Borrowing Authorities, including semi government bodies and the Australian Office of Financial Management.
Offshore Central Banks	Foreign Central Banks and OECD foreign government sponsored authorities and instrumentalities.
Offshore Counterparties	Organisations located in a country other than Australia, including branches and subsidiaries of survey respondent organisations.
Brokers	Market participants which do not take positions but bring together two counterparties to a transaction.
Retailers	Entities whose predominant business is selling electricity.
Generators	Entities whose predominant business is producing electricity.
Eligible Producers	Entities able to create Renewable Energy Certificates (RECs), NSW Greenhouse Abatement Certificates (NGACs) or Gas Electricity Certificates (GECs) from accredited forms of activity under the applicable scheme rules.
Liable Parties	Entities required to surrender RECs/NGACs/GECs to the appropriate regulatory body.
Intermediaries	Entities undertaking Electricity/RECs/NGACs/GECs transactions that are not Retailers, Generators, Eligible Producers or Liable Parties.
Other Counterparties	Counterparties not identified in the above categories.

DEFINITIONS OF INSTRUMENTS

INSTRUMENT	DEFINITION
GOVERNMENT DEBT SECURITIES	
Commonwealth Government Bonds	Interest bearing bonds that are debt obligations of the Commonwealth Government.
State Government Bonds	Interest bearing State Government bonds (e.g. NSW TCorp) that are issued by States and Territories.
Foreign Government Bonds	Interest bearing bonds (denominated in any currency) that are issued by foreign sovereigns, supranationals or government agencies.

INSTRUMENT	DEFINITION
NON-GOVERNMENT DEBT SECURITIES	
Corporate Securities	Interest bearing obligations issued by a corporation.
Bank Securities	Interest bearing obligations (Negotiable certificates of deposit and Transferable certificates of deposit) issued by an Authorised Deposit-Taking Institution (Australian Owned Banks, Foreign Subsidiary or Branches of Foreign Banks licensed under the Commonwealth Banking Act 1959 and regulated by APRA).
Bank Securities Commonwealth Guaranteed	Interest bearing bonds issued by an Authorised Deposit-Taking Institution with the support of a Commonwealth Government guarantee.
Mortgage Backed Securities	Residential Mortgage Backed Securities (RMBS) and Commercial Mortgage Backed Securities (CMBS). Australian RMBS are securitised prime and non-prime residential mortgages. CMBS reference a commercial mortgage loan pool.
Other Asset Backed Securities (ABS)	Securities collateralised by assets other than mortgage loans, for example, receivables derived from motor vehicle loans, credit cards, personal loans and royalties.
Offshore AUD Issues	Australian Eurobonds that are sold offshore and denominated in Australian currency (e.g. 'Uridashi' issuance).
Foreign Non Government Issues	Kangaroo bonds (or notes) that are issued in the Australian domestic market by foreign non-government borrowers.
Covered Bonds	Covered bonds are debt securities backed by cash flows from mortgages and remain on the issuer's consolidated balance sheet.
NEGOTIABLE AND TRANSFERABLE INSTRUMENTS	
Treasury Notes	Notes issued by the Commonwealth of Australia.
Semi Government Paper	State Government, Defence Housing Authority, Civil Aviation Authority, Federal Airports Corporation and other government instrumentalities' paper.
Bank Paper	Bank accepted bills and negotiable certificates of deposits of banks licensed under the Banking Act.
Corporate Paper	Commercial bills and promissory notes.
Foreign Government Paper	Paper issued by foreign sovereigns, supranationals or government agencies in any currency.
RECIPROCAL PURCHASE AGREEMENTS	
Commonwealth Government Bonds	Bonds where interest is paid at a predetermined and unchanging rate for a specified period. Interest bearing bonds that are debt obligations of the Commonwealth Government.
State Government Bonds	State-Government bonds (e.g. NSW TCorp) that are issued by States and Territories.
Other Government Bonds	Foreign Government bonds (e.g. supranationals).
Corporate and Bank Bonds	Long-term instruments including bonds and Floating Rate Notes.
Treasury Notes	Includes notes issued by the Reserve Bank of Australia.
Semi-Government Promissory Notes	Includes State Government instruments and Defence Housing Authority, Civil Aviation Authority, Federal Airports Corporation and other government instrumentalities' paper.
Corporate and Bank Paper	Short-term money market instruments including bank bills, certificates of deposits and promissory notes.
Residential Mortgage Backed Securities	Residential Mortgage Backed Securities with maturities of greater than one year.
Asset Backed Commercial Paper	Asset Backed Commercial Paper with maturities of less than one year.
SWAPS	
Fixed AUD:Floating AUD	One party makes fixed AUD interest payments and the other floating AUD.
Floating AUD:Floating AUD (basis swaps)	Both parties make floating AUD interest payment.
Fixed AUD:Non-AUD	One party makes fixed AUD interest payments and the other fixed or floating non-AUD.
Floating AUD:Non-AUD	One party pays floating AUD interest payments and the other fixed or floating non-AUD.
Non-AUD:Non-AUD	Both parties make Non-AUD interest payment.
Inflation-linked Swaps	One party make payments linked to the inflation rate and the other pays fixed.
Overnight Index Swaps	An exchange of a fixed for floating interest rate with a designated overnight index tied to the floating rate.
FORWARD RATE AGREEMENTS	
Forward rate agreements (FRA) types include: AUD (in AUD), USD (in USD), JPY (in JPY), GBP (in GBP), EURO (in EUR), NZ (in NZD) and other (in USD).	
INTEREST RATE OPTIONS	
Bond Options	Where the buyer has the right to buy (call option) or to sell (put option) a given bond at a specified rate on or before a specified future date.
Swaptions	Where the buyer has the right to enter into a swap on a future date at a predetermined fixed rate.
Caps	A series of options which places a ceiling on the level of interest on a floating rate borrowing. On prescribed reference dates, the seller will compensate the buyer if the settlement index is greater than the strike rate.
Floors	A series of options which protects the buyer from a fall in interest rates below a specified rate. On prescribed reference dates, the seller will compensate the buyer if the settlement index is less than the strike rate.

APPENDIX C

INSTRUMENT	DEFINITION
CREDIT DERIVATIVES	
Single Name Credit Default Swaps	One party pays a premium to transfer the credit risk of a single defined reference entity to a second party in return for a contingent payment should a defined credit event take place.
Total Rate-of-Return (TROR) Swaps	One party pays the positive credit and market performance on an underlying asset in return for receipt of a funding payment plus any negative credit and market performance on an underlying asset.
Credit Indices	Reference a portfolio of single name credit default swaps where the risk is additive rather than non-linear or correlated. It includes credit default swap indices.
CURRENCY OPTIONS	
Currency pairs include: AUD/USD, AUD/JPY, AUD/GBP, AUD/NZD, AUD/EUR, all in AUD; and USD/JPY, USD/GBP, USD/NZD, USD/EUR and other all in USD.	
FOREIGN EXCHANGE	
Local Financial Institutions	All financial institutions located in Australia including banks, currency funds, hedge funds and the Reserve Bank of Australia.
Overseas Financial Institutions	Foreign financial institutions.
Non-Financial Institutions	Institutions not identified above.
ELECTRICITY	
Swaps	The exchange of the difference between a fixed price per megawatt hour (MWh) of electric energy and a variable price that is referenced to the pool price, as determined by the market operator, in a stated reference node.
Caps	A series of options which places a ceiling on the pool price for electricity. The seller compensates the buyer, on the prescribed reference dates, if the pool price is greater than the strike rate.
Swaptions (receiver's/payer's)	The buyer of a call (put) swaption has the right, but not the obligation, to buy (sell) a swap on a future date at a predetermined fixed price. The fixed price of the swap is the strike price of the swaption.
Collars and Asian Options	A series of options with a floating strike price which is determined according to the unweighted arithmetic mean of the relevant price for each calculation period between 0000 and 2400 in the calendar month, that is the calendar month in which the last calculation period with respect to the settlement date falls.
Other options	All other options not included in the above definitions.
ENVIRONMENTAL PRODUCTS	
Forwards	The exchange of a specific quantity of RECs, NGACs or GECs at a fixed price at pre-nominated delivery date.
Options	Includes put and call options, swaptions, caps, floors and collars.

DEFINITIONS OF SURVEY ATTRIBUTES

SURVEY TERM	SURVEY DEFINITION
Turnover	All sales and purchases, including both primary and secondary market, aggregated.
Outstandings	The amount of an instrument calculated by adding the absolute value of short and long positions as at 31 May 2012. In the Repurchase Agreements (Repo) Market, Outstandings is the gross value of all unexpired repurchase agreements, excluding any forward repo transactions. Short and long positions are not netted. The value is calculated as the "face value" of the underlying stocks.
Maturity	The remaining time until the final payment under the transaction. For options it is the expiry or exercise date.

DATA ACCURACY CONVENTIONS

The data in the market turnover summaries on pages 2-3 are rounded to the nearest AUD billion. Up to nine decimal places are carried forward in calculations. Thus, year-on-year percentage changes in the summary tables may not exactly match other table percentage changes due to rounding.

In addition, for all tables, percentage change and total calculations are based on the actual survey data collected rather than the aggregate numbers presented in the tables. Slight variations may occur due to rounding adjustments.

About AFMA



The Australian Financial Markets Association (AFMA) was formed in 1986. Today we are the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets – including the capital, credit, derivatives, foreign exchange and other specialist markets.

We have more than 130 members, from Australian and international banks, leading brokers, securities companies and state government treasury corporations to fund managers, energy traders and industry service providers. Our role is to provide a forum for industry leadership and to advance the interests of all these market participants.

PROMOTING BEST PRACTICE

- AFMA promotes best practice in financial markets so they can continue to contribute to Australia's economic health. We do this by:
- Effectively managing Australia's \$83 trillion over-the-counter (OTC) markets;
- Developing widely accepted industry standards for transactional processing;
- Dealing with policy makers on effective regulation of Australia's financial markets to inspire investors' confidence; and
- Encouraging high standards of professional conduct through our professional development and accreditation programs.

OUR MISSION – ADVANCING THE INTERESTS OF MEMBERS

- Promote Australia as a global centre for financial services;
- Help members grow their businesses and contribute to Australia's economic wellbeing;
- Develop new markets for financial products;
- Encourage existing markets to reach their full potential;
- Lead and sustain effective management of OTC financial markets;
- Represent market participants in exchange-traded markets to ensure effective and efficient market processes and regulation;
- Encourage high standards of professional conduct;
- Develop individual expertise through professional development and accreditation programs; and
- Promote government policies and business conditions that support a strong financial sector. ■

ENQUIRIES

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