



2013 Australian Grains Industry Conference

LOCAL PRODUCTS FOR A GLOBAL MARKET

Peter Hiom, Deputy CEO

Key ASX Messages



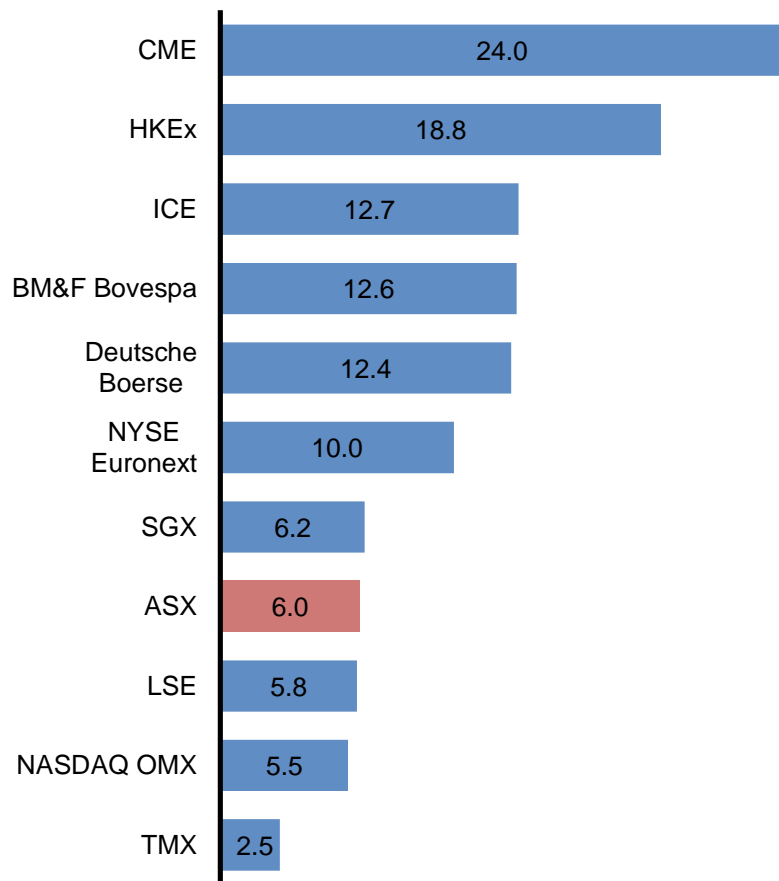
We are committed to creating a liquid grains market

We are implementing important enhancements

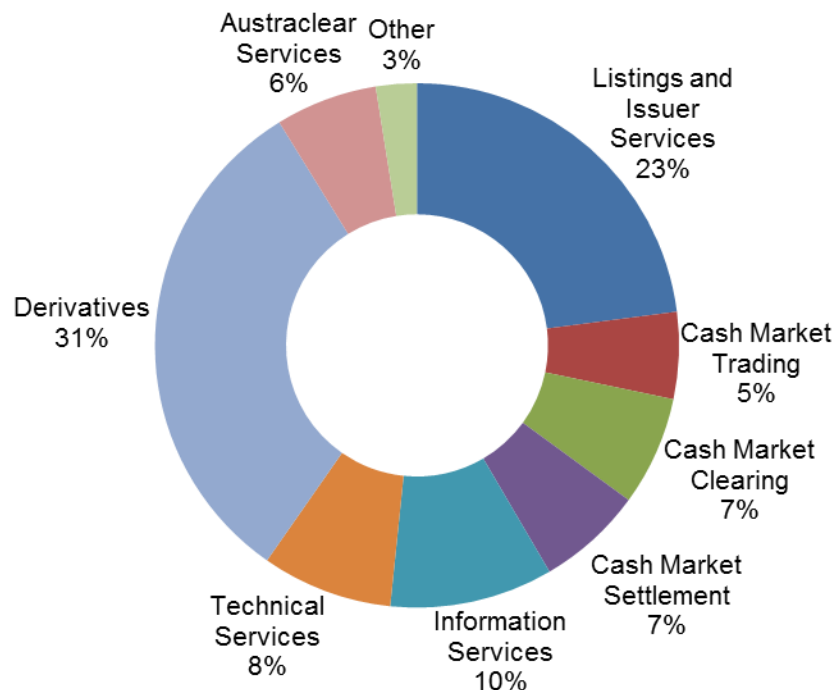
Part of our investment in financial infrastructure

ASX business model allows us to invest and grow

Market Capitalisation at 7 June 2013 (US\$bn)



ASX revenue mix



- ❑ **Significant room for growth in existing derivatives business**
 - Better meeting the needs of domestic customers
 - Servicing the Asian “dining boom”
 - Capturing global capital flows
- ❑ **ASX services not limited to futures and options**
 - Over-the-counter (OTC) derivatives
 - Collateral management
- ❑ **Challenges**
 - MF Global default
 - Stock transparency
 - Integration with global liquidity

ASX plan to develop and grow grain derivatives

FY13	FY14	FY15
------	------	------

- Improved distribution
- Product enhancements

- Market structure changes
- Client asset protection

- Stock transparency
- Global customers and improved liquidity
- OTC derivatives clearing

*Niche
Market*



*Domestically
Relevant*



*Globally
Relevant*

Selected Grain Market Initiatives



☐ **Products and liquidity**

- Improved functionality and distribution – move to ASX 24 (complete)
- Updated contract specifications (complete)
- New liquidity incentive schemes (Q3 2013)
- New education programs (Q4 2013)

☐ **Market Structure**

- Open interest accuracy (Q3 2013)
- Trading hours (Q4 2013)

☐ **Risk Management**

- Client asset protection (commencing Q2 2014)

Client Asset Protection

☐ **Current clearing model**

- Net omnibus account
- Co-mingled positions and collateral
- Client ownership not identified at the clearing house

☐ **New clearing model**

- Amendments to Payment Systems and Netting Act (effective 19 July)
- Enables ASX Participants to offer client protection choices
- Supports commercial viability for ASX Participants

☐ **Service features**

- Segregation from other clients and the clearing participant
- Portability of positions and collateral in the event of default
- Phased implementation from Q2 2014

ASX Investments in Market Infrastructure

❑ OTC Clearing

- Central clearing of OTC derivatives post Basel 3
- Reduced counterparty risk
- Margin offsets between OTC and futures positions

❑ Collateral Management

- Mobilises \$2.5tr non-cash collateral located in ASX depositories
- Utilises cheapest collateral for clearing house or bilateral exposures
- Significant cost reductions for clients

❑ Potential application for grains

- OTC grain derivative clearing (consultation in Q3 2013)
- Electronic warehouse receipts facilitates collateral mobilisation
- Collateral management

Key ASX Messages



We are committed to creating a liquid grains market

We are implementing important enhancements

Part of our investment in financial infrastructure



ASX