



4 October 2018

Australian Securities and Investments Commission  
Mr Oliver Harvey  
Senior Executive Leader, Financial Market Infrastructure  
Level 5, 100 Market Street  
SYDNEY NSW 2000

ASX Market Announcements Office  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

### AGM ADDRESSES BY THE CHAIRMAN AND THE MANAGING DIRECTOR AND CEO

Attached is a copy of the addresses to be given by the Chairman and the Managing Director and CEO at ASX Limited's Annual General Meeting today.

Daniel Csillag  
Company Secretary

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#### Further enquiries:

##### Media

Matthew Gibbs  
General Manager, Media and Communications  
T +61 2 9227 0218  
M 0411 121 219  
E [matthew.gibbs@asx.com.au](mailto:matthew.gibbs@asx.com.au)

##### Analysts/Investor Relations

Josie Ashton  
Head of Investor Relations  
T +61 2 9227 0646  
M 0416 205 234  
E [josie.ashton@asx.com.au](mailto:josie.ashton@asx.com.au)



**ASX LIMITED 2018 ANNUAL GENERAL MEETING  
4 OCTOBER 2018**

**CHAIRMAN AND CEO ADDRESSES**

(Check against delivery)



**Chairman's address**

**Introduction**

Good morning ladies and gentlemen. Welcome to the 2018 Annual General Meeting for ASX Limited.

It is 10.00am, we have a quorum present, and I declare the meeting open.

Before we start I ask everyone to turn mobiles to silent.

I acknowledge this AGM is being held on the traditional lands of the Gadigal people. I pay my respect to their elders past and present.

These proceedings are being webcast. The prepared Chairman and CEO speeches have been released to the market and are published on our website.

Let me begin with introductions. I am Rick Holliday-Smith, the Chairman of ASX. Next to me is our Managing Director and CEO Dominic Stevens and then General Counsel and Company Secretary Daniel Moran; and directors Melinda Conrad, Peter Warne, Damian Roche, Yasmin Allen, Peter Marriott, Heather Ridout and Ken Henry.

2018 was another strong year for ASX. The result reflects our balanced approach of investing in the integrity of our core activities and pursuing growth initiatives.

Our four main businesses all grew, with overall performance driven by higher capital raisings and increased futures activity.

The result allowed ASX to increase its shareholder returns for the fifth year in a row.

The total shareholder return was 22%, comfortably outperforming the S&P/ASX 200 Index.

We don't measure our performance by the financial numbers alone. We also have important activities underway to strengthen our capabilities to the standards that we, you our shareholders and the regulators expect.

This is an ongoing journey and we have more work to do before we achieve a state that will be acceptable to us.

Over the past 12 months, ASX continued to embrace new technology to strengthen our foundations; we developed new products and services for our customers; and we further evolved our rules to keep the standards of our market high.

These programs are positive but we still need to finish the work. Then we need to embed the solutions, including the cultural underpinnings that are essential to our reputation and continued success.

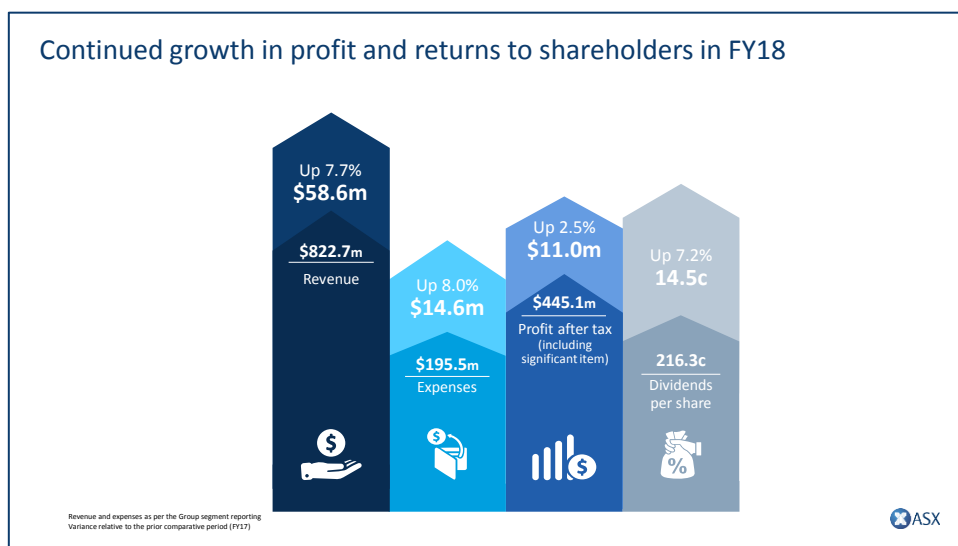
Pleasingly, we have innovative programs underway. The most high-profile example is to develop distributed ledger technology as a replacement for CHES. The eyes of the world are watching our progress. It will feature at the major industry event called Sibos that will be held in Sydney this month.

October marks the 20<sup>th</sup> anniversary of ASX’s demutualisation and self-listing. This began a professional era of governance and improved customer service for ASX. This initiative led the world and was followed by other international exchanges.

ASX is proud of its many ‘world firsts’. We know they do not happen without clear strategy, sound decision-making and hard work. This ensures ASX remains a top 10 global exchange. We operate at the heart of Australia’s financial markets and have continued to attract international issuers, traders and investors.

On behalf of the Board and all our staff, I thank you, our shareholders, for 20 years of confidence and commitment.

### Performance overview



Turning to financial highlights ... our FY18 operating revenue was \$823 million, up \$59 million, or 7.7%. Underlying profit exceeded \$465 million, up more than \$31 million, or 7.2%. If we include the single significant item, our statutory profit was over \$445 million, up 2.5%.

Our expenses rose 8.0%, in line with guidance, and capital expenditure totalled more than \$54 million. These higher than usual levels reflect ASX’s commitment to strengthen our technology capabilities, support growth initiatives and enhance the skills of our people.

Our CEO, Dominic Stevens, will say more about ASX’s business performance shortly.

Let me make one point about our biggest project. Last year I signalled our confidence in distributed ledger technology as a replacement for CHES. We believe it will help simplify our marketplace and unlock a new era of efficiency and innovation.

That confidence was confirmed in December 2017 when we announced that our new equity market post-trade system would be based on DLT developed with our technology partner Digital Asset. This followed a two-and-a-half-year assessment of DLT and consultation with our business stakeholders. Subsequent consultation confirmed broad support and recognised the significant operational, technology and regulatory effort required to implement it.

During this consultation many of our customers told us they needed more time to prepare. We’ve listened to them. We refined our start date to the edge of the go-live window and, so far, everything remains on track. We see the DLT project as an example of ASX’s commitment to help simplify business for our customers.



Back to the final column in the slide ... shareholders continue to see the benefits of ASX's strong cash flow, steady earnings growth and our commitment to pay out 90% of underlying profit in dividends. Total dividends for FY18 were \$2.16 per share, up 7.2% year-on-year. You would have received a final dividend of \$1.09 per share late last month. Our dividends remain 100% franked.

### **Building strong foundations**

Dominic and all ASX's staff deserve congratulations for their achievements in 2018.

The excellent financial results were achieved alongside a program of building stronger foundations at ASX.

These foundations are the platforms, processes and policies that are core to our business and critical to the functioning of Australia's financial markets. They help ensure our continued resilience and create a solid base for future growth. They also underpin the trust and confidence of those who interact with ASX, and are vital to our reputation. They include initiatives like evolving our rules, upgrading our technology and refreshing our approach to managing risk.

Overseeing them is one of the key functions of your Board. ASIC and the RBA also have oversight of these activities. We liaise closely with our regulators and together we have identified areas for improvement that support ASX's goals to remain resilient, competitive and trusted. Our work – to build stronger foundations – has been underway for almost two years.

As we make these improvements, we hope to lead the way for our broader financial market toward even better processes and higher standards.

When Dominic was appointed CEO two years ago, he made an immediate priority to adopt new technologies and practices to improve the way we run our business, and to strengthen the confidence of market users. He's been sharing this program with the market ever since, and will touch on it again today.

It goes to the heart of ASX's vision – 'to be the world's most respected financial marketplace'.

This vision guides the actions and choices we make. It anchors our long-term commitment to deliver sustainable returns to shareholders from a foundation of respect, trust and integrity.

### **Board review**

Turning to Board matters ... in June 2018, Robert Priestley resigned as a director of ASX. Rob stepped down to avoid distraction to ASX from a matter involving the ACCC and a number of banks, one of which he serves as Chairman.

Rob made a valuable contribution to the company during his tenure. By resigning, he put ASX ahead of other considerations and showed his commitment to high standards of corporate governance. We thank Rob for his service and wish him well.

We are now considering the appointment of a new director as part of ASX's ongoing process of Board renewal.

That process continues today with four directors seeking re-election – Yasmin Allen, Peter Marriott, Heather Ridout and me. Each will make a short speech to support their re-election. All candidates are unanimously endorsed by the rest of the Board.

As advised in the Notice of Meeting, if I have the honour of being re-elected today, I have declared that it will be my final term. I make a three-year commitment to you, with a focus on a smooth and seamless transition to a new Chair. I will also continue to oversee our progress towards replacing CHES with distributed ledger technology, and building the stronger foundations I spoke of earlier.

In my view, ASX has a capable, experienced and well-functioning Board. We are always conscious of the need to retain the right balance and mix of skills to realise our vision and to serve the interests of our stakeholders. We will continue to strive to serve you well.

## Conclusion

Once more, I thank you, our shareholders, for your continuing support of ASX.

I also thank my Board colleagues for their ongoing commitment, effort and support.

We finished the year in a strong financial position and I believe we are well-placed for new challenges and opportunities.

I now invite Dominic Stevens to address the AGM.

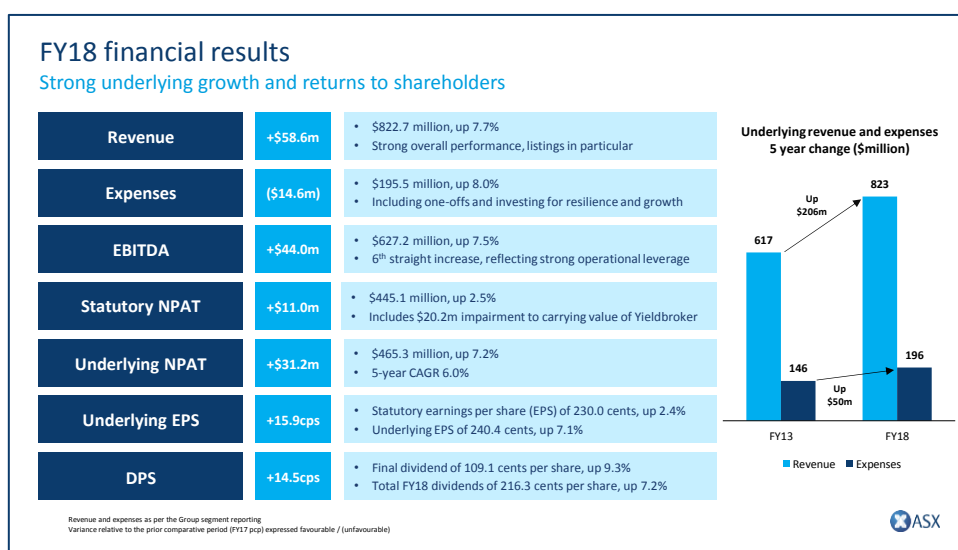
## CEO's address



Thank you Rick and welcome everyone. It is good to be here with you today.

This past year has been a solid one for ASX, not just financially but also in building a more resilient ASX and in beginning to see exciting opportunities opening up in the coming years.

Let me begin by talking to the year's financial performance in a little more detail than already provided by Rick.



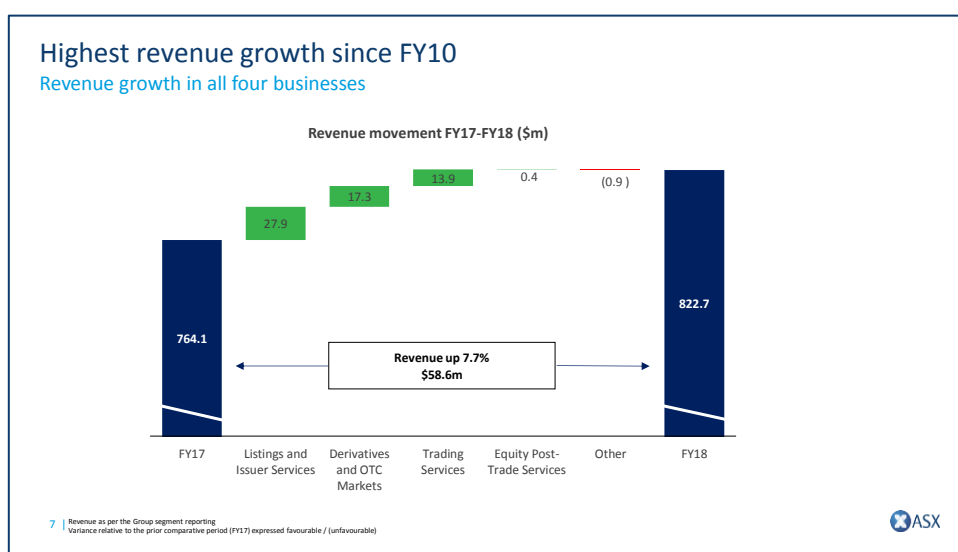
It was a strong underlying result, characterised by a substantial increase in revenue of \$58.6 million. This equated to a 7.7% rise, which was the strongest year of growth since 2010.

Our expense base as we forecast last year grew 8%, which was a mixture of underlying growth and some one-offs related to higher regulatory and electricity charges.

Pleasingly, ASX's EBITDA was up by \$44 million or 7.5%, which led to underlying NPAT and EPS being up just over 7%. Dividends per share for the year increased by 7.2% to \$2.16 per share and remain fully franked.

From a statutory perspective, NPAT was up 2.5% reflecting the \$20 million reduction in the carrying value of Yieldbroker.

Yieldbroker is Australia's preferred venue for electronic trading of bills, notes, bonds and swaps. While we are confident that Yieldbroker remains well placed as the inevitable switch from phone trading to on-screen trading continues, we decided to write-down the investment because the speed of that change has been slower than expected. As a non-cash item, it did not impact on our ability to pay dividends.



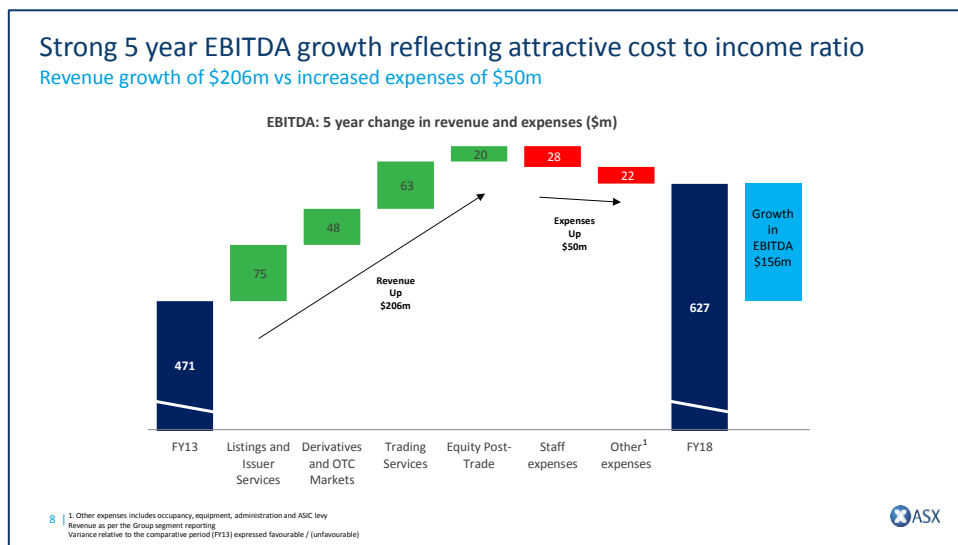
As you can see on the chart, all four business units delivered positive revenue growth.

The greatest increase came from Listings and Issuer Services, which saw \$81.7 billion of capital raised during the year, an increase of 46% on the previous year. This increase was both in primary IPO issuance and secondary issuance.

Our Derivatives and OTC business benefitted from the work that has been done to promote the ASX derivatives market as globally attractive; and from the implementation of a new and improved trading system introduced in March 2017.

Trading Services also saw a strong year of revenue growth. This was particularly pleasing as traded equity volume on the exchange was effectively flat year-on-year. Growth here came from our information services area, as our BBSW benchmark business had its first full year of operation; and in our technical services area, where we saw increased numbers of connections to our markets and increased connections between customers within our data centre, the Australian Liquidity Centre.

Finally, the Equity Post-Trade business saw marginal growth during the year. As mentioned, with traded volume on the exchange flat, clearing and settlement revenues reflected the same trend. Having said that, our Equity Post-Trade team probably had their busiest year ever as they ramped up efforts to replace CHES, which I will address shortly.



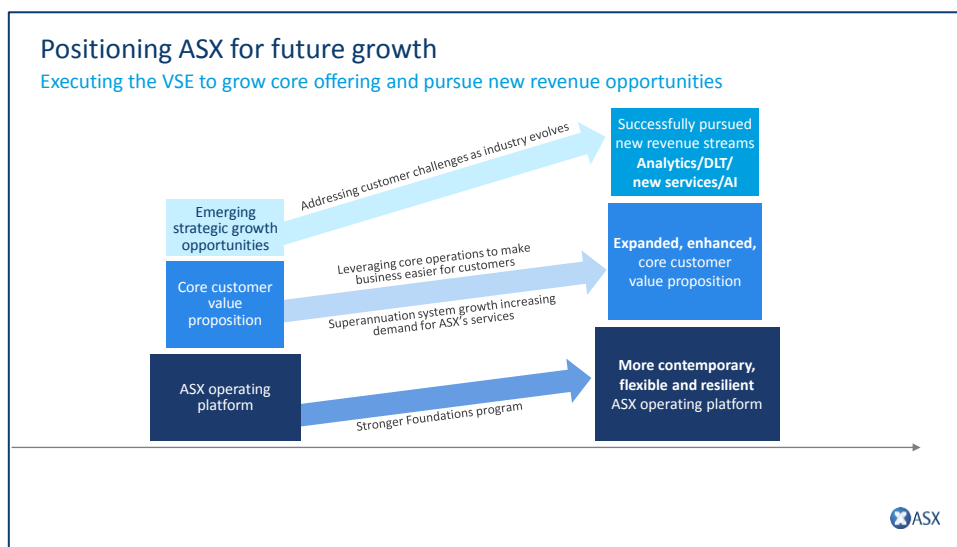
Finally, looking at our EBITDA growth over the past five years, this chart highlights the strength of our diversified business model. Specifically, since FY13, our four businesses have added revenue of \$206 million, while costs have increased by only \$50 million. As a result, EBITDA has grown from \$471 million to \$627 million – an increase of 33%, which equates to a compound annual growth rate of approximately 6%.



Today, I want to use the rest of my address to talk about our medium-term growth strategy.

At last year's AGM, I spoke about our long-term vision and the importance of not just focusing on ASX being the biggest or fastest growing – but on how it needs to be balanced and mindful of integrity, resilience and making life easier for our customers. In the current environment, I feel that this has become even more important and ASX is correct to focus on its culture, its risk management and its resilience.

Twelve months on, and we have made great strides in a number of areas. We've materially progressed our Licence to Operate initiatives, which are focused on enhancing the infrastructure and processes that ensure ASX maintains its reputation for resilience and integrity. We are also significantly more developed on pursuing opportunities that will expand ASX's business in the medium-term.



From my time on the Board and since becoming CEO, it is very clear that ASX is well positioned for future growth. This is being driven by three factors:

1. ASX has an incredibly strong core customer proposition. This sits on top of ASX's operating platform. We offer tremendous value to our customers by providing an efficient interface for investors and issuers in the Australian capital markets. Importantly, our core customer proposition is becoming increasingly global-leading through our:
  - International listings strategy
  - Our increasingly international technical services strategy
  - Our world-leading development of a DLT-based post-trade solution and
  - Our globally competitive derivatives business, which now sees one-third of its volume transacted overnight.
2. Importantly, this core customer proposition is growing and will continue to grow as:
  - The 'super system', which is projected to grow by a further \$6 trillion in the next 15 to 20 years, will lift the demand for investment assets
  - The demand for services provided to the Australian financial markets continues to grow. Our customers, and our customers' customers, are looking for administrative efficiencies, clearing and capital efficiencies, systems and technology support, 24-hour trading and real-time data services. Hence, we are busy putting the systems and technology in place that enable us to capture these growing demands and
  - Any growth internationally will only add to this.

So logically, as our core proposition grows, so does the need to enhance and grow our core operating platform.

3. In addition to the growth in existing businesses, as technology and regulations change we see innovative new products and services ASX can add to its existing platform that leverage what we already do – particularly in the realm of:
  - Data and analytics – where we are building a platform to leverage this
  - DLT – where we are beginning to think about what new solutions we can provide to the market
  - Property e-Settlement – where we are looking at how we can take our skills, connectivity and technology to new industries and
  - AI – where we are thinking of better ways to analyse data.





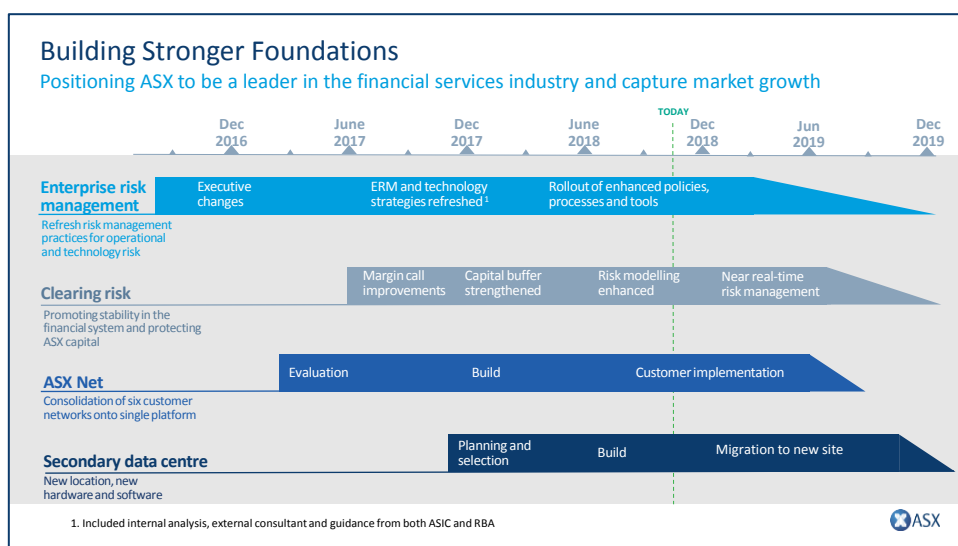
Let me now flesh out a couple of examples of what ASX is doing to expand our core value proposition and grow new businesses.

Firstly, I want to talk to what we call internally, our 'Stronger Foundations' program. This encapsulates a range of initiatives that focus on two of the areas I gave immediate attention to when I arrived as CEO around two years ago.

They were:

1. Risk management – this is something I have always been focused on throughout my career
2. Technology – given it's the number one thing ASX needs to get right for continued success over the next 10 years.

This program consists of a number of 'Licence to Operate' executables, furthering a number of the elements of our strategy, including providing innovative solutions and technology, preserving and growing trust and resilience, and being customer centric.



This slide outlines a few examples of our work to strengthen ASX's foundations so we remain a highly resilient and reliable financial market infrastructure provider. As Rick mentioned, we have worked productively with ASIC and the RBA in pulling this program together, and we are making very good progress on completing it.

As I mentioned when discussing ASX's attractive market position, we believe that demand for ASX services will increase in the coming years. As such, we want to put ourselves in the best place for handling this growth in demand.

So, in addition to enhancing our operational and enterprise risk management, our technology governance and cyber security, we are bringing forward our technology replacement programs such that when we roll-out our replacement for CHES in early 2021, we will have little material legacy technology. This is because we will have:

- Replaced our futures and derivatives trading platform, SYCOM (already done in 2017)
- Replaced our secondary data centre (currently in build mode)
- Consolidated ASX Net (currently in implementation mode).

All these technology upgrades would have to be done at some stage in the future as part of ASX maintaining its resiliency and efficiency. By bringing forward the timing of these upgrade projects, we are moving ASX into a stronger position faster so that we can pursue growth opportunities sooner.

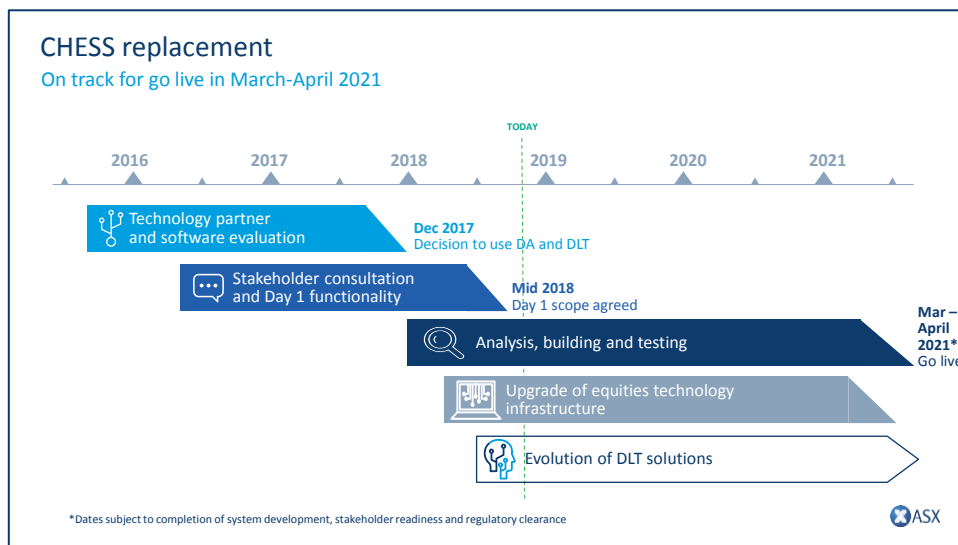


The second program I want to talk about is the distributed ledger project we are working on to replace our equity clearing and settlement system, known as CHES. In particular, I will discuss the positive, far-reaching effects we think a DLT system will have and how it could address the problems of operational complexity that face the industry. While DLT is an innovative new solution, these are not new problems – legacy systems and processes that increase costs and hamper innovation.

The first thing I would say about this project is that strategically it addresses all the elements within our strategy.

- It is customer centric, as we believe the benefits to customers will be sizable
- It greatly enhances our ecosystem
- It is an innovative technology solution
- It will improve resilience and integrity (replacing a 25-year-old system)
- It is a collaborative project, both internally and with the market and our regulators (I don't think ASX has ever invested as much time and effort in consultations).

It also leverages and builds upon our position as a trusted market operator. In some ways, this is a continuation of our current role, but redefined for the next generation of financial markets.

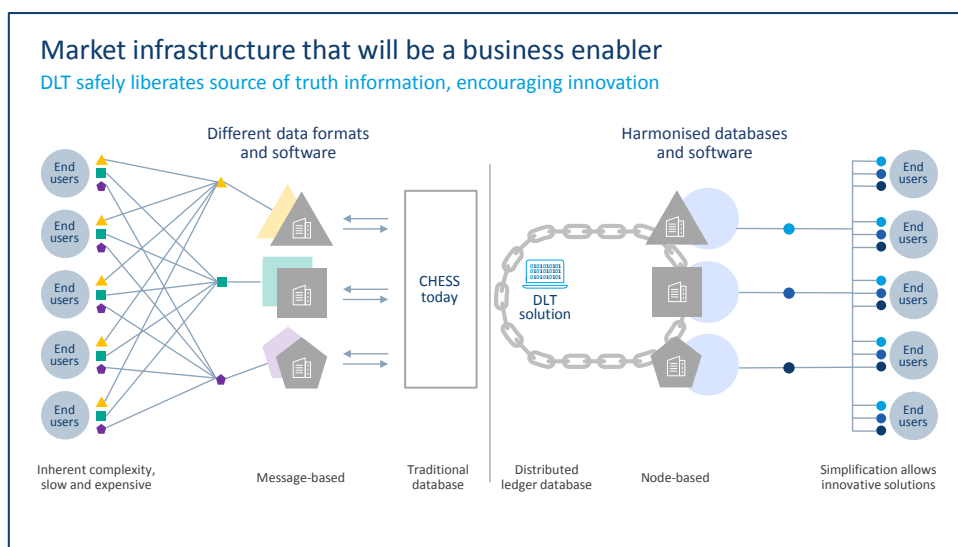


So where are we?

- We have investigated and selected our partner and technology
- We have completed stakeholder consultation on Day 1 functionality
- We have taken on board the market’s feedback and
- We have commenced the build stage.

Looking ahead, consultation with the market will be ongoing and in six-months’ time test beds will be populated with software. In addition, we are taking the opportunity to upgrade the peripheral technology that sits around CHES. We are also thinking about what other ‘DLT solutions’ we can provide to customers.

The best way to show how DLT will deliver benefits to the industry and to ASX is to elaborate on the difference DLT will make for market participants. To do this, I have set up a simplified head-to-head comparison between the old CHES system and a new DLT-based solution, which highlights three main benefits.





- So, if I begin in the centre and work my way out:
  - In the old world we have CHES
  - In the new world we have a DLT solution.


- Firstly:
  - In the old world, the technology is message-based and needs continual reconciliation which can be prone to error  
But in the new world, participants are ‘node’ based, so they don’t have to check their data with ASX as the node provides them access to source of truth data in real-time. So, no more reconciliation.
- Secondly:
  - The old world has different applications, in multiple versions, written in different languages, and in different data formats. None of the participants’ systems can easily talk to each other, only to CHES
  - But the new world sits on harmonised data and software, which allows processes and services to be built for operation across the industry and takes advantage of the fact that participants can now communicate seamlessly with each other, not just with ASX
  - So, DLT allows simplification and an ecosystem where value-added application building can flourish.
- Finally:
  - In the old world, the end-users ultimately pay for all of the complexity inherent in the system. Innovation by their service providers is understandably slow and expensive. If end-users use multiple intermediaries, they will have to deal with many different systems, data formats and processes
  - But in the new world, by liberating the source of truth data, DLT enables customers to not only enhance and simplify existing services, but also develop and provide innovative solutions along the value chain
  - So DLT allows service efficiencies and service innovations to intermediaries and end-users across the industry.

Of course, the equity market is not the only place where ASX can help create this type of value for customers. The same is true for the settlement of bonds through Austraclear, and for other asset classes that financial institutions still manage on legacy technology and with manual processes. But that is an opportunity to discuss another day.

**Sympi**  
Leveraging ASX expertise into an adjacent market with an experienced partner

- May 2018, entered the electronic property settlement market via a 50% stake in a new company called Symply Australia Pty Ltd
- Owned 50:50 with Australian Technology Innovators, parent company of InfoTrack
- InfoTrack brings complementary experience, expertise and existing conveyancing and property settlement relationships
- Investing approximately \$30m over the 2018-2020 financial years, expecting Symply to break-even in the 2021 financial year
- Believe customer service will be our competitive advantage



The last area I will talk to is our investment in Symply, which is an electronic property settlement service that we are developing in partnership with InfoTrack – the largest player in property search services and the second largest in manual property settlement.

Symply is the technology that replaces the need for all parties in a property settlement to turn up in a room and exchange documents and cheques physically. Symply is currently building out its offering to customers and working on connecting to the major banks. We expect to begin on-boarding customers in the first quarter of 2019.

We see this as a business that will be won or lost on customer service, where we feel we will have a significant edge. Early demonstrations to banks and conveyancing practitioners have reinforced our views about this.



The last two years have been extremely busy and productive for ASX. We are investing to realise new opportunities and to support the quality of our existing business. There is much to do to complete our Stronger Foundations and technology replacement programs. However, we see this hard work as setting up ASX to benefit from the underlying growth in our industry, as well as take advantage of attractive growth opportunities we see unfolding in the 2020s.

The team and I have tremendous pride in the work we are doing to enhance our core business and to create the next chapter in ASX's history.

I now hand back to Rick.

Thank you.