



MEDIA RELEASE

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ASX Review of Algorithmic Trading and Market Access Arrangements

The Australian Securities Exchange (ASX) has released the findings of its review of algorithmic trading and market access.

The review commenced in July 2009 and sought to examine the impact and likely growth of algorithmic trading activities in Australia, and identify ways to meet demand for alternative access arrangements to ASX's markets without creating new risks to market integrity. Since ASX commenced the review, overseas jurisdictions have undertaken similar activities to understand the impact of algorithmic trading.

In its Market Assessment Report of the ASX group published in September 2009, the Australian Securities and Investments Commission (ASIC) requested a number of areas of focus to be included in the review. ASX has provided its response to ASIC, and is releasing the findings more widely to develop a broader understanding of the issues raised by algorithmic trading and to begin to address concerns raised by some retail investors about this type of trading activity.

One of the key findings of the ASX review is that algorithmic trading has not been inherently harmful to market integrity or quality in Australia. This is supported by the independent research organisation, SIRCA, which concluded that algorithmic trading had not led to a deterioration of market quality.

Equally, the review concluded that continued growth in algorithmic activity will generate new issues that to date have not been evident in Australia, but for which the Australian regulatory framework needs to be equipped.

The review identifies areas where ASX will strengthen the operation of its equity market, educate investors and provide new market access services. It anticipates the operational, technical and supervisory issues that are likely to arise as the growth of algorithmic trading accelerates in Australia, and it considers many of the same public policy concerns recently raised by the Securities Exchange Commission in the US.

The review also makes recommendations for consideration by ASIC as a consequence of the transfer of certain supervisory responsibilities from ASX to ASIC in the third quarter of 2010. These recommendations are made to promote effective whole-of-market supervision and to preserve market integrity.

The **Algorithmic Trading and Market Access Arrangements** report can be found on the ASX website: http://www.asx.com.au/about/whats_new.htm#algorithmic

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