2010 Annual Stockbrokers Conference

Update on the transfer of market supervision

Eric Mayne, Chief Supervision Officer, ASXMS
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8 June 2010

Overview

- The year in review
- What is changing?
- Transition arrangements
- New structure
- Key ASX milestones
- Education & communication program
- Details of proposed rule changes (D Lawrence)
- Other developments (D Lawrence)

The year in review

- Implementation of new rules & regulations arising from the global financial crisis
- Stepped up participant review program
- Investigations and enforcement activity
- ASXMS Education and Research Program
- New Return Lodgement & Monitoring system
- Government's August 24 decision

What is changing?

ASX
AUSTRALIAN SECURITIES EXCHANGE

ASX's role is changing from market supervisor to that of a market operator.

Pre transfer	ASX Market Rules	SFE Operating Rules
Admit new participants	✓	✓
Surveillance of trading activity	✓	✓
Monitor, investigate and enforce compliance with the Rules	✓	✓
Investigate and enforce the Rules	✓	✓
Monitor capital adequacy of brokers	✓	✓*
Refer to ASIC	✓	✓
Disciplinary Tribunal	✓	✓

* Under the SFECC Clearing Rules

There will be new rules to reflect this change

	ASX		ASIC
	ASX Rules	ASX 24 Rules	Market Integrity Rules (MIR)
Surveillance of trading activity	For continuous disclosure only		✓
Monitor, investigate and enforce compliance with the MIR including broker client rules			✓
Provide access to facility	✓	✓	
Monitor, investigate and enforce compliance with ASX Operating Rules	✓	✓	
Monitor capital adequacy of brokers	Up to 12 months from transfer date		After 12 months from transfer date
Refer to ASIC	Continuous disclosure referrals and notifications		
Disciplinary Tribunal	✓	✓	✓

Transitional arrangements

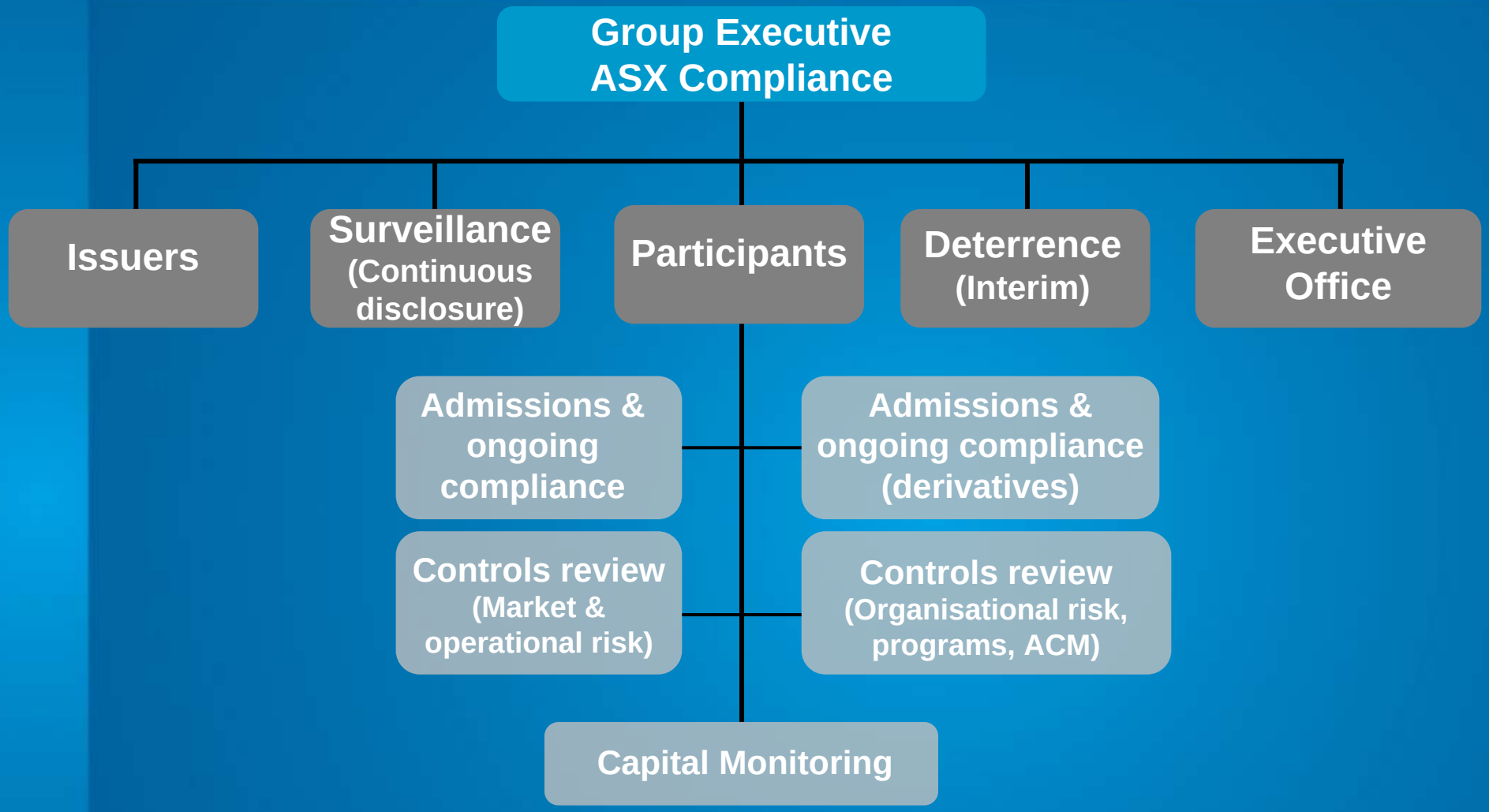
Capital adequacy of Market Participants

- In force for 12 months after transfer date

Disciplinary process

- ASX and the Disciplinary Tribunal will continue to deal with all breaches that occurred before the transfer date

New functional structure



Transfer of supervision - key ASX milestones

Feb 2010

Proposed ASX Operating Rule framework

Apr 2010

Draft ASX / ASX 24 Operating Rules

Informal lodgment

May 2010

Formal lodgment

Ministerial approval

Sometime between 1 Jul – 30 Sep 2010

New Rules take effect

Education program for Participants – Briefings, ASX Online, Circulars, Letters

Education & communication program - to date

ASX
AUSTRALIAN SECURITIES EXCHANGE

	Feb	Mar	Apr	May
National road show for Participants			☆☆☆☆☆	more held if required
Futures supervision compliance forum				☆
Circulars	☆		☆☆☆	☆
National Participant CEO meetings	———	———	on-going	▪▪▪▪▪▪▪▪▪▶

Education & communication program - planned

- Information booth – SAA conference
- Interactive cross reference rule table
- Guidance Notes
- ASX Compliance representatives Participant familiarisation program

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