Chairman's Address

Introduction

Good morning ladies and gentlemen. Welcome to the 2017 Annual General Meeting for ASX Limited.

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

Before we start I ask everyone to turn off their mobile phones or switch them to silent please.

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 speeches have been released to the market and published on our website.
Let me begin with some introductions. I am Rick Holliday-Smith, the Chairman of ASX.

Next to me are Managing Director and CEO Dominic Stevens; Company Secretary Daniel Moran; and directors Heather Ridout, Robert Priestley, Yasmin Allen, Peter Warne, Damian Roche, Melinda Conrad, Peter Marriott and Ken Henry.

The 2017 financial year was a solid one for ASX. Activity and revenue levels were higher across most major areas of the business, and we achieved our fifth consecutive year of profit growth.

We had success with many of our strategic initiatives including:

- introducing an upgraded trading platform for our derivatives business
- promoting ASX as a respected listing venue for foreign and technology companies
- becoming the administrator of the Bank Bill Swap benchmark
- and implementing new admission rules and enhanced guidance to strengthen the quality of our market.

This year also marked the 30th anniversary of ASX’s creation. In 1987, Australia’s six state stock exchanges joined to form one national market – the ASX.

ASX is now one of the top 10 exchange groups in the world and punches above its weight. Our scale, connectivity and reputation are attracting increasing numbers of companies, traders and investors from home and abroad.

The decision to form ASX 30 years ago took vision and courage. Since then it has played a critical role in Australia’s economic development. And delivered tremendous value to companies and end investors.

Today’s ASX remains true to that vision. We continue to seek better ways to serve our customers, strengthen ASX’s resilience and improve the competitiveness of Australia’s financial markets.

It is a great privilege and pleasure to serve as your Chairman. On behalf of the Board and management, I thank our shareholders for your support throughout the year.
In 2017 ASX produced record revenue and earnings.

Operating revenue exceeded $764 million, up almost $18 million or 2.4%, and profit after tax was $434 million, up $8 million or almost 2%.

Operating expenses increased 6% and our capital expenditure was more than $50 million. These reflect the investments we are making in our people, new technology and growth initiatives.

All major businesses contributed to the solid performance. This was supported by pockets of volatility in equity and futures markets, and by good progress on initiatives such as Centre Point and OTC clearing. Despite a decline in the amount of capital raised, there were 152 new listings in 2017, the most in six years.

Our CEO, Dominic Stevens, will say more about ASX’s business performance shortly. This will include our strategy to grow the listings franchise, our new futures trading system and an update on our plans for distributed ledger technology as a possible solution to replace CHESS. We are increasingly confident that this technology will help simplify how our marketplace works and should unlock a new era of efficiency and innovation.

It is the combination of macro-economic drivers and ASX’s own initiatives that provide the company with growth opportunities for the future.

The Board determined a final dividend of 99.8 cents per share fully franked. This will be paid tomorrow. This took dividends for the full-year to 201.8 cents per share, an increase of almost 2%.

We have maintained our dividend policy of paying out 90% of underlying net earnings to shareholders. We review this policy regularly to ensure we have the flexibility to invest in our infrastructure and deliver sustainable returns to shareholders.
Importance of culture

At last year’s AGM I introduced Dominic Stevens as the company’s new CEO. I congratulate Dom on his first 12 months in the role. He has transitioned from board to management seamlessly and established an excellent rapport with staff and other stakeholders. Your Board is pleased with the appointment and asks that you support the grant of performance rights to Dom when we come to vote on item 5 later today.

Dom is making positive changes to ASX’s culture and positioning. You may have read in our 2017 Annual Report that ASX’s vision is to be ‘the world’s most respected financial marketplace’. It’s an aspirational, but we hope, realistic goal. It’s the centrepiece of a new Vision, Strategy and Execution – or VSE - framework that Dom has rolled out across the company. Staff have embraced it. Dom will elaborate shortly.

The VSE has the Board’s strong support because it recognises the importance of what we call ASX’s ‘licence to operate’ activities. These are the critical functions ASX performs every day, often overlooked and unheralded, that go to the heart of operating the market. They underpin the trust and confidence of all those who interact with ASX, and are vital to our brand and reputation.

Recent events have underlined the importance of these issues for corporate Australia. The community has high expectations of our key institutions. So do I. The integrity of ASX’s people, policies and processes is core to our value proposition. I would like to assure shareholders that your Board pays close attention to ASX’s culture and is strongly protective of ASX’s good name.

This includes how we manage risk, be those risks financial, operational or related to technology. ASX has a very effective governance, control and compliance framework in place to manage these exposures. This encompasses how we manage the risks associated with the platforms and processes we operate that are critical to the functioning of Australia’s financial markets.

On the cyber front, ASX invests in the resilience and security of its systems. We liaise with relevant authorities, benchmark our arrangements against global best practice standards, and have received favourable assessments from the regulators. In a report published earlier this month, the RBA concluded that ASX has conducted its affairs in a manner that causes or promotes overall stability in the Australian financial system.

Our unique position allows us to raise risk awareness with Australian business. In April I hosted the launch of the ASX 100 Cyber Health Check Report. The report identified a high level of risk awareness among our larger listed companies and a commitment by them to stay vigilant and take appropriate risk-mitigating action. It provides a framework for all businesses to evaluate and improve their cyber resilience. The report can be found on ASX’s website.

As an investor myself, I understand the importance of this issue to the millions of investors who hold shares in Australian companies. ASX will continue to provide leadership in this area.

Board renewal

I am delighted that Robert Priestley joined the Board as a non-executive director in May this year. As is normal, he is seeking your approval at today’s meeting. Rob has over 30 years’ experience in the financial services industry, including as a former CEO of JP Morgan Australia & New Zealand. He will address you later in the meeting.

Directors Damian Roche and Peter Warne will also make short speeches in support of their re-election. All three candidates are endorsed by the rest of the directors.
Peter has a long and distinguished background at ASX and I am pleased the Board has convinced him to stand again today. His unique skills and experience are of great value, especially those relating to clearing, risk management and derivatives. The Board and I strongly request your support for his re-election.

In my view, ASX has a collegiate, insightful and well-functioning Board. As such, I believe the interests of shareholders are in good hands.

**Director fees**

With that in mind, I would like to provide proper context as to why we are seeking to increase the cap for non-executive director remuneration – item 6 on today’s agenda.

The current cap of $2.8 million has been in place for five years. We now seek shareholder approval to raise it by $200,000 to $3 million. The amount paid in FY17 was $2.4 million.

The primary reason for the fee rise is to cater for the increase in the number of directors - we’ve moved from nine to 10. Melinda Conrad and Robert Priestley have been appointed to the Board, while Dominic Stevens has moved into the CEO role.

We’ve also made changes to our governance arrangements and to the responsibilities of our directors. These arrangements see directors more involved in all aspects of our businesses. This deeper involvement allows directors to better understand the many and complex aspects of our operations and risks. We have increased the base fee to cater for this and only pay extra amounts to the chairperson of the key committees or subsidiary boards. As a result, some directors will receive more in fees and some will receive less. The proposed increase will cover these changes and allow ASX to retain its traditional fee buffer to give a level of flexibility.

**Conclusion**

Once more, I thank you, our shareholders, for your confidence in ASX. In my view, we finished the financial year a stronger, more sharply focussed and competitive company.

I now invite Dominic Stevens to address the AGM.
Introduction

Thank you Rick and good morning everyone. It is a pleasure to be here with you today.

I have had the honour of serving as your CEO for just over 13 months. The past year has been rewarding for ASX and an exciting and insightful time for me. I’ve gained a greater appreciation for the breadth of our business and been impressed by ASX’s energy and innovation. I’ve also had a glimpse of the opportunities offered by the dynamic environment in which we operate.

ASX delivered a solid financial performance in 2017. We reached a number of important milestones to enhance our existing businesses. We also continued to invest in the critical infrastructure that positions Australia’s financial markets for the future and maintains our reputation for quality and reliability.

And through projects such as our new futures trading platform and the consultation on CHESS replacement, ASX is raising the bar on our delivery to, and engagement with, customers and other stakeholders.

We’ve also provided clarity on our long-term direction and goals and progressed work to enhance the internal culture at ASX.
ASX business performance

Let me start with highlights from this year’s financial performance.

ASX saw continued profit growth in 2017. As Rick stated, this is now the fifth straight increase in annual profit for our company.

Rick’s already presented the high-level numbers so I won’t repeat them. However, if you look at the chart on the right, you can see that over the past five years ASX has added $154 million of revenue, while incurring only $40 million of expense. This has been at the enviable cost to income ratio of 26%, which underlines the fact that ASX continues to be a profitable, efficient and well-run company.

This chart shows the year’s solid performance with all four major business lines either equalling or improving their performance on the previous year. Let me share some key points:

- In 2017, our Listings and Issuer Services business delivered a pleasing result in a tough market, with particular success attracting foreign and technology companies. Even though the amount of capital raised was down, the number of new listings was substantially up - as Rick mentioned earlier, the most in six years. This reflects the dynamics of the current market, with smaller companies coming to market with smaller issuance sizes.
The healthy growth of exchange-traded products - or ETPs – continued, especially those offering international exposure. Over the last five years, total ETPs have increased from 84 products valued at $5.2 billion to more than 213 products valued at over $29.5 billion today.

- Our **Derivatives and OTC Markets** business – ASX’s largest business - produced solid gains, which was especially pleasing coming off a strong 2016 for futures. We expanded the operating hours of our OTC clearing business to clear interest rate swaps 24 hours a day. Value cleared in this service - which gives our customers a world-class OTC clearing service under Australian regulatory oversight - was up 88% to $5.2 trillion.

- We also saw significant growth in our **Trading Services** business. While overall on-market traded value grew only 3%, ASX experienced a rise in revenue of almost 14% due to the continuing success of our Centre Point and Auctions services. These grew in value by 36% and 13% respectively. These services offer improved liquidity and protection from some of the challenges of a fragmented equity market.

Information Services and Technical Services also rose strongly, driven by our expanding Australian Liquidity Centre and ASX Net community. It is pleasing to see a growing number of intermediaries, end users and service providers locating their technology in our data centre and communicating across our network to reduce the costs of doing business with each other. The addition of the BBSW benchmark business has also been an important addition to our service offering.

- Revenue in our **Equity Post-Trade** business also rose solidly, largely on the back of higher cleared value and number of settlement messages.

One of the key factors underpinning the strength of ASX’s result is our diversified and robust business model.

Diversification supports revenues across different market cycles. We have businesses that benefit from volatility - such as equity and derivatives trading; we have some that benefit from less volatile conditions – such as new listings; and we have other businesses that are agnostic to markets – such as technical services.

The theme of diversification also relates to the way we engage with our customers. We are working on a number of initiatives to improve our services and make the businesses of our customers simpler and more efficient. This has been critical in developing our long-term plans and imagining what ASX might look like in the future. I’d like to cover that now.
Vision, Strategy and Execution

As Rick mentioned, a focus for me this year has been on revisiting ASX’s vision and core strategies. I want to ensure we set the right aspirational target for ASX over the medium to long-term, build on our brand and reputation, and maintain the trust and confidence of the market.

To help achieve this, we have introduced a new Vision, Strategy and Execution framework to connect our high-level aspirations with our day-to-day activities. This framework provides staff with clarity and focus on what we need to deliver in the short-term to achieve our vision. It’s also important that shareholders understand these drivers.

Let me spend a couple of minutes taking you through the ‘what’, the ‘who’ and the ‘how’ of our vision.

Firstly, as what do we see ourselves: an exchange, a technology company or an infrastructure hub? We believe we are actually all of these things and more. We are a marketplace, a community, an ecosystem.

So, to whom do we want to compare ourselves; where do we set our benchmark? We want to emphasise a global or world lens through which we view our businesses and opportunities - whether it’s promoting ASX as a listings venue for foreign companies, competing with other exchanges for clearing OTC products, or leading the world with our investigation of distributed ledger technology.

And finally, how do we measure ourselves? This is hardest to nail down. To earn the respect of you, our shareholders, as well as customers, staff, analysts, regulators and media, we have to perfect the balance of managing for all stakeholders, for both the short and the long-term.

We need to deliver financial success, including sustainable returns to shareholders - however, we must act with integrity. We need to continue to innovate – however, we must maintain the trust and confidence of the market through reliability and stability.

If we correctly balance these competing priorities we will be ‘the world’s most respected financial marketplace’. I see this vision as an evolution from where we have been, rather than a revolution. And it reflects a strong focus on our customers, our integrity and our shareholders.

To achieve our vision we have defined a set of core strategies to put in place over the medium-term. These include:
- building a diverse ecosystem of products, services and stakeholder partnerships
- providing innovative solutions and technology for our customers
• maintaining trust, integrity and resilience in our relationships, systems and brand
• being customer centric in everything we do, and
• strengthening the collaborative culture among our people.

We are demonstrating early success in a number of these strategies, which I will touch on in a moment.

The third aspect of our Vision, Strategy and Execution framework is the most tangible feature – execution. These are the actual deliverables over the next 12 months that we’re aiming to complete that will best move us towards achieving our goals.

These activities relate to two, equally important aspects of our business – Licence to Operate activities and Key Initiatives.

• **Licence to Operate** activities go to the heart of our brand and reputation. They reflect the determined work that happens every day - our core operations – to uphold market integrity and maintain the trust and confidence of our stakeholders. As we’ve seen elsewhere in recent times, these features can be hard to win but easily lost.

• **Key Initiatives** include many of the projects Rick and I have already mentioned – our listings strategy, DLT initiative, Centre Point, OTC clearing innovations, the ALC and ASX Net communities, to name a few. These are the strategic initiatives that will underpin our company’s growth.

Licence to Operate and Key Initiatives are interdependent for our business. We cannot have one without the other. This is strongly endorsed by ASX staff.

**Strategic initiatives**

I would now like to expand on four things that demonstrate the traction we are gaining in some key areas. These align with the core strategies I just spoke about - whether it’s expanding our ecosystem or offering new, innovative solutions to improve market efficiency and serve our customers’ needs.

Firstly, opportunities in our listings business. We continue to grow our listings business by focusing not only on our existing franchise, but by providing an increasingly attractive capital raising venue for companies based offshore and for technology companies.
ASX is a serious listings player on the world stage. While we’re not doing the ‘mega’ global listings seen in New York, London or Hong Kong, we did list more companies than other major exchanges in calendar year 2016. This is an impressive feat in what has been a subdued market, one not driven by a mining boom. Importantly, even on a ‘dollar raised’ basis, ASX still ranks around the middle of the top 10, often raising more than many of the major exchanges seen in the chart.

Our technology listings increased by 40 this financial year, with the sector now the third largest on ASX with over 200 listings in total. We’re attracting a mix of large companies like MYOB and WiseTech, and many smaller high-growth companies from home and abroad, such as Catapult and Afterpay.

As the chart on the left shows, ASX used to list only a handful of technology companies a year. Since FY15, it’s been between 30 and 50.

Looking now at the chart on the right - our effort to promote ASX as a capital raising venue globally is gaining ground. ASX has attracted over 100 foreign listings in the past three years, from a wide range of industry sectors and countries. In 2017 we welcomed 39 offshore companies from countries such as Israel, New Zealand, Singapore and the United States. Most recently we listed our first German company.

ASX is developing what we see as a global ‘sweet spot’ - that is, listing companies in the $50-500 million market cap range, underpinned by our market’s liquidity, our contemporary rules and guidance, and the quality of our corporate governance standards.

This is best reflected in a story told to me by the CEO of an Israeli company that listed on ASX recently. After researching and visiting all potential venues around the world, he chose ASX because it was “just right”. His company was too small for some of the big global exchanges. Some others were happy to offer him a listing on their second boards, which did not appeal to him. While at others, he was put off by the complexities of the local securities regulation and listings process.

At ASX however, his company listed on our single, main board; there was liquidity and a knowledgeable analyst community; and in the words of the CEO, the process was “more straight-forward”.

I would now like to talk about our focus on innovative solutions and technology.
A new era for the Australian futures market began in March this year when our new futures trading platform successfully started matching trades. ASX’s proprietary SYCOM platform – the latest version of a system that had been in place since the late 1990s - was replaced by a contemporary platform that uses global standard protocols. The new system provides customers with richer functionality, improved performance, and reduced development and maintenance costs.

Its implementation was the culmination of two years of planning, testing and hard work from ASX and the industry. The words on the slide reflect some of the positive feedback we received from customers.

ASX coupled the platform implementation with an investment in new, intelligent technology, which allows us to find, diagnose and fix many issues before our customers even realise there is one.

This experience has set a new benchmark in customer service for ASX and demonstrates the benefits of being customer centric in everything we do. It is also a positive reflection of what ASX and the industry can achieve by working together for a common goal.

This brings me to another technology project where ASX and the market can achieve great things by working together for a common goal. The replacement of CHESS and the possible roll out of distributed ledger technology or blockchain.

**CHESS replacement strategy progressing well**

- Significant stakeholder consultation program underway
- Enterprise-grade DLT software development of equity clearing and settlement functionality on track for December assessment
- Potential for significant operational efficiencies and new service offerings for the entire industry
Our extensive market consultation remains underway, including workshops, demonstrations and business committee meetings, involving customers, regulators, share registries, other exchanges and industry associations. We’ve given over 60 DLT system demonstrations or CHESS replacement workshops to more than 110 companies and over 500 attendees from the global financial services industry.

All this ensures that ASX will be the best informed it can be about the specifications needed for new post-trade infrastructure for the equities market.

It is a big undertaking, and I am pleased with our progress and the potential of distributed ledger technology to deliver real efficiency gains for the market. We are on track to make an announcement about our assessment of its suitability to replace CHESS in December 2017.

The process has been a fantastic opportunity for ASX to engage with its customers and build a detailed understanding of what the industry wants. This has also included identifying improvements for customers beyond the world of CHESS, which we are also looking to implement.

Let me now expand a bit more on innovation and competition.

ASX operates in a highly competitive environment in most of our businesses today. I spoke earlier about how we compete for foreign listings, for example. We’ve demonstrated that we can compete strongly, and we’ve established a track record of building innovative new services.

This is based on addressing what our customers tell us they want - reduced complexity and operating costs in their back offices, and a platform for new revenue opportunities. This continues to be ASX’s focus as we explore the potential of distributed ledger technology.

Another good example is in the equity trading business, which was opened to local competition some years ago. Here, ASX has sharpened its customer service and developed products like Centre Point.

Centre Point is an anonymous mid-point matching service, developed by ASX for investors in the fragmented equity market.

In FY17, the value transacted in Centre Point exceeded $100 billion, representing growth of 36% on last year. It is now 10% of all ASX on-market trading and one of our fastest growing services.

As the diagram on this slide depicts, ASX has introduced a range of functional innovations to Centre Point over the years - shown by the different colours - which have all been designed to meet the needs of end user
investors for greater control over their orders. This is a good example of ASX's strategy to apply a customer centric approach to everything we do.

Customers support Centre Point because they see value in it. It gives them tools to help navigate Australia’s fragmented and more complex equity market.

Earlier this month, Australia’s Council of Financial Regulators released material confirming the Government’s policy of openness to competition in equities clearing and settlement. ASX is not opposed to the notion of competition. We see our goal as providing the best and most efficient service to our customers.

It is important however, that the customers who eventually pay the costs arising from fragmenting the market receive tangible net benefits.

Feedback from the recent consultation undertaken by the regulators found that most stakeholders who replied were concerned about the potential risks and inefficiencies that could arise from having multiple clearing and settlement providers. This includes the erosion of netting efficiencies, rise in connection costs and additional operational risk. With two trading venues already and the potential for two clearers and two settlement facilities, we would have eight different ways to book a trade. We at ASX believe the market wants less - not more - complexity.

We also think end users feel underwhelmed by competition in trading. The benefits have not outweighed the costs and many feel the quality of the market has been affected.

In any event, a potential change in market structure underlines the good sense of ASX making an early investment in the exploration of distributed ledger technology. We are in a world-leading position in understanding whether the technology could provide significant efficiency gains for our customers.

Summary

Much of what I have spoken about has focused on technology - technology listings, the roll out of better technology for our customers, the innovations we are delivering via technology, and the capital investment we are making in technology.

This is a powerful theme that cuts across all levels of our business into the future.

ASX has created the world-class ecosystem of the Australian Liquidity Centre with ASX Net connectivity. We are looking to add to that a leading global position in database technology in the form of distributed ledger technology.

We are also examining the opportunities for making more of the enormous amount of data ASX collects available to our customers.

We have a clear path and aspirational vision, guided by core strategies and specific action items over the short-term.

I see the next few years as exciting ones for our company, and I am energised by the support of staff and constructive engagement of our stakeholders. I thank them - and you our shareholders - for making my first year as ASX CEO such a satisfying one.

I would now like to hand back to Rick to continue with the formal part of the meeting.

Thank you.