



8 May 2013

ASX Limited  
20 Bridge Street  
Sydney NSW 2000

By email: [regulatorypolicy@asx.com.au](mailto:regulatorypolicy@asx.com.au)

Attention: Diane Lewis, Senior Policy Analyst

Dear Ms Lewis

**ASX Draft Code of Practice for Clearing and Settlement of Cash Equities in Australia**

The Australian Financial Markets Association (AFMA) considers the Code of Practice for Clearing and Settlement of Cash Equities in Australia (draft Code) to be a significant event in the evolution of the Australian financial markets. AFMA agrees with the planned action of the ASX to put the Code and supporting processes into operation.

AFMA supported the decision of the Deputy Prime Minister and Treasurer to accept the recommendations of the Council of Financial Regulators in relation to competition in clearing Australian cash equities in its December 2012 Report 'Competition in Clearing Australian Cash Equities: Conclusions', which included two important recommendations to assist the evolution and adaptation of financial market infrastructure in Australia in a changing environment, namely:

- ASX should work with industry stakeholders to develop a Code based on a set of principles relating to user input to governance, transparent and non-discriminatory pricing, and access to clearing and settlement services; and
- at the end of the two years, the Council should carry out a public review of the implementation and effectiveness of the Code, and the ASX's adherence to it. At the same time, the Council would review the prospect of granting a licence to another CCP, or of pursuing other regulatory outcomes.

The positive response of the ASX to these recommendations through the work done in preparing the draft Code with its commitments to the principles of transparent and non-discriminatory pricing of clearing and settlement services for the Australian cash equity

market; and transparent and non-discriminatory terms of access to clearing and settlement services for the Australian cash equity market is an important development. The processes set in place to promote transparency are important to users in understanding how efficiently clearing and settlement services are being delivered in an objective manner.

The establishment of the Forum to provide a mechanism for dialogue and user input at a senior level around the governance of ASX Clear and ASX Settlement is seen by AFMA as an important tool to give substance to the commitment for engagement with the industry around the running of key market infrastructure on which many businesses are dependent. AFMA welcomes and is pleased to accept the invitation to the Executive Director of AFMA to be a member of the Forum.

The draft Code represents the start of a process. The process is the most important aspect in making the commitments effective. The personal engagement by Mr Funke Kupper in meeting with our members to explain the ASX's proposals and to listen to feedback demonstrates the genuine effort being made to give life to the commitments underlying the Code. AFMA looks forward to working with the ASX in this process to achieve benefits for all participants and promoting vibrant equity markets for the wellbeing of Australia as whole.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'David Love', with a stylized flourish extending to the right.

**David Love**  
**Director, Policy & International Affairs**