Agenda Item 1: ASX Financial Reports

Stephen Mayne, Shareholder and Board Elect:
Chairman, good morning, I am Stephen Mayne. Shareholder, I am a proxy representative for 9 other shareholders, I am a candidate for the board and I have a couple of questions to open up with. Just in relation to your speech this morning I think it is fair to say that was a swash buckling farewell.

Maurice Newman, ASX Chairman:
Mr Mayne sorry, are these related to the financial reports, the directors’ report or the auditors’ report?

I have got a question about the general business, the general operation and management of the company yes.

That question would seem to me to be best left until the end of the meeting when questions from shareholders will be received. I am asking for questions relating directly to item one on the agenda.

Alright Chairman, normally general business is when you ask general questions. So I am surprised that you are shunting the debate until the end of the meeting, is that what you are proposing to do?

I am asking for questions which relate to Item 1 on the agenda paper, if you have a question relating to item 1 would you please ask it.

Alright then, in terms of the financial performance outlined in the accounts, I am concerned that we are going to seriously damage the financial performance as outlined in the accounts because of your attitude towards market supervision. I thought your performance today in blaming the press for everything was outrageous and the facts of the matter are that the Chairman of the Commonwealth Bank has criticised our market supervision performance, the Chief Executive of QBE has criticised it and the debate has been led by Risk Metrics and Regnant two prominent proxy advisory firms and for the Chairman of the ABC to stand up and blame the press for everything I thought was just delusional and completely...

Do you have a question relating to the accounts Mr Mayne?

My question in relation to the accounts chairman is how damaging will it be to our financial performance going forward if this board has so imperilled our monopoly franchise by its lacklustre supervision of the market that we are stripped of our monopoly and that we are stripped of our supervisory role because that’s what I think you have done and I think it is going to be enormously financially damaging to us and to see you in complete denial, blaming the press for everything, I thought was outrageous, so how much will this cost us if we are stripped of the role?
Well I think the question you ask as you know is rhetorical but I think the premise on which you base your questions is that ASX has been negligent in relationship to its supervision and both I and the Managing Director have put before you facts which I think go to deny the points or the assertions that you make. Assertions don’t means facts, assertions are what they are and very often based in ignorance. Are there any questions related to item 1, financial report, director’s report and auditor’s report?

Noel Cummings, ASX Shareholder:
My name is Noel Cummings. I am very pleased that I did come along today and hearing the Chairman and the CEO, in particular talking about competition. Now and I am very pleased that you are going to look at it, its such a complex issue that you have to put, as you say, the points of view against it as for it, because part of the way things have gone over the last 20 years it has been good to have competition. Micro economic report, particularly on the supply side has helped the growth of companies, main companies and economies of countries around the world so I am interested if this is so this could be an exception to the rule.

Could we come to that question later Mr Cummings please because we are trying to deal with the accounts and with the independent auditor’s report and the director’s report.

Well I will continue later, I thought that that was part of the thing of the Chairman and the CEO’s address which you mentioned quite, towards the latter part of your talk, it was quite a bit and it’s an important thing for the future.

Thank you. Are there any more questions which relate to the accounts? If not could we move to item 2.

Agenda Item 2 – SEGC Financial Report

Stephen Mayne:
I haven’t seen the actual financials, could you tell us what the net assets of the fund are and is there likely to be any call on the fund given the collapse of OPES and Chimaera and Lift Capital and all the unprecedented chaos in the market over the last year. Will be there be any calls do you think or has there been any claims on the fund as a result of those market mishaps?

Could I hand it over to General Counsel?

Amanda Harkness, General Counsel and Company Secretary:

Thank you, Mr Mayne the net assets of the fund are in the order of a hundred million. We have received two formal claims in relation to the fund in relation to OPES Prime claimants. They are being considered and investigated. We are also on notice that there are likely to be other claims. The advice that we have is that the second creditors meeting will now be held in mid-October and we are expecting to have further clarification as we move towards that date as to the likely number of claimants and the heads of claim upon which they will be relying in relation to any claim on that fund.

Are there any more questions? If not could I ask you to move to item 3.

Agenda Item 4 – Election of Directors

May I first introduce Mr Mayne to address the meeting.

Thanks Chairman, ladies and gentlemen, I have nominated for the board today, I guess out of frustration. I am a shareholder in 730 different companies, I am an investor in all of the different Babcock and Macquarie Bank listed investment vehicles. I should say I have small shareholdings, the total value is less than $200,000. and I have suffered probably some of the worst performance particularly from the Babcock & Brown vehicles. And in April this year there was a very interesting report released by a firm called Risk Metrics which explained how the governance procedures at these listed vehicles were really quite appalling, they were often registered in Bermuda, they received waivers from the ASX in terms of the one vote, one value principal, you couldn’t properly fire the board. The full management agreements weren’t disclosed to the market so I went along to the Macquarie Airport’s AGM and I asked them to disclose their management contracts in full because they have been gauging

Interjection from another shareholder:
He is supposed to be telling us what he is all about, not his losses and his gains, we want to know why we should vote for him.

Maurice Newman:
Would you like to get to the point?

I would like to finish my 5 minutes if that’s alright. Macquarie Airport refused to reveal their management agreement even though they have literally taken many hundreds of millions in fees out of that vehicle. I then went to the Babcock & Brown annual meeting and I asked them to release their management contracts there and they refused. I then went to the Macquarie Bank annual meeting and I asked them to release their management contracts and they refused as well. In the US it’s compulsory that you release your management agreements if you are a listed investment vehicle.

So I have decided to run for the board of the ASX on a very simple platform: that platform being that the ASX requires all third party managed externally managed investment vehicles to release their full management contracts. Very simple, and I undertook to resign as soon as the ASX did that. Now I have been very disappointed that the ASX has released an advisory note or a practice note and they have decided to encourage these listed investment vehicles to release their management contracts but not to make it mandatory. So I guess I am simply arguing for a good governance position, particularly in this current credit crisis, I think there has been a disclosure failure that has contributed to that around the world and I am simply arguing for good disclosure and that the ASX has lowered their corporate governance standards in order to maximise their listing fees and to encourage these vehicles to list on the Australian market. I think it is very disappointing that we have a Babcock & Brown director on our board, we also have a Macquarie Bank director on our board and I think the ASX board is too captured by the issuers, by the brokers and not represented enough by the investors who want maximum disclosure in the interest of investors. The situation with Babcock & Brown power this year has been that they have ripped out more than a hundred million in fees and the whole company is only worth a hundred million and we can’t sack the manager because they have a 25 year management agreement that hasn’t been disclosed.

So it’s a very simple message, vote for me to put some pressure on the ASX to drive for better disclosure in the interests of investors, particularly as it relates to the various Babcock and Macquarie vehicles. Thank you.

Thank you Mr Mayne, we will now discuss the election of Mr Stephen Mayne, is there any discussion on this resolution?

ASX Shareholder # 0628:
I think is my number. Mr Mayne has made a big song and dance about what he has lost this year but was he up talking last year? The same people would have been controlling last year as well.

Thank you are there any more questions?

Stephen Mayne:
I will just respond to that Mr Chairman. I ran for the board of the ASX

Sorry, I am asking for questions Mr Mayne, not answers. That’s alright, we have been criticised as well. Are there any other questions? If there are no other questions I will now ask Mr Russell Aboud to say a few words.

Is there any discussion on Mr Rowe?

Stephen Mayne:
A couple of quick points Chairman. John Dury the Australian business commentator made a reference to Trevor’s quote, myriad conflicts, in a column a few weeks ago. I am just wondering if Trevor could address that issue as to whether he accepts that criticism, does he have any conflicts that he thinks would be relevant to ASX shareholders. My other two points are: I think Trevor chairs 9 different bodies, he is the business man in Australia in terms of chairing 9 different bodies, somehow manages to sit on the Futures Fund Board and be Chairman of the QIC, I would have thought that would have been an obvious conflict of interest, but I guess to his time he literally is the busiest chairman in the country. How does he have the time to perform his ASX duties given all his other commitments and as a shareholder in BrisConnection, Bri Connections’ share price is down 95% and
Trevor is the chairman, does Trevor believe that there is an amount of equity destruction or amount of percentage equity destruction in a listed company that at some point would preclude someone from serving on the ASX board?, In other words how much can you blow up before you shouldn’t be on the ASX board and in this case I think its about 350 million in a couple of months that has disappeared?

Mr Trevor Rowe, ASX Director:

Thank you Mr Mayne. Well first of all in terms of managing my time I am conscious of how I manage my time affectively. I believe I do that and I do that affectively. In terms of conflicts obviously business is all about managing conflicts and I pay judicious attention to managing those conflicts. In terms of markets and their impacts on companies, I don't control the markets nor where they will trade. I firmly believe that the companies I am involved in, which are listed, which is United Group and BrisConnections are in themselves very fine companies. Where they trade is another matter. I should just point out to you though on a fully paid basis Bris Connections trades at a 35% discount, which is in the range for that particular sector which, I acknowledge is suffering with significant negative market sentiment at this time. Thankyou.

Maurice Newman:
Are there any other questions? Well on the screen behind me are the details of the total valid proxies displayed for this resolution. The poll in this resolution will be taken once all the resolutions have been considered. However you may wish to mark your polling card now as to how you will be voting. I am also, remind myself that we did not put on the screen behind me of the total valid proxies for the resolution relating to Mr Mayne, the poll in that resolution will also of course be taken once all the resolutions have been considered. However you may wish to mark your polling card now as to how you will be voting and those numbers for Mr Mayne are now on the screen. Could I now move to item 5 appointment of auditor.

Agenda Item 5: Appointment of Auditor...

Stephen Mayne:
Just a question on the decision to change auditor Chairman. I understand that the Chairman of our audit committee, Michael Sharpe, has an office at PWC. We have made a decision to ditch KPMG and to appoint the firm at which he has an office., I think it would be appropriate that the full extent of the commercial relationship, if there is one or if it is just a very small office relationship, but the full extent of that relationship be disclosed to the shareholders given that we have decided to appoint PWC as our auditor.

Thank you Mr Mayne. What I will do is refer that question to Mr Rick Holiday-Smith who chaired the committee, the selection committee of the auditors.

Rick Holliday-Smith, ASX Director:
Thankyou Chairman. The point that is raised is a valid point and in discussions at audit committee we reviewed at great length the issue of independence of the gentleman you are talking about who was the chair of the audit committee, Michael Sharpe. There was the view of the committee that given the long time between his past involvement with that company and today, it was not in our view an independence issue, although there might have been a perception that he did occasionally use an office in their office. It was decided as a matter of course that when we did the merge of SFE and ASX several years ago, a decision was made to put to tender the audit and that was disclosed and was known to KPMG. It was decided that in any tender process all major firms would be invited and that given there may be a perception in terms of the issue with PWC that it was decided that Michael Sharpe would have nothing to do with the review and tender process and on that basis I chaired a subcommittee, a special subcommittee with two other directors. We invited all major firms, all main firms to tender. We went through a rigorous tender process that took 3 months. We interviewed and discussed with all firms at extensive levels all the things that were required and all the issues and in that process I have to say we had excellent candidates. It was a very difficult decision and the committee, which did not in any way include Michael Sharpe, in the end decided to recommend in a very difficult decision for us, to move forward with PWC and that was the process and that was the final. That recommendation went to the board and that recommendation was accepted by the board and that is why we are where we are now. I am not sure whether that answers your question. I am happy to discuss it further if you would like.
Maurice Newman:
Thank you Mr Holiday-Smith. Does that answer your question Mr Mayne? I think just for the record Mr Sharpe, you have not had an office at PWC for some years?

Michael Sharpe, ASX Director:
I did until 2007.

Maurice Newman:
Thank you. On the screen behind me the details for the total valid proxies are displayed for this resolution. Now ladies and gentlemen as this is the last resolution on the notice of meeting, please complete your yellow polling card.

General Business – Q&A

Maurice Newman:
I think Mr Mayne you have a question?

Stephen Mayne:
Chairman a few weeks ago Babcock and Brown announced that Mr Sharpe had resigned as the director due to health reasons. I don’t want to pry into his health but I am curious as to how he can be healthy enough to continue serving on the ASX board but not healthy enough to continue serving on the Babcock & Brown board.

Is that the end of your question?

That’s my question yes.

I will ask Mr Sharpe to answer that directly but I just want to reassure shareholders that that was a question that we asked as well and we satisfied ourselves that Mr Sharpe’s health is sufficiently robust for him to continue as an effective participating director.

Michael Sharpe, ASX Director:
Chairman I would just like to say in the difficult global economic conditions that existed this year my responsibility at Babcock & Brown involved long hours, much overseas travel and considerable stress. Unfortunately there were signs that my continuing in this role could have serious consequences to my health and I was not prepared to risk this. I don’t believe that my responsibilities at ASX cause similar stress because the responsibilities here are more like those of the non executive director of most large public companies and I look forward to continuing as a director of ASX and recent medical advice confirms that there appears to be no reason why I should not do so.

Mr Cummings do you have a question?

Thank you Maurice and thank you Robert for your excellent reports to shareholders on the state of affairs of ASX Limited. Two questions which I think have partially been covered but I would just like a little bit more clarification. One, in the first half last year we had a couple of market participants who caused instability in the market mechanisms. I wonder how this can possibly be improved on in the future so there won’t need to be perhaps support or props put in place by ASX or ASIC to stabilise the market. There are 2 or 3 market participants that I am thinking of in that category. Second question relates to if the Federal Government decides on further competition by other entrants in the ASX space, how will ASX revenues be affected in dollar terms, be it cash trade executions, options trading or any other derivative products operated under the SFE banner?

Robert would you like to take those questions?

Robert Elstone, ASX Managing Director and CEO:
First, if you don’t mind me reversing the order of your questions in terms of how I respond. On the further competition issue, we are not providing any guidance to the market on percentage impact on our revenues of the prospect of operable license competition largely because we don’t yet know. We don’t have any visibility on what
form that competition will take. What we can say is our existing revenue mix is very, very diversified. Trade
execution whilst not a small percentage of our revenue is a minority percentage of our revenue so we are very
well diversified. The license competition should the licenses be granted is really therefore confined to a relatively
small percentage. It is impossible until we see any visibility on what form the competition will take, it could be a
price based competition, it could be a platform performance competition, it could be rule book competition, the
bottom line is we don’t know but we rely on the fact that we are sufficiently diversified to take on that competition
head on. But it would be too early to give guidance because we don’t yet know the details of conditions that may
attach to any licenses which may be granted.

On your first question of participant stability, and I think we should put it into context, the first I think of the two
instances you have in mind, the Tricom incident in late January, involved non ASX market trades essentially
where a broker wanted to use our settlement system. That gave rise to the delayed settlement on that day and
that whole matter has been independently reviewed, not only by ASX but by the Reserve Bank, which has issued
an independent report to the effect that the settlement system itself stood up very well to the test. We have had
both the high profile brokers and several others have been thoroughly investigated over a period of several
months, they have been providing comprehensive capital liquidity returns, we have appointed, we have urged the
appointment of external auditors, independent auditors, to review their situation and we are in the throws of
reviewing our own capital monitoring procedures make sure that should this credit crisis continue for a much
longer period, we will be raising the bar on stringency of prudential capital reporting by all brokers and we have
done that throughout this calendar year where we have both asked for reports more frequently, we have
interrogated them more rigorously. I think that is the best answer I can give you.

Maurice Newman:
Mr Cummings I think you had a question earlier.

Good that question there, and I am very pleased to hear from having a vested interest that this would be an
exception to the rule. You have given us much more information to show that that could be. The other thing I
would like to mention - at the Australian Institute of Company Directors last week we had Glenn Stevens speak
and I did put a question to him about exchange rates, as to why did he think our Australian dollar had dropped by
20% and the reason for it.. His reply was that well he doesn’t normally speak about that question but all he said
was was well it depends on how many buyers you have got and how many sellers but then of course behind that there
are the reasons why the buyers and sellers were doing what they did. But there was one thing that has happened
with the resources, most people, Australians, I think didn’t think that just in the last few weeks it seems as if the
resources, prices for resources, have slightly come back and maybe that’s a reason for it.. I am just wondering
whether from the point of view of the company, does it really matter? it does seem to me we don’t want to see
volatility but have you got any comment on that factor about the swinging of the dollar and particularly as to what
happened in the last month or two?

Maurice Newman:
Well if the Central Bank Governor doesn’t want to enter into a commentary on the volatility of our exchange rate I
certainly wouldn’t want to do that. But I think we are living in uncertain, unstable times and that’s reflecting in the
exchange rate not just the Australian dollar but also the US dollar and in commodity prices as well. Are there any
other questions?.

John Clancy, ASX Shareholder:
My name is John Clancy. I have to keep the pressure on you right to the end Maurice. Over the years I have been
to a few other meetings and I have been lied to by people from the chair and we have had some good
discussions and I have called Don Mercer a thief and a liar. Or I have called Catherine Walters the most corrupt
and incompetent company director in Australia today and you said I defamed her but no one seems to want to do
anything about it.. Corporate governance, I think it is no more than a nod and a wink at the moment.. Wally Kings
is a corrupt and incompetent fool, they just carry on doing what they want him to do. They are not the slightest bit
afraid of the regulators at all these people. And as well as that Malcolm Broomhead stole 30 or 40 million dollars
from the shareholders at Orica. From the moment he signed on with that company he was stealing money. Can
you make a note of that company secretary that I said that.. His pay packet was nothing more than a cover for
stealing from shareholders and nothing has been done about it.. And Graham Liebelt is still using that same pay
setup.
Well Mr Clancy as you know these aren't issues that go to ASX's supervision, these are matters which relate to the Company's Act and to ASIC and if you have evidence of this then you should give that to the authorities.

I raised it here when Tony D'Aloisio was on the board and I have filled in on the internet the paper, no reply, nothing is done.

Maurice Newman:
Well Mr D'Aloisio was the Chief Executive of ASX, he wasn't the Chairman of ASIC and so it would not have been appropriate for him to have taken that up. If you have evidence and you feel that this is information that will assist you with your concerns then you should hand that over to ASIC and speak to them.

You were speaking today about good behaviour and a few other comments like that and its just, it just doesn't carry any water at all in the real world. Not at the moment.

Thank you. There is a question here.

Carol, ASX Shareholder #12:

Thank you Mr Chairman, my name is Carol, and I represent members of the Australian Shareholders Association. I appreciate the comments that yourself and Mr Elstone have made this morning about issues such as market supervision. In view of the strong statements that have been made at the meeting, the Australian Shareholders Association would be looking to see perhaps a more pre-emptive stance being taken by the ASX on these and other issues in the future. We believe for instance there should be an investigation into failures or perceived failures of market supervision and the perceived conflict between the commercial and supervisory capacities at the ASX has as a market operator and its supervisor. What sort of assurances can the board provide about the future stance to market supervision for instance?

Maurice Newman:
I can only say to you that, and as I said in my prepared remarks, that ASX takes the whole issue of market supervision extremely seriously and it undertakes the most diligent and thorough review of its processes at all times. That is the role of the board of ASXMS and the management and staff of the supervisory subsidiary. And could I say to you that this is a clinical separation. The people who work in that area are compensated differently to the people in operations, they are on different floors, they have different security passes, so this is a quarantined area which goes to a completely separate and objective assessment of what is in the best interests of ASX and market supervision. And I can only use the analogy of aircraft maintenance. We believe that if we have a reputation of poor supervision then that is against the ongoing operations of ASX, that is why we keep saying that our commercial, our best commercial interests are to ensure that our market supervision is at all times best possible practice. We would not agree to contracting that out and we believe that there is actually, while people are concentrating on the perceived conflicts, not withstanding the fact that there are no conflicts because we spend so much time in ensuring that firewall exists and that the two operations are separated, but it is also when we receive our ASIC assessment, which as I say is from time to time is devalued by people who like to think it is not a thorough process. It is the most thorough process and it is on the basis of that assessment that we continue to receive a license which keeps us in business. If you were to take that supervision away, the concern that we would have in terms of having our license renewed and if it was given to some other organisation that was less concerned about its license, then that would be to the detriment of the overall market supervision. I mean I don't know what it requires for people to be satisfied about the clear separation between market supervision on the one hand and market operations on the other. The commercial business of ASX is entirely separate. We have a different board with only one director now common to both. We have independent directors. We have as I say, a clinical separation between supervision and the market, commercial aspects of the market. And people asserting that there is a conflict doesn't mean that there is a conflict. It simply means that people are asserting it and I can only give you my assurance as somebody who is on the inside, who has been involved in decision, who is as aware as it is possible to be aware, that there is no conflict that has caused anybody in the Australian capital markets any reason to be concerned.

So that's all we can do and my only point, which is really the point that Robert Elstone made in his prepared remarks - that to take supervision away from ASX we believe, not from a self interested point of view but from an actual interest point of view, would be a serious detrimental mistake.
We have now received all the polling cards and I now declare that the poll is closed. So now I will continue to receive questions.

Stephen Mayne:
Mr Chairman I just want to check that your swashbuckling chairman's address of blaming the press for everything and ignoring the comments by QBE, Comm Bank, Regnant and Risk Metrics and various other people, was that endorsed by the board, the full board that speech?

The board endorses my comments, yes it does.

Did you run the text of the speech past the full board for full board approval?

Yes I did Mr Mayne.

And Mr Gonski personally endorses all of those sentiments as the new chairman?

David Gonski, ASX Chairman Elect:
Mr Mayne I do. I think though that you are making quite a lot out of what was said. I think that what the chairman said very clearly to the meeting is that we believe that we have had very high standards in what we have done and that a lot has been said of us that is incorrect and he actually, to his credit went through a number of different allegations and showed what they were. I understand your frustration but I also do not in any way suggest that the chairman, be he chairman of the ABC or this company, was suggesting that the press is all bad. That is not what he was saying and that is certainly not what this board nor he believes. There have been suggestions in the press, there have been suggestions by other parties and we are proud of what our people have done. It is very hard for them to do what they do and to keep reading negative things about themselves which are not warranted and I think as a board we will continue to take that stand. Having said that, the press are quite entitled to make their views and if we do err then we must be corrected.

Stephen Mayne:
Can I just get Maurice to acknowledge a couple of your points? Basically the tone of what you were saying Maurice was we have done nothing wrong, its all the press's fault. That was the way I interpreted it and I would just like to ask you, do you now accept in hindsight that the way that you gave to AWB, fundamentally ignored the one vote one value principal was wrong. Do you acknowledge that the 25 year management contracts given to Babcock & Brown Power were wrong and do you also finally acknowledge that, I mean I ran for the board in 2000, 2001, 2002 on a platform that you had a conflict of interest. You are now saying you have no conflict of interest because you have complete separation. So are you tacitly admitting then chairman, that when you were chairman yourself?

I am still chairman

Stephen Mayne:
Of the market supervision separate company and when Michael Sharpe was still sitting on the board you now admit that that was wrong and there was a conflict of interest. You can't say there was no conflict back then if you are now saying because we have complete separation there is now no conflict. So do you acknowledge you erred when you first set up that separate body by not having it separate enough and independent enough and that Mr Gonski has got it right by not going on that board whereas your decision was to chair the market supervision board.

Maurice Newman:
Well that's a lot to respond to but let me say first of all, no it was not a mistake to establish ASX Market Supervision in the way that it was and in the case of myself as being the first chair of ASXMS I had no external boards that would conflict with my role as a chairman of the market supervision area. So it was not a mistake and what we have done is to evolve a structure which goes much more to perceptions than it does to the reality of the way in which ASXMS operates. Could I say in relation to decisions in relation to AWB which I don't recall but Mr Mayne, this other Mr Mayne, Eric Mayne our chief executive of the market supervision area, he may be able to
add some light to AWB but what I can say in relation to the infrastructure companies that you refer to, it was implicit that investors in those companies or those entities wanted to know and have the comfort that managers would be there for long term infrastructure investments in order that they would be able to apply their expertise. But the information that was necessary for investors to decide whether they wanted to invest in a company that had a long-term management agreement or not was made available in the prospectus and so you had a choice. If you didn't like the basic ten point disclosure that was in the prospectus then you would not have invested. And I think to lay the blame or to move to laying the blame on ASX for investment decisions that have gone wrong because there wasn't sufficient disclosure, I think is not being reasonable at all. So if you would like Mr Mayne to say something about AWB?

Yes please.

Eric Mayne, ASMS Chief Supervision Officer:

Thank you chair, Mr Mayne, no relation but we share a common spelling of our surname.

Eric Mayne:

The AWB matter certainly preceded my time as the appointment at head of supervision, but in terms of the issue around special classes of shares being issued to organisations like AWB and organisations in the staple securities listed entities in and around organisations like Babcock & Brown or also Macquarie, those companies that you have averted to, those waivers that were granted in relation to those shares are essentially to seek to align the interests of the people that are operating the business of the company under management agreements or the like and also the actual owners of the company and also the shareholders and the board so seeking to align those interests for a period of time. In the AWB case I understand they are moving towards a segregation and separation back to a normalised organisation. And in relation to the types of structures for Babcock & Brown and also for Macquarie Group that have these responsible entity trust manager with a management agreement and a company of staple security, there is an ability for the staple security holders to remove the responsible entity by an ordinary shareholder resolution and in which case, on the occurrence of that event the special class of shares which are there to ensure the alignment of interests over the period of the contract, they then dissolve at that point in time.

Stephen Mayne:  
*But you have to keep paying them for 25 years. It's not much good to sack them when you have to keep paying them, they are unsackable in effect.*

Eric Mayne:  
That's what is left in place, is the management agreement and that's the terms of which that management agreement operated which would have been disclosed at the time of their initial listing as material contract in the prospectus and there would have been disclosure to shareholders at that point in time. Yes there is a commercial agreement in place and yes there would be termination rights in relation to that which would have been disclosed to shareholders in accordance with the disclosure obligation under the Corporations Act and to mind that's just like an ordinary commercial agreement which is subject to termination rights.

Stephen Mayne:  
*That's my whole point, they haven't been disclosed. I was running for the board on a platform that the contracts be disclosed. You just said they are disclosed. They are not disclosed that's the whole point.*

Eric Mayne:  
No, the relevant terms of the contract have been disclosed under the prospectus and that's the obligation that's required under the Corporations Act. We put out a recent guidance note which encourages companies if they want to, to disclose the full agreement. We have also provided ten essential terms which need to be disclosed. In looking at this whole point one needs to balance the interest of the shareholders, the interests of the listed company in terms of what is the form of an appropriate disclosure that is being made to shareholders. The decision could be, do we disclose the full agreement and have no explanation as to what is in that agreement, what are the main provisions. Or do we have a system where we disclose a required disclosure of the ten essential terms that we have put to them and at the same time encourage companies if they want to, to disclose
Stephen Mayne:
I guess my point is, you require disclosure of the full constitutions of companies, the listing rules force full disclosure of constitutions and I am simply asking that the listing rules should also force full disclosure of management contracts as happens in the US.

Maurice Newman:
Could I suggest perhaps that this is getting a rather arcane discussion that the two Mr Mayne's if they are so inclined take this discussion off line. Are there any other questions?

Bob McGregor, ASX Shareholder:
I represent my family companies as a shareholder here and I would just like to comment on the two speeches that you both made, both you and Rob earlier on and I totally agree with you. I have been writing by email or by other means to all these people in the media who get it wrong, keep calling you the regulator, in fact somebody from the ABC asked me what I thought of how the ASX was going as I came into the meeting and the question they asked was, “are you happy with the ASX as a regulator?” and I said well I beg your pardon they are not a regulator, they are the supervisor of the market and I said Mr Cloney and Mr Norris both called you the regulator in the press and so it gets perpetuated and perpetuated. The question I want to ask is what can you and the board do to try and rectify this? I know it’s hard to educate because the old saying, there are none so blind as those that will not see, will always prevail.

Maurice Newman:
Well thank you Mr McGregor and I have to say to you that ASX has taken the most extraordinary steps to try to educate people but when there is blind prejudice and the narrative is already determined it becomes extremely difficult to get people to actually print what is the truth and that is what I said in my prepared remarks. Much of the time we spend in separating falsehood from truth and because Mr Norris or because Mr Cloney or because Risk Metrics say something doesn’t make it true. I am not here defending, I value my own reputation at least in so far as honesty and ethical dealings are concerned to say to you that the way in which this organisation conducts itself is scrupulous and we do where we have jurisdiction, seek to achieve the highest possible standards. And as I said again in my prepared remarks it is offensive to the hard work that the directors and staff in the supervisory area carry out to be told that they are constantly failing in their duties when in fact they are working all hours that God has given to ensure that this market is as well supervised as it is possible to be. And as I have said, I am not impressed by Risk Metrics or anybody else who assert something which is not true and there may be judgements that can be made where there are shades of grey but there are certain assertions which are being made which are just false and if that causes me to be in denial then I am happy to remain in denial.

Bob Paflin, ASX Shareholder:
Two questions, I noticed in Mr Elstone’s report that it refers to an increased level of CAPEX in the next two years. The question is, will that impair the 90% payout of dividend that has been historically the case and the second question is related to the banning of shorting. What impact in percentage terms would that have on the level of turnovers?

Robert Elstone:
First question I think as long as current, or close to current levels, of profitability. As long as they remain in tact there is no threat to the payout ratio over the next two years or over years beyond the next two. That’s obviously linked to your second question I guess, which is a derivative really of this gentleman’s question half an hour ago. In terms of during the period of the prohibition on short selling that was announced over the weekend by the corporate regulator, our understanding is that it will be reviewed again well before the 30 day period that the initial prohibition was introduced for, so we interpret it that it will be a short term prohibition.

On early days trading performance of this week, whilst there has been a great deal of uncertainty which has triggered a number of further clarifying statements out of the corporate regulator to minimise market uncertainty we are not observing, at least in the first 3, 2 ½ days, we are not observing any material reduction in traded volumes but clearly we will monitor that closely for the balance of the month the prohibition applies. But on the earliest read, markets appear to be performing very differently to how they were prior to the prohibition being
announced in the sense that we are getting dropouts of market making activity, particularly derivative markets, but so far it doesn’t appear to be impacting overall trading volumes, certainly not in the underlying cash equities market anyway. Our volumes have been quite strong there over these 2 days. So I think the matter will be kept under review by all the relevant regulatory bodies, be it ASIC, APRA, the bank will be involved in. We will also be consulted as to when the ban will be lifted and what form of lifting that might take. But we do expect it to be short term.

Stephen Mayne:
Last couple chairman. Was ASX in the tent on Sunday leading up to ASIC’s remarkable announcement? It was just incredible to have a junior minister in a new government announcing something that was so revolutionary. Can you take us through what happened on Sunday. There were some conspiracy theorists who look at it and say well Tony D’Aloisio was fired as the ASX CEO with the $7.7 million payout when the shareholders forced Robert Elstone on the board and there is some ongoing bad blood there and there is an element of get square going on where D’Alosio is acting unilaterally away from the ASX leading to that extraordinary decision on Sunday night in what looks like a grab for the regulatory role.

So I think it’s fair enough given all of that for you to tell us exactly whether you were in the tent, whether you endorsed what was announced on Sunday night given it led to the one hour delay in trading. And my last question is, it might be another example of outrageously inaccurate reporting, but Mr Gonski has been linked as the advisory to Frank Lowy on the whole Lichtenstein thing which has led to poor Peter Lowy having to plead the 5th in the US which is a pretty dramatic situation so I think it would be fair enough given the importance of the ASX role, it’s a pre-eminent position of reputation and trust, that Mr Gonski enlightens us as to whether this was indeed another case of outrageously inaccurate reporting that he was involved in any of this.

Maurice Newman:
Would you like to answer that question?

Robert Elstone:
I won’t respond on the in the tent part of your question Stephen, I don’t think it would be appropriate other than to give you a level of satisfaction, that from Friday morning when we were initially contacted by ASIC we had already seen moves from the Securities Exchange Commission in the US and from the financial services authority in the UK in those two jurisdictions. We had already read that clearly global regulators led out of the US and out of the UK were coordinating a world wide action. Other countries have followed, France, Germany and others in recent days, so we were well aware before we were contacted by ASIC Friday morning that there was a very high likelihood that ASIC would wish to fall into line, partially, fully or go even further than those other northern hemisphere regulators. We were contacted appropriately by ASIC Friday morning and there was a deal of conversation between the exchange and ASIC. It was never going to be the exchange’s decision and I think it goes to responses that Maurice and I have given on other questions, we are not the market regulator. This decision was made by the market regulator as part of a coordinated global response. There was a high degree of consultation with the exchange, with broker dealer participants, but I think it is fair to say it was always going to be a regulatory decision made by the corporate regulator but I think there was a great deal of dialogue over the weekend between all the various parties.

As the market operator, which we are, our primary concern is that under the umbrella of any regulatory framework our obligation is to make sure that we operate the market in as orderly a fashion as we can with such a profound prohibition being introduced so quickly there was a frantic level of activity over the weekend to try and minimise uncertainty in the market on the open. That was one of the reasons why we delayed for an hour to get further clarifying statements out of ASIC which have been, in 2 or 3 trenches over the first 2 trading days. I am not going to comment on the conspiracy theory, I think it’s the stuff of Hollywood movies and I don’t think I would proffer any comment on the earlier part of your question but the second question, I think I won’t share the coordination but David will respond and speak for himself.

David Gonski, ASX Chairman Elect:
Chairman I think I am the only one who can really respond to Mr Mayne’s question on that. First thing Mr Mayne I would say when we are talking about the affairs of somebody else I don’t feel I should comment on it and nor would it be right for us to do that but let me talk about myself. I think really the only person who has been saying that I am linked with what’s been going on is in fact yourself. There was in a number of newspapers, a comment
that I was at a meeting. That may or not be the case, its not the place to negotiate it but it was basically never suggested that I did advise on those things nor that there were things so its again a little bit of a trump up. Having said that I believe I stand on my own record. I have been an advisor to many people over many years. I am proud of what they and I have done. Having said that I also feel that I can take on this role as chairman and would be delighted to do so and look forward to it and I assure you, the shareholders, that I would try and it will be very hard I know to keep up the high standards of what have been set in this company.

Thank you Mr Gonski. Did you have a question Mr Wilcox?

My name is Gavin Wilcox, I am a former member of the Sydney Stock Exchange Committee and ASX Sydney committees and I have known Maurice I think for the 50 years plus he has been involved with the stock exchange. Maurice I don’t have a question but I think I am right in saying you are the last local exchange member to be on the ASX board. You have given us 14 years of chairmanship, before that some years on the board and before that many years of service to the Sydney Stock Exchange, ASX Sydney and the Sydney Stock Exchange as well as being on many, many committees involved with the exchange. You are also involved in a lot of other areas. I just feel having known you this long I would like to say thank you very much for the work you have done and the time you have put in looking after the interests of the Sydney Stock Exchange, ASX Sydney and the ASX Board. Thank you Maurice.

Thankyou.

Miss Llewellyn Smith, Shareholder:

While we look back we are also looking forward and it was mentioned in the speech yesterday about moving into emissions trading in the near future and I would be very pleased to hear a little bit of the implications for the ASX operations and potential profits to shareholders. Thank you.

Thank you Rob.

Robert Elstone:

I think that the stony point to question is clearly the timetable that was released by Senator Penny Wong a couple of months ago which I know has been subject to a lot of media scrutiny as to whether that timetable will be met or not but if it stays in tack as a timetable it would seem that the architecture of the legislation that will be passed will give us insight in the first half of the next calendar year, so between January and June next year, for us to potentially list derivative contracts on the underlying emission trading permits. At this stage clearly the sequence of order is that the targets that will be set will largely determine the early trading in those permits, both in the over the counter market as well as on the derivative markets so because we don’t have certainty yet as to what, where the forward price for carbon will be it will be very, very difficult to give market guidance for the first 1, 2 or 3 years of trading of that new instrument. What I can say is that if you look at what a forward price for carbon will mean for this economy, whether its $10, $15, $20 dollars a tonne, irrespective of that price, once that price is determined in a forward market that we aspire to operate, it will send a very strong signal and it will put an order of magnitude around the scale of the capital stock in this economy that needs to be changed out over the first ten or fifteen years after the emissions trading scheme is introduced.

So I think there are two affects that will impact the company’s revenue profile, assuming we operate that forward market. The first one will be in the narrow opportunity set of how big could carbon emission permit derivative trading be and the answer is, well that will be a function of how many permits are issued and how deeply liquid the market is going to be and how long it takes. I don’t think there will be any short-term revenue effect that would materially alter the existing revenue mix percentage of the company for at least probably 3 to 4 years. Having said that it probably has the potential over a 5 to 10 year timeframe of becoming a very, very large, not only segment of ASX’s revenues, but also it has the potential to become effectively a new asset class within our economy sitting alongside the equities market and the fixed income market. Without over egging this I think if you accept that as a potential new asset class it could be very large over the 5 to 10 year corridor rather than the 0 to 5 years. What I am alluding to in my opening remarks is that there will also be a potential multiplier effect because once you have a forward price for carbon you will need to change out the capital stock of the entire country, particularly for carbon intensive industries of which we have very many because we are a major exporter of coal as well as a major consumer of domestic energy. So it’s not only how big could the opportunity be in relation to us having the potential to operate a forward market for carbon but what would the multiplier effect be given the scale
of the capital stock that needs to be turned out back into the equities and fixed income markets of this country, which clearly we already have quite a large franchise on.

So I am not trying to over egg my response but I think in the 5 to 10 year corridor, as long as the architecture of the system is robust, and it sounds paradoxical that one of the advantages of the Howard government being a relative latecomer into this space, is that the task force that the previous prime minister put forward had the advantages of learning from the mistakes that were made in the US and European emission trading schemes and from the early evidence we have seen and it's publicly available knowledge. I think Australia will have properly one of the architected domestic trading systems. As to the politics of when will it start and how many permits will be issued, that's going to be an interesting issue leading up to the next election no doubt. But I tend to think as a longer term perspective, I think it is just an enormous area of necessity for the entire real economy and an enormous business opportunity for the ASX but probably not for the first 3 to 5 years. But we are obviously tracking it very closely and we are doing all the research that is necessary and cooperating with the various industry groups as well as with the treasury task force to make sure it has the best possible chances of lifting off as quickly as possible.

Maurice Newman:
Are there any other questions? Well ladies and gentlemen if there are no other questions the results of the poll are now available.