Stronger foundations for resilience and growth

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Managing Director and CEO

Stockbrokers and Financial Advisers Conference
23 May 2018
Agenda

Stronger foundations for resilience and growth

Contemporary technology to drive efficiency and innovation

A new generation of products and services
Stronger foundations for resilience and growth

Contemporary technology to drive efficiency and innovation

A new generation of products and services
## Focus on core operations and future growth

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**ASX initiatives**

- **CORE CUSTOMER VALUE PROPOSITION**
  - Access to capital
  - Listings integrity
  - Trusted brand
  - Investor choice

- **MACRO GROWTH DRIVERS**
  - Expanding savings system
  - Product diversification
  - Growing capital needs

- **TRADE EXECUTION**
  - Liquidity
  - Risk management
  - Market integrity
  - Efficient and timely access

- **POST-TRADE**
  - Capital efficiency
  - Risk reduction
  - Operational efficiency
  - Settlement certainty

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**ASX initiatives**

- **NEW PRODUCTS AND SERVICES**
  - Listings franchise expansion
  - ETF/ETP listings
  - mFund growth
  - LIC/LIT listings

- **GROWING CUSTOMER ECOSYSTEM**
  - Growing customer ecosystem
  - ASX Benchmarks (BBSW)
  - Centre Point innovation
  - ALC/ASX Net solutions

- **DISTRIBUTED LEDGER TECHNOLOGY**
  - Distributed ledger technology
  - OTC Clearing
  - Margin efficiency
  - ASX Collateral

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**Licence to operate**

- **MARKET ANNOUNCEMENT**
  - Platforms upgrade
  - Secondary data centre

- **BUSINESS MONITORING TOOLS AND PROCESSES**
  - ASX Net upgrade

- **LISTINGS COMPLIANCE ENHANCEMENTS**
  - Digital refresh

- **OPERATIONAL INFRASTRUCTURE**
  - CHESS replacement

- **CUSTOMER SERVICE IMPROVEMENTS**
  - Investor education

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- **OPERATIONAL INFRASTRUCTURE**
  - CHESS replacement

- **CUSTOMER SERVICE IMPROVEMENTS**
  - Investor education
Contemporising technology platforms
To support the next 20 years of growth

Richer, more timely data sets
Better operational functionality & resilience
Improved analytics

New futures platform
Operational infrastructure
Secondary data centre
ASX Net upgrade
Digital refresh
BBSW robustness
CHESS replacement
Stronger foundations for resilience and growth

Contemporary technology to drive efficiency and innovation

A new generation of products and services
Extensive evaluation to inform DA and DLT decision

Enterprise-grade software developed to test for functional and non-functional aspects

Dec 2017
Decision to use DA and DLT
Stakeholder input drives CHESS replacement planning

Currently consulting on Day 1 functionality, timing and implementation

- **Dec 2017**: Decision to use DA and DLT
- **Mid 2018**: Day 1 scope agreed
- **Technology partner and software evaluation**
  - DLT companies assessed
  - Build prototype and software
  - Testing and review
Proposed new functionality
Provides streamlined processes and standardisation

40 features
Day 1
- Enhanced corporate actions management
- Improved settlement processing
- Electronic provision of CHESS holding statements
- Corporate Actions STP Phase II
- Move to global messaging standard ISO 20022

Further features
Phase II

50 functional and non-functional opportunities

Connectivity choice

2 ½+ year planning and preparation
Multi-year build, test and readiness program

Preparing for system cut-over in Q4 2020 - Q1 2021


Technology partner and software evaluation

- Dec 2017: Decision to use DA and DLT
- DLT companies assessed
- Build prototype and software
- Testing and review

Stakeholder consultation and Day 1 functionality

- Mid 2018: Day 1 scope agreed
- Initial consultation
- DLT demos
- Industry working groups
- Day 1 consultation

Analysis, building and testing

- Q4 2020 - Q1 2021*: Go live
- Enterprise-grade build
- Incremental external software drops
- Industry-wide testing

*Dates subject to completion of system development, stakeholder readiness and regulatory clearance
CHESS today

Sends messages to reconcile many and different systems
DLT-based CHESS

Offers real-time, single source of truth data on standardised databases
DLT-based CHESS offers flexibility and choice

Connection options via DLT node or message-based like today

Broker F
ISO messaging

Bank A
DLT node

Broker E
ISO messaging

Bank B
ISO messaging

Bank D
DLT node

Broker C
DLT node
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New products and services
To meet increasing and changing investor appetite

- $2.6t in super, growing to $9.4t by 2035
- $1.9t total market cap of ASX listed equities
- 6.9m hold on-exchange investment
- 27% super held in SMSF
- $700b in SMSF
- $239b via ASX
  high proportion in large cap Australian equities
Strong growth in ASX investment products

Early days, but mFund growing fast

**LICs and LITs**

- **$39.4b** market cap (FUM)
- **107** Funds

**Exchange traded products**

- **$37.6b** market cap (FUM)
- **233** Funds

**mFund**

- **$624.5m** market cap (FUM)
- **198** Funds

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16 | Source: ASX Investment Products Monthly Update – Apr 18
New listings

Since 2012, new listings have provided attractive returns to investors

- ASX 200 Accumulation Index\(^1\): 6.6%
- All ASX listings\(^2\): 13.0%
- ASX listings with <$50m market cap: 13.1%
- ASX technology listings: 16.4%

\(^1\)$1 invested in ASX 200 on each day of every ASX listing Jan 2012 – Feb 2018
\(^2\)$1 invested in every ASX listing Jan 2012 – Feb 2018 (includes back door listings)
Quality is key for market integrity
Continued evolution and strengthening of listings framework

<table>
<thead>
<tr>
<th>Year</th>
<th>Changes</th>
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<tr>
<td>2012</td>
<td>Good fame and character requirements introduced</td>
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<tr>
<td>2013</td>
<td>Mining, oil and gas code</td>
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<tr>
<td>2014</td>
<td>3rd edition Corporate Governance Principles and Recommendation</td>
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<tr>
<td>2015</td>
<td>10% minimum free float applied</td>
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<tr>
<td>2016</td>
<td>New pre-vetting process for listings</td>
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<tr>
<td>2017</td>
<td>Tightened rules on reverse takeovers</td>
</tr>
<tr>
<td>2018</td>
<td>Tightened guidance on good fame and character requirements</td>
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- Back door listings regulation
- Continuous disclosure improvements
- New (foreign exempt) category for NZ entities
- More control over listings decisions
- New suspension policy for back doors introduced
- Major strengthening of admission rules
- Automatic removal of long-term suspended entities
- Removed trading halts for block sales
- Consulting on 4th edition Corporate Governance Principles and Recommendations
- Consulting on extensive listing rule amendments
  - Issue and quotation of securities
  - Placement rules
  - Related party transactions
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Thank you.