Edited Transcript of ASX HY 2014

Analyst Q & A

13 February 2014

Kieren Chidgey from Deutsche Bank:

Deutsche Bank a question of the cost growth of 8.3% which is probably the highest cost growth we have seen in the post SFE era, obviously that reflects a number of the growth initiatives you have touched on today and I note you have maintained your full year guidance but obviously that implies a lower second half absolute cost number and less than 2% cost growth on PCP on second half, does this suggest you are through the bulk of the expense increase for these growth initiatives and that going forward into FY15 we should see a return to more inflationary type cost growth going forward?

Elmer Funke Kupper, ASX Managing Director and CEO:

We haven't made any outlook statement beyond this year and we won't but I think your conclusion is correct that we have seen a jump in expenses and of course that is why you get the 8.3% and mathematically if you go from 8.3% in the first half to 5% for the year then mathematically that suggests a much lower number in the second half so that suggests in the second half we will see that flatten out, we have made no statement about next year. If you read through the document you will see that by mid-year, sort of the third quarter of this calendar year, most of the things that we had been investing in will be in place but of course we continue to plan for the future and we will make further decisions as we take the Board through our forward plans on continuing investments in the company and when we are ready to talk about that we will. But mathematically your answer is correct.

Kieran Chidgey from Deutsche Bank:

In terms of things like staff numbers which were obviously up I think you said 4%, is that largely been built down now in terms of the people you need to run these new initiatives?

Elmer Funke Kupper, ASX Managing Director and CEO:

Well again I think the answer for the second half must be largely yes simply because otherwise you can't get the outcomes mathematically. I made no prediction about next year but the staff numbers that we have make us comfortable bringing to market initiatives that we have on the go, that may vary still a little bit but of course we are close to delivery so that must be a true statement but I make no prediction for the future. I am comfortable investing resources where we can see new infrastructure, new growth when we make those and we haven't been shy in doing that, and its partially a function of having run what is the most efficient major exchange in the world which is reflected in our EBITDA ratio and staffing levels that if you benchmark them they are below other exchanges so its not surprising we had to invest in staffing and resource and equipment to deliver the things that we are delivering and we will see as we build out our plans what else we need but I make no statements about anything beyond this year today.

Nigel Pittaway here from Citigroup:

I might just start off with a bit of a detailed question on slide 27, I notice you did say you made a few changes to information services but the interesting figure there is the monthly average market data terminals down towards the bottom at 66.214 which seems to have recovered all the losses of the prior period so is that new customer bases, what exactly is happening?

Elmer Funke Kupper, ASX Managing Director and CEO:

So we have made, it is a good question, we have made quite a number of changes to the way we operate and charge for that business on the 1st of July, parts partially what you see coming through here so what that number represents effectively is users, both the retail users and the number of professional users, user by user and what we have done in the retail market is we reduced our headline monthly fee and therefore because we reduced our headline monthly fee more retail users are hitting that fee, because we reduced the fee and that is the count that you see, so it is fee reduction, more retail users hitting the fee and we count those so it is more a mathematical consequence of the change we made in our fee structure rather than what looks like a 30% increase in the number of terminals on people's desks for example and so that is what that number represents.

Nigel Pittaway here from Citigroup:

Second question, just on the non attributed capital, that has obviously risen from that proforma $97 million to about $132 million, would it be right to think that a fair part of that is earmarked for some of the new initiatives or can you maybe just give us a flavour

Elmer Funke Kupper, ASX Managing Director and CEO:

This is the risk based capital right at the end?

Nigel Pittaway here from Citigroup:

Yes sure.

Elmer Funke Kupper, ASX Managing Director and CEO:

Well that's sort of, that's really a proforma indication that you know we continue to be very comfortable with our capital position, it doesn't mean really anything else but you know a company of our size that is not a surprising number. I think what you will start to see though, if you think about what we have done with our credit rating, this is a group number that takes into account the group as well as all the clearing houses. I think what you saw in the first half is we achieved the credit rating for both ASX Limited as well as the clearing house where a lot of the risk and the capital resides and so what we are starting to see now of course is that with the strong focus on clearing capabilities that we are putting a lot of focus on that separate credit rating, separate capital position, critical to the infrastructure, a little different from the way the group works. The group of course is a normal commercial entity so the way we think of course is like any financial institution that has a risk based capital solution, where it is clearing house in a commercial company called ASX so that is how we think about it on a proforma basis the number went from 90-something to 130 but that's really all it means, there is no earmarking in any of that.

Nigel Pittaway here from Citigroup:

Then maybe just finally, on the new initiatives obviously you have gone at lengths to explain how much is on the agenda and now clearly I understand that you yourselves are uncertain about the take-up or some of those initiatives but obviously externally it is hard to sort of work out whether or not we should be factoring anything into the top line forecasts in respect to these initiatives. I mean maybe we could ask the question, if collectively, or if they all go according to plan, when collectively do you think they could a material impact on your revenue?

Elmer Funke Kupper, ASX Managing Director and CEO:

That's a question I both can't and won't answer because it all depends on how liquidity builds in these initiatives. So for us it is important that we put ourselves in the best possible position to compete for this revenue and as you know some of the competition is from overseas and quite fierce. We are doing that and we are working with our clients to turn liquidity on. The speed with which this happens and the degree to which this happens is something that we will discover and as you well know it's in some ways these things can be, they can have gradual growth, they can also be binary, you either get the liquidity or you don't. I think for us, given that we could make all the investments within a normal CAPEX envelope, sort of in the order of $40-$45 million per annum and retain our dividend payout ratio in that process, it is really no regrets to go after all these initiatives. So I make no predictions on how revenues will come through because it all depends on how over time liquidity can build up. We know from other markets that that can be a slow grind and can take quite some time but we don't know how long that will pan out here, having just built part of it and the rest is still to come in place, I can't make any prediction and if I could I wouldn't in this forum. It is literally about putting yourselves in the best possible position and working with your clients to build up liquidity and see where that goes and along the way make the adjustments that we need to make in order to deliver to clients what they need, whether it's in the way we service them, the product specs, the commercial arrangements, we will continue to work on that to give ourselves the best chance to build liquidity and one day there will be an outcome which we hope will be a positive one. I really can't give you, what I can tell you is that when you look at our revenue based, a vast majority of our revenues today are driven by market activity. That is a good thing when market activity is up as we saw in the last period but of course in order to drive material growth on top of that, that is a big ship so we are doing a lot go get that over time. How it will pan out I won't make any predictions about it here today.

Anthony Hoo from Nomura:

Hi its Anthony Hoo here from Nomura. I just have a couple of questions. Firstly on your CAPEX guidance, I understand the increase is not that huge but I am just interested to hear whether or what was driving that, whether it is due to any particular initiatives that have become more advanced or due to you pulling ahead spending on specific initiatives?

Elmer Funke Kupper, ASX Managing Director and CEO:

Yes it is an interesting question of course we sort of stick our neck out every year by giving you some guidance 12 months out on what is an enormous program for us so I think if you can get to within 10% of that you have done very, very well which is what the guidance tells us, so its a very marginal increase of 5-10% of what we said before. It is largely driven by some additional things we are doing this year so I will give you a simple example; early this year we decided that we will also build a margin simulator, a margin optimisation tool for our clients in the OTC market so what we have done in Australia is we have the futures business and the over the counter business. We have got them in one clearing house, we are margining the totality. What we want to do is make sure that our clients get the absolute most efficient margin outcome so what we will build to them, for them is both a simulation tool that allows them to simulate that and an optimisation tool that allows them to almost automatically optimise that. We decided early this year to not only build that but to accelerate that, so that just adds a bit of CAPEX. I think what is pleasing is most of the programs that we run, they are delivered as we expected so we see very few CAPEX variances of any significant materiality so we run that well and we continuously prioritise, bring some things forward, push some things out and a lot of that is based on the feedback of our clients. But if our clients say in order to be successful we need that, our job is to go away and get it for them and sometimes that means you need to do a little bit more than you thought and that is really where these variances come from but if you think about a program that we are running and the size of the program and the variance which is single digit percentages over 12 month period I think that is pretty good. I am pretty happy with that.

Anthony Hoo from Nomura:
So just secondly, on some of the main initiates you talk about here including the collateral management service and the OTC clearing are there any regulatory issues/hurdlesto these or is the implementation just up to you?

Elmer Funke Kupper, ASX Managing Director and CEO:
Pleasingly we are clearing the hurdles as we need to. In fact we are doing that very, very well. So collateral management is live and in fact the RBA is one of the foundation members of that so that is in place. On the OTC side the dealer to dealer service is in place and client clearing we have received the necessary regulatory approvals we need in Australia to launch client clearing as well so that is ASIC and the RBA, so that is pleasing. And then internationally of course we have to meet the international regulatory and capital standards. We raised capital for that last year but we have also waited to receive the international regulatory approvals which are enormous processes by the way, they take an awfully long time, so what international regulators do in the meantime as they run through that process they give you what you call relief, in Europe that is called traditional relief, in America its called no action relief but it is relief as they go through the submission process and the paper work which can take 9-12 months. We have transitionary relief in line with other international exchanges in Europe, we have no action relief in the United States received in the last couple of weeks. It matters because it means that the branches of European and American banks who are very important to our market can deal with our clearing house and clear through us and that is very important and is an important part of supporting our clients to get the most efficient solution and of course making sure that everyone comes on board and that there is no excuses for using the Australian solution, I think that is what we have delivered, some very good results there driven by our General Counsel and her team.

Chris Williams from UBS
I have got a question following on from Nigel's on capital, on slide 34 of the appendices, the line I am particularly interested in is the investment operational and fixed asset risk which 2 years ago was $114 million and this half is $356 million so the question is twofold; firstly that the dramatic step up that we saw last year I understand was more about attribution of operational risk that hadn't been done as systematically previously but really what's the increment in the first half, FY14, and the second question attached to the same number is how do we actually benchmark that and reference that to business metrics that we can see in your business to understand how that number changes going forward.

Elmer Funke Kupper, ASX Managing Director and CEO:
I will let Ramy answer the question although I am not quite sure we have actually published the capital policy down to a level where you can calculate the number so I don't think we can give you that.

Chris Williams from UBS

It's just some reference points.

Elmer Funke Kupper, ASX Managing Director and CEO:

But the reference point is, I think Ramy will give it to you here but I think it is driven if I am not mistaken, Ramy, by the size of the assets that sit in different platforms so as the balances go up in our depositaries, you will see the capital that gets allocated to that go up as well, it is not a straight line obviously because you get greater and greater capital efficiencies as that goes on so you think of it as a curve normally, is that?

Ramy Aziz, ASX Chief Financial Officer:

Yes that is the main reason, you are right about the step up, that was the way we started to attribute it mainly for operational risk to meet both the local and the international standards. Really the kick up from the proforma last year to the half year, and its not a significant increase in our view, is partly what Elmer just said, the higher value of assets in those depositaries means that we put aside a little bit more capital to hold those, our fixed assets just kicked up a little bit so we have aside a little bit more for that as well so it is really just a combination of those three factors.

Elmer Funke Kupper, ASX Managing Director and CEO:

In some ways they are important numbers, in the case of operational risk we hold the capital at the group level not in clearing houses themselves because we get efficiencies between the depositaries that we have so we attribute capital for example, we provide a P&L and a Return on Equities Statement for cash equities clearing on settlement and in the settlement bit which is CHESS we attribute capital on the same basis that Ramy just did. We do the same thing for Austraclear but then because the capital is held at group level we get another efficiency through the diversification effect so there is the assets themselves and its not a straight line and there is diversification at the group level, that's how it works and we do that just to make sure that the capital we hold is adequate for the risk activities and to make sure that we can calculate returns where we have been asked to do that under the Code of Practice so that is why we do that, we develop those methodologies. Is there anything else?

Ramy Aziz, ASX Chief Financial Officer:

No that's really it.

Elmer Funke Kupper, ASX Managing Director and CEO:

We will go to the front and then to the phones, we will move to this floor if there are no questions on the phone.

Ross Curran from CBA:

Maybe a softer question on turnover velocity, turnover velocities 80% in the last half but that includes the Chi-X turnover velocity as well, on market main boards turnover velocity continues to drop and its nearly 5 years in a row of falling velocity, I would just like to get your opinion on what is driving or what is keeping investors away from turning over, is it increased regulation, increased regulatory burden on market participants, is it market fragmentation, is it high frequency trading, what do you guys attribute it to and is it cyclical or a structural slow down.

Elmer Funke Kupper, ASX Managing Director and CEO:
I have a view on that but let's pass it to Peter Hiom because he can give his sense of where that's at.

Peter Hiom, ASX Deputy CEO:
I think it is all of the above and you couldn't point to one factor and say that's the reason why velocity is down, I still don't think we have seen a return of investors to the market, particularly retail, structural changes have driven greater costs into the system, complexity around HFT trading has driven some customers to go and trade in different ways in large blocks which traditionally transacts under a lower velocity of turnover. I think if you add all of that up and still a lack of return to the market generally then you sort of get a general explanation as to why we are seeing what we are seeing.

Elmer Funke Kupper, ASX Managing Director and CEO:
I think the two big drivers that Peter highlights there I think are important, is retail investors still not as active as they were in the past and fragmentation which is of course the enemy of efficient markets which we have created in this country following the wonderful structures we have seen overseas, it does create a headache for institutional investors so what they do is they tend to trade larger block trades and they tend to do it in the dark so they can get their liquidity in a way that they need to execute against so that tends to drive down velocity. I think those two factors both play a role in it. I think the question you asked me before, we sort of walk down the stairs on high frequency trading, I think that number has some limiting impact in its own right but I don't think it is a big factor, that has been relatively stable in Australia because of the good regulatory environment that ASIC has created which I think has been good but I think market fragmentation which I think is more a national policy decision is a very unhelpful thing which then gets very well managed by ASIC. So I am not as concerned about high frequency trading, I am more concerned about the actual structure of our marketplace particularly a marketplace that does between $4 billion-$5 billion a day which sounds like a lot of money but its not and that is probably where the concern more is for us rather than in the day to day regulations which I think are doing very well.

I might move to people on the phone, any questions on the phone?

Ismar Tuzovic from JP Morgan:
Good afternoon or good morning, my first question just follows on the cash market velocity, so you saw a strong increase in market data terminals particularly what appears to be driven by retail investors so why do you think there was no increase in velocity and do you think maybe it is a lead indicator of future potential increase?

Elmer Funke Kupper, ASX Managing Director and CEO:
I am not quite sure if you heard my presentation on this when we got to the first question. The kick up you see in what is determines I think monthly average terminals, that is users, unique users who use our data and in the retail market it is people who pay effectively the standard fee cap so when they hit the number we count them as a user. What we did from 1 July, we reduced our retail fees so the number, I think the fee went down by about a third. What happens of course is when you do that is that many more people hit that number which is the function of the fee reduction, they start to hit that cap so therefore more people hit the cap, more people get counted but its actually a function not so much of activity, although across the market year on year we saw improved activity, that's our overall trading revenues are up, it is also a function of a change in pricing between professional and retail clients, there are simply more people hit the pricing cap because we reduced the cap. I hope that helps you understand how that works. So don't get too excited about the jump from 49 to 66 is what I am really saying.

Ismar Tuzovic from JP Morgan:
Yes understood, and just on the derivatives side, the ASX derivatives as opposed to ASX 24, I mean so there have been some issues there with turnover declining period on period, I mean what are the drivers behind that decline and you mention you have got some initiatives to turn that around, I mean would you mind going through what those initiatives are, well what the issues are firstly and what the initiatives will do to reverse that?

Elmer Funke Kupper, ASX Managing Director and CEO:
Good question for the person responsible for the turnaround, Peter.

Peter Hiom, ASX Deputy CEO:
There are a number of issues but let me just focus on a key one because I think that is important for the initiatives that we are undertaking. There is a key issue around the structure of the ETO market as it relates to the ease of which you can execute large transactions. I think what we would say is that what we have seen in the cash market is a substantial change in market structure, what we need to do is update the ETO market structure to accommodate ETO transactions in the same environment. So what that means today is that essentially because of the changes we have made in the cash market you can do a transaction which is an ETO with a spot market hedge where the hedge is a block trade in the cash market but the ETO component needs to be put in the central market. That is not attractive for end users, particularly in the more complex environment which we eventually trade though so one of the key initiatives in these are a number of changes relate to the crossing rules under which the market operates which allows our intermediaries to transact that business more efficiently away from the central market but it also includes some changes to the obligations for market makers to put more onscreen liquidity available for transaction and to increase the number of options within which those obligations sit. There are a number of other complex technical issues around, Elmer mentioned margin simulation and optimisation as a key issue particularly for the retail market, being able to understand exactly what the margin consequences are of the transactions that they undertake and there is more work for us to do there to ensure that our retail brokers have the right tools to help retail clients so some of it is institutional, some of it is retail, all of the initiatives are important but there are many of them but I would say the key ones there are improved obligations for market makers and changes to the crossing rules and the first change to the crossing rules there are some progressions to that in about a week and a half to two weeks from now.

Elmer Funke Kupper, ASX Managing Director and CEO:
Lots to do.

Ryan Fisher from Goldman Sach*: One question for Elmer and one question for Ramy, Elmer could you update us on your thoughts on acquisitions or deals, both smaller deals like expanding into technology and value chain and second of all just bigger strategic deals and then similarly related for Ramy just with the S & P rating how much flexibility does that leave you with on your gearing given that you are totally ungeared at the moment?*

Elmer Funke Kupper, ASX Managing Director and CEO:
Alright I could almost answer both but we will let Ramy do the S & P one. The first one of course is as you know we don't talk about any plans that we may or may not have because we can't do that. Our public position in the exchange world is that exchange consolidation will continue, the acquisition of the NYSE Group by ICE has been completed. They will proceed to offload Euronext in Europe, they plan to float it, it might take a strategic investor before they do that and they will then start to carve up the New York business, Technical Services, and ultimately do something with the equities business and listings business there as well. We are observers in that entire game

so in exchange consolidation we are observers today and otherwise of course I will make no comment on our thinking around that or plans. So that is on the M&A front on S & P Ramy?

Ramy Aziz, Chief Financial Officer:

Yes Ryan the S&P rating as you will see is obviously a good confirmation of the strong position that ASX holds, clearly that gives us room we believe for gearing if we were ever to want to do that and there is a little bit of guidance actually in the S&P zone note on us that basically says there is room to gear but we have no plans.

Elmer Funke Kupper, ASX Managing Director and CEO:

They mentioned a number on that

Ramy Aziz, ASX Chief Financial Officer:

Yes they did, they mentioned a number of about 1.5 times debt to EBITDA ratio, up to that level they would be comfortable, obviously depending on what it was used for but that gives us a bit of an idea saying well there is obviously quite a bit of gearing capacity should we every have the need to do something.

Elmer Funke Kupper, ASX Managing Director and CEO:

And that is the metric that applies to the Group, ASX Ltd as a commercial entity as opposed to the sort of financial institutions type running part of the business which is the clearing house so we look at them quite separately these days and we have to and that 1.5 times is very consistent with what you see in a normal rating matrix and the benchmarks so there are no surprises there.

Brett Le Mesurier from BBY Limited:

Back on risk based capital, should we assume that that clearing participant default risk of $700M will never change?

Elmer Funke Kupper, ASX Managing Director and CEO:

Is the question will the capital in the clearing house never change?

Brett Le Mesurier from BBY Limited:

The clearing participant default risk number of $700 million, should we assume that will never change?

Elmer Funke Kupper, ASX Managing Director and CEO:

Umm, well that depends of course on what the clearing house does. So what we said when we raised the capital, we said between the contributions of ourselves and our clients because remember our clients have put an additional $100 million in as well now so between ourselves and our clients, although most of it comes from us, the capital that sits in there is sufficient to meet the cover to capital standard, the highest standards for the clearing house as we can see its activities in futures and OTC but of course it depends on like every commercial and risk business, how that business grows. So if you ask me is that it well that depends on the products that go through the clearing house, the size of the activity, the nature of the individual clients and their positions so it is hard to make a real prediction about that but we are comfortable with the current level and we are comfortable launching the OTC business at the level which is really what we said last year and that continues to be true.

Brett Le Mesurier from BBY Limited:

And so you would expect that business to be successful and continue to grow therefore we should reasonably expect that the $700 million in capital that is currently applied to it would also grow at some future rate?

Elmer Funke Kupper, ASX Managing Director and CEO:

It depends, remember what Cover 2 means, Cover 2 is the simultaneous default of the two largest clients so if everyone grows but the two largest clients, then there is no change in capital. If the two largest clients change to be the same people and become different ones or they grow their activity, then it might change and that is just a function of who knows how that is going to pan out over the next couple of years but we are comfortable today. But that is not any different from any other financial institution that as they grow their activity base and they change their nature it changes the regulatory capital requirements so there is nothing magical in that and we will just see how that pans out but we are comfortable as we sit here and if we weren't we would tell you.

Brett Le Mesurier from BBY Limited:

So you don't actually have a buffer in that do you such that if there was 20% growth in the risk you wouldn't increase that number, you would just increase it from here as the business was more successful and grew?

Ramy Aziz, ASX Chief Financial Officer:

The way to answer that I think Brett is twofold; firstly there is not a specific linear relationship with growth and meaning that we have to necessarily put capital in. As Elmer said growth depends on who grows, how they grow, which way their positions are, how their exposures go so you can have a growth in activity that doesn't increase the risk base requirements based on the stress testing models. So that is the first thing and secondly, small increases above that we handle day to day anyway. We have existing risk management practices to handle that where we call additional margins and the like so that there are a range of things that we do anyway for activity growth or risk changes from day to day and secondly you said there was no buffer in that. Clearly when we put the $700 million in we took into account what our expected activity level in these businesses is from everything we know and everything we can see. Now we can't predict obviously into the future but for what we know today you know we have a sufficient buffer in there we believe to handle the business.

Elmer Funke Kupper, ASX Managing Director and CEO:

And our business in launching OTC and so forth and then finally, when was the last time that we increased the capital on the clearing house, other than the one we just did? It must be a while ago.

Alan Bardwell, ASX Chief Risk Officer:

Maybe 5 years ago.

Elmer Funke Kupper, ASX Managing Director and CEO:

Yes so we have had good growth in our futures business with the same capital. The step up last year because of the change in the cover requirements was a step up so we have very strong growth in our futures business without changing our capital and so that gives you part of the answer and then if you want to get more complicated our risk management margining processes that can partially cover some of the more extreme scenarios as well so its wonderfully complicated but I think Ramy is right, we are comfortable with what we can see.

Brett Le Mesurier from BBY Limited:

Yes but my point was really as your business succeeds then your capital requirements should reasonably increase, that would be a reasonable deduction

Elmer Funke Kupper, ASX Managing Director and CEO:
But of course in the past it's not as straight forward as a bank where you have a percentage of risk weighted assets and so forth. Here it works in a more complicated way but I think the best evidence is the last 5 years when we ran our growing futures business with the capital that we had and the margining process that we had so we are pretty comfortable with that, we are pretty comfortable with what we have today. We look at it every year but we saw no reason to anticipate an increase at this point in time because we sort of looked forward a bit as we set it up of course last year.

OK we have a chance for one or two questions still in the room still here before we close it off.

Arvid Streimann from Morgan Stanley:
Thanks, it;s Arvid Streimann from Morgan Stanley. A question on fees, two parts in fact. Firstly where are you seeing the greatest opportunity to perhaps push up your fees and secondly where are you seeing the most pressure on your fees and the second part of the question is how are you thinking about potential fee increases in terms of their regularity and their quantum?

Elmer Funke Kupper, ASX Managing Director and CEO:
OK so the discipline that we built into the company now is that we review our fees every year, they may change or they may not change. Earlier on we talked about a reduction in the headline fee for retail data, that was also combined with some other changes in the professional side and the incremental fees that people might pay so we try to go with the market on some of these things. Our fee environment is actually relatively stable as we sit here, we look at it every year for every business and as things change or expenses go up or as we generate more value we might charge more, in the case of retail the headline fee came down. We don't at the moment see material fee pressures, that is not to say that our clients don't always want to pay lower fees. In some cases it is not about fees, it's about revenue sharing arrangements, we have revenue sharing arrangements in place in our futures business and our equities trading, clearing and settlement business. It is not just about fees, its also about sharing the upside and its something that we continuously review and it really depends on the business as well so that's probably the best answer I can give you in this forum.

Arvid Streimann from Morgan Stanley:
Thanks for that and back on debt I think a lot of people ask this with relation or with respect to acquisitions, I was just wondering what your thoughts are about gearing for gearing sake in a foreign exchange, whether exchanges should be geared?

Elmer Funke Kupper, ASX Managing Director and CEO:
Gearing for gearing's sake. I think what you are getting at, when we look at it, and I think one of the reasons we look at the clearing house separately from you know the commercial company, that's ASX Ltd, because in fact in the new world of regulations you really have to look at the clearing house as a almost like a financial institution where the thinking is around solvency and its one of the reasons we have equity capital in that business and we will probably always have that. When we look at ASX Ltd we should look at it as a commercial company where its all about debt service, that servicing capability, you know running an ongoing business the kind of ratios that we talked about in debt EBITDA, Funds From Operations and so forth so what that tells you is that we have no aversions to gearing, when we look at ASX Ltd the bigger company, we apply a normal you know corporate matrix so I don't have any personal aversion to gearing up the group, I am quite comfortable not having any gearing today but that is partially a function of history and so that is the position we are sitting in there so for business investment or acquisitions, normal corporate matrix that you see in other commercial companies would

apply and management and the board will reflect on it and make a decision at the time on what the right gearing levels are. But we are not adverse to it, it just happens to be we don't have any at the group level today.

OK I think no more hands are going up in the room here, thank you for joining us by webcast, over the phone and here in Sydney and any questions of course feel free to ask them to our finance team and we look forward to seeing you as we present later in the year and at the full year.