



MEDIA RELEASE

11 February 2013

ASX commits to Code of Practice for cash equities clearing and settlement

ASX welcomes today's announcement by the Deputy Prime Minister and Treasurer, the Hon Wayne Swan, which retains the current market structure for clearing and settlement of cash equities, and requests ASX to put in place a *Code of Practice for Clearing and Settlement of Cash Equities in Australia*.

ASX Managing Director and CEO, Elmer Funke Kupper, said: "Australia's clearing and settlement infrastructure for cash equities is efficient, well-capitalised and well-regulated. ASX will work with industry stakeholders to develop a Code of Practice for its clearing and settlement services, and is committed to deliver a world-class financial infrastructure for Australia."

ASX is making substantial investments in its clearing and settlement infrastructure. The ASX investments will strengthen Australia's position in the Asian region and globally, and support Australia's G20 commitments. The innovations to be launched in calendar year 2013 include the clearing of OTC-traded derivatives and a new service that allows ASX clients to optimise the use of their available collateral.

ASX will work in consultation with industry stakeholders and Australia's regulators to put in place a Code of Practice for its cash equities clearing and settlement services within the next six months. In accordance with the Treasurer's announcement, the operation of the Code will be reviewed after two years.

ASX published a customer charter for the first time in its 2012 Annual Report. The Code of Practice for the ASX clearing and settlement services will be consistent with the customer charter and the principles set out by the Council of Financial Regulators in its recommendations to the Treasurer. The customer charter is available on the ASX website: <http://www.asxgroup.com.au/asx-customer-charter.htm>

ASX recognises the need to work with its clients to grow Australia's equity markets and share the benefits of growth. On 1 January 2013 ASX implemented a new revenue sharing arrangement in its equities trading, clearing and settlement businesses whereby ASX will share the revenue growth it creates with its clients. ASX already operates a similar revenue sharing scheme in its futures business.

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THE HON WAYNE SWAN MP
DEPUTY PRIME MINISTER
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Clearing and Settlement in the Cash Equity Market

11 February 2013

I have today accepted in full the recommendations of the Council of Financial Regulators in relation to competition in the clearing and settlement of the Australian cash equity market.

The Council's advice was based on wide consultations following the release of a discussion paper in June last year, *Competition in the Clearing and Settlement of the Australian Cash Equity Market*, in collaboration with the Australian Competition and Consumer Commission.

The advice of the Council, which I am releasing today, is that while competition would be expected to deliver efficient outcomes, now may not be the appropriate time for changes that will have further cost implications for the industry, given current market conditions and the magnitude of regulatory change already underway.

The Council recommended that a decision on any licence application from an equities clearing facility seeking to compete in the Australian market be deferred for two years, with the ASX required to develop a code of practice with its key stakeholders to ensure transparent and non-discriminatory access to ASX's infrastructure.

The ASX has committed to the development of a code of practice that implements the principles set out in the Council's advice. The Council will review the effectiveness of these arrangements after the two year period, and consider whether a new entrant should be considered or whether other regulatory responses should be pursued.

The Government has a long-standing commitment to competition in financial markets, however, acknowledges the regulators' concerns on this issue. The development of the Code will be undertaken in close consultation with industry stakeholders and Council agencies. The Code is expected to be implemented within six months.

The Council's recommendations apply to the clearing of cash equities and do not extend to clearing and settlement services of either exchange-traded or OTC derivative markets or debt markets.

The Government and the Council remain supportive of competition in the clearing of OTC derivatives, noting that these markets are typically global markets with more than one provider.

The advice is available on the [Treasury website](#).