



2008 AGM QUESTIONS FROM SHAREHOLDERS

24 September 2008

Q1. I am amazed by the list of commitments of several of the non-executive directors. I accept the worth of these individuals, however, I am concerned by their workloads and believe that such over commitment is not in the interests of Shareholders of the companies they seek to serve. I note also that ASX has reduced the number of board meetings held in the 07-08 year from 12 the previous year (up from 10 in 06-07 year) to 7 this year. This is a pattern that I have noticed when reading annual reports this year particularly where the non-executive directors are overcommitted. The solution is for directors to limit their directorships to a manageable level, not to reduce the number of meetings held by companies. Surely ASX is a company that should set an example for other listed companies to follow.

No doubt you will state that the directors are available as required and participate in the business between scheduled meetings, however, I believe there is no substitute for in person, boardroom discussion. Will the Board return to scheduling at least 10 board meetings?

ASX Response: The Board does consider the amount of business that it needs to address during the course of each year and ensures that it meets together as a Board to consider all major items of business.

The ASX Limited Board held seven (7) full board meetings, four (4) Audit and Risk Committee Meetings and four (4) Nomination and Remuneration Committee meetings in FY08. The ASX Board considered that this was the appropriate number of meetings needed to effectively discharge its responsibilities in FY08. During the course of the year directors also attended briefing sessions on different aspects of the ASX Group business.

In financial year 2007 the ASX Limited Board held twelve (12) board meetings. FY07 was an unusual year given it was the year that the ASX and SFE became a merged entity. FY07 required a greater level of Board involvement and transactional oversight by directors compared to those years where corporate actions were not undertaken by the ASX Group, such as FY08.

During FY08 the clearing and settlement subsidiary companies held seven (7) board meetings and ASX Markets Supervision Pty Limited held seven (7) board meetings. The clearing and settlement subsidiaries are directed by Boards that comprise the Managing Director and CEO of ASX, some members of the ASX Board and external non-executive directors with specialist expertise who are not directors of the ASX Board.

Q2. Will the Board please review the overall workload of all the Non-executive directors and set a reasonable level of commitments?

The ASX directors most heavily committed are Messrs Gonski, Rowe and Warne. These men may well be brilliant, nevertheless, even they must have their limits and I find it difficult to accept that they have any time to sleep!! Will these gentlemen please consider reducing their directorships in the interests of shareholders of all the companies they seek to serve?

ASX Response: Adding up the number of involvements a director has overlooks the positive contribution the experience of these other positions can bring to a director's contribution to ASX.

All directors bring a level of expertise, judgement, dedication and breadth of perspective to the performance of their responsibilities that is of great value to the Board. During the course of the year ASX directors have been accessible to senior management for advice and consultation on issues outside scheduled board commitments.

Each year the Board reviews its performance to ensure that individual non-executive directors and the Board as a whole work efficiently and effectively in achieving their functions under the Charter.

Q3. Mr Sharpe is a director of Babcock & Brown, not a good recommendation for the role of Company Director. Non Executive Directors are appointed to represent the interests of shareholders, a difficult task when dealing with a dominant CEO, but very important in such circumstances. It has been clearly demonstrated on several occasions recently that a number of Boards have failed to fulfil their responsibilities with disastrous results. Will Mr. Sharpe consider his position please, particularly in view of the Babcock & Brown situation and his 13 year tenure on the ASX Board?

ASX Response: Mr Sharpe resigned as a director of Babcock and Brown in August 2008. Mr Sharpe has confirmed to the Chairman and Chairman – elect that he is committed to fulfilling his duties as a director of ASX.

Q4. Directors' shareholdings. It is disappointing to find that Mr. Finemore holds no shares in the company after 14 months as a director. From this I assume that the Board continues to have no stated requirement for non-executive directors to hold shares. Shareholders like to see directors demonstrating faith in the company by having some "skin in the game." Will the Board please again review the policy on directors' share ownership and introduce a minimum shareholding as a requirement for Board membership?

ASX Response: ASX has not adopted any policies regarding directors holding ASX securities and there is no share qualification for directors in the ASX Constitution. The holding of ASX securities is a personal matter for each director.

Q5. Political donations. This is a matter that is constantly questioned by shareholders. I note that the Company was at least even-handed in donating equal amounts to the two major parties. Many Companies have ceased to make political donations and/or attend political fund raising functions. Will the Board please consider adopting such a policy?

ASX Response: The ASX Board believes it is important to disclose political donations and to be even-handed when these are made. ASX has made donations to political parties on a bi-partisan basis from time-to-time. In financial year 2008, a Federal election year, ASX donated \$25,000 to the Australian Labor Party and \$25,000 to the Liberal Party of Australia, as disclosed in the 2008 Annual Report.

The ASX Board does review its approach to political donations and will take account of these views when it next does a review. It is acknowledged that there are arguments for and against making such donations and it is expected that these matters will be considered and debated by directors.

Q6. In view of the public concern and debate about the impact of short selling and stock lending, what is the ASX doing to make this activity more transparent. In asking this question I am mindful of the requirement for shareholders to disclose to the market once their holding increases above 5% of a company's issued capital. It would seem reasonable therefore, and just as price sensitive, for a publication of a similar threshold when shareholders short sold or lent for the purpose of short selling more than 5% of any company's issued capital.

ASX Response: ASX has been at the forefront in raising the issues of transparency of stock lending and short selling with Government. On 28 March 2008, ASX released a public consultation paper seeking stakeholder feedback on these issues. ASX's paper is available at: http://www.asx.com.au/about/regulatory_policy_unit/index.htm

ASX had previously advised ASIC and Government that the source of under-reporting of short selling was a case of 'definitional ambiguity' in the legislative prohibition on certain forms of short selling. The Government subsequently announced that it would introduce legislative reform to remove the uncertainty in the law.

On Friday 19 September 2008, ASX announced its decision to effectively abolish naked short selling under ASX Market Rules. At the same time, ASIC clarified the meaning of what constitutes a covered short sale. Subsequently, on 21 September ASIC announced that it had temporarily banned all short selling activity (subject to limited exceptions).

ASIC's action, which took the form of a modification of legislation pursuant to powers conferred by legislation, has simply reinforced that, with the exception of power to deal with naked short selling, ASX does not have any comparable power to unilaterally impose greater transparency. With regard to the substantial shareholder provisions which require disclosure of holdings above 5%, these are also contained in the Corporations Act and are administered by ASIC not ASX. On 6 March 2008, ASIC published an Information Release which addresses the issue of disclosure of securities lending. An excerpt from the ASIC release reads:

"It is very likely the acquisition of a substantial holding of securities as part of a stock lending arrangement will give rise to a duty to disclose the substantial holding to the listed company (or registered scheme) and the market operator. This is because the borrower of the securities will acquire a "relevant interest" in the securities at the time it agrees to borrow it. When the securities are sold, there will be a corresponding notifiable disposal."

