

18 December 2009

ASX Limited ABN 98 008 624 691 20 Bridge Street Sydney NSW 2000 PO Box H224 Australia Square NSW 1215

Telephone 61 2 9227 0115 Facsimile 61 2 9227 0667 www.asx.com.au

Clearing and settlement arrangements for potential operators of trade execution platforms for CHESS – eligible ASX-listed securities

The purpose of this letter is to provide:

- an update on the development work which has commenced so that the ASX group can provide clearing and settlement arrangements to potential operators of trade execution platforms for CHESS-eligible ASX-listed securities (Potential Market Operators);
- a description of those arrangements;
- an outline of the indicative pricing for a new service offering to Potential Market Operators, to be known as the Trade Acceptance Service; and
- an invitation to Potential Market Operators to register interest in being provided with the Trade Acceptance Service.

This letter is being sent to all Potential Market Operators who have been in contact with the ASX group on these matters and will be published on asx.com.au.

Background

It is anticipated that legislation will be introduced into Parliament next year to give effect to the Australian Government's decision to have the Australian Securities and Investments Commission (ASIC) supervise real-time trading on Australia's domestic licensed markets, with ASIC to begin performing these functions in the third quarter of 2010. The Government has indicated that moving to whole-of-market supervision by ASIC is the first step in the process towards considering competition for market services.

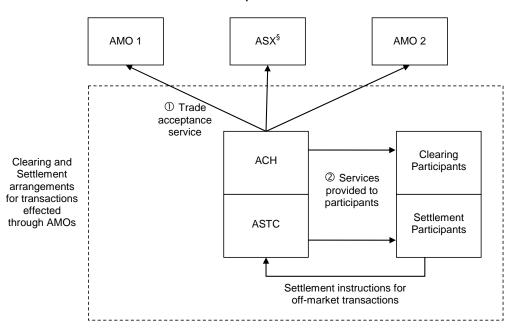
In anticipation of these developments, and to enable a timely process of engagement with Potential Market Operators, clearing and settlement participants and other stakeholders, development work for the provision of the Trade Acceptance Service is well underway. Subject to regulatory clearance and participant readiness, ASX's cash market clearing and settlement facility operators, Australian Clearing House Pty Limited (ACH) and ASX Settlement & Transfer Corporation Pty Limited (ASTC), intend to be ready to provide the Trade Acceptance Service in accordance with the Government's announced timetable for its consideration of outstanding licence applications by Potential Market Operators.

Trade Acceptance Service: overview

The Trade Acceptance Service will enable transactions in CHESS-eligible ASX-listed securities effected through multiple approved trade execution platforms (Approved Market Operators or AMOs) to be accepted by ACH and ASTC (the ASX CS Facilities) for clearing and settlement.

The Trade Acceptance Service will be provided by the ASX CS Facilities directly to AMOs. The Trade Acceptance Service is to be distinguished from the post-trade processing services which the ASX CS Facilities provide to participants in those facilities in respect of transactions accepted by the facilities for clearing and settlement (Clearing and Settlement Services) and is illustrated below.

Clearing and settlement arrangements for transactions in CHESS-eligible ASX-listed securities in a multi-market operator environment



§ ASX is an Approved Market Operator under the operating rules of the ASX CS Facilities.

Trade Acceptance Service: legal framework

The ASX CS Facilities will make the Trade Acceptance Service available to AMOs under a published set of contractual terms of service (Legal Terms of Service). The Legal Terms of Service will set out the terms of the Trade Acceptance Service including:

- the obligation of the ASX CS Facilities to provide the Trade Acceptance Service to the AMO in accordance with the Legal Terms of Service;
- the AMO's obligations to pay the price, comply with technical and operational standards and periodically certify its compliance with those standards;
- the term for which those arrangements apply in relation to the Trade Acceptance Service (initially set at three years, subject to review after two and a half years or on the earlier occurrence of specified review events); and
- exclusion of liability and dispute resolution.

The Legal Terms of Service will include:

- the price schedule;
- technical and operational standards applicable to the provision of the Trade Acceptance Service, which will set the basic parameters of trade acceptability; and
- information handling standards, which will deal with the disclosure and use of information provided by the AMO to the ASX CS Facilities.

The technical and operational standards applicable to the provision of the Trade Acceptance Service are being developed by the ASX group based on feedback received from Potential Market Operators, clearing and settlement participants and other stakeholders (including back office system providers) in the course of the public consultation process conducted by ASX during 2008.

Price

Trade Acceptance Service

The annual fee which will be payable by an AMO for the Trade Acceptance Service is estimated to be no more than \$450,000 (GST exclusive) pa. The annual fee covers development of the Trade Acceptance Service, the provision of technical and operational support and all business services.

An initial application fee of \$10,000 (GST exclusive) will be charged for each third party trade execution platform operator which applies to the ASX CS Facilities for approval as an AMO.

This fee structure will apply for the initial three year term of the Trade Acceptance Service offering.

Clearing and Settlement Services

The clearing and settlement fees payable by participants for a given transaction type will be the same irrespective of whether the transaction originated on ASX's trading platform or on the trading platform of any other AMO.

Further information

The ASX CS Facilities intend to provide more detailed information on the Trade Acceptance Service, including the draft Legal Terms of Service, price schedule and supporting standards, together with the technical specification, in January 2010.

Registration of interest

The ASX CS Facilities seek to directly engage in a fair and equitable way with all Potential Market Operators, clearing and settlement participants and other stakeholders on the implementation of the Trade Acceptance Service. If you wish to register an interest in being provided with the Trade Acceptance Service, please contact the writer directly.

Yours sincerely,

Rohan Delilkhan

General Manager, Clearing and Settlement Services