



ASX Equity Trading Strategy

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SAA – May 2011

Agenda



ASX

AUSTRALIAN SECURITIES EXCHANGE

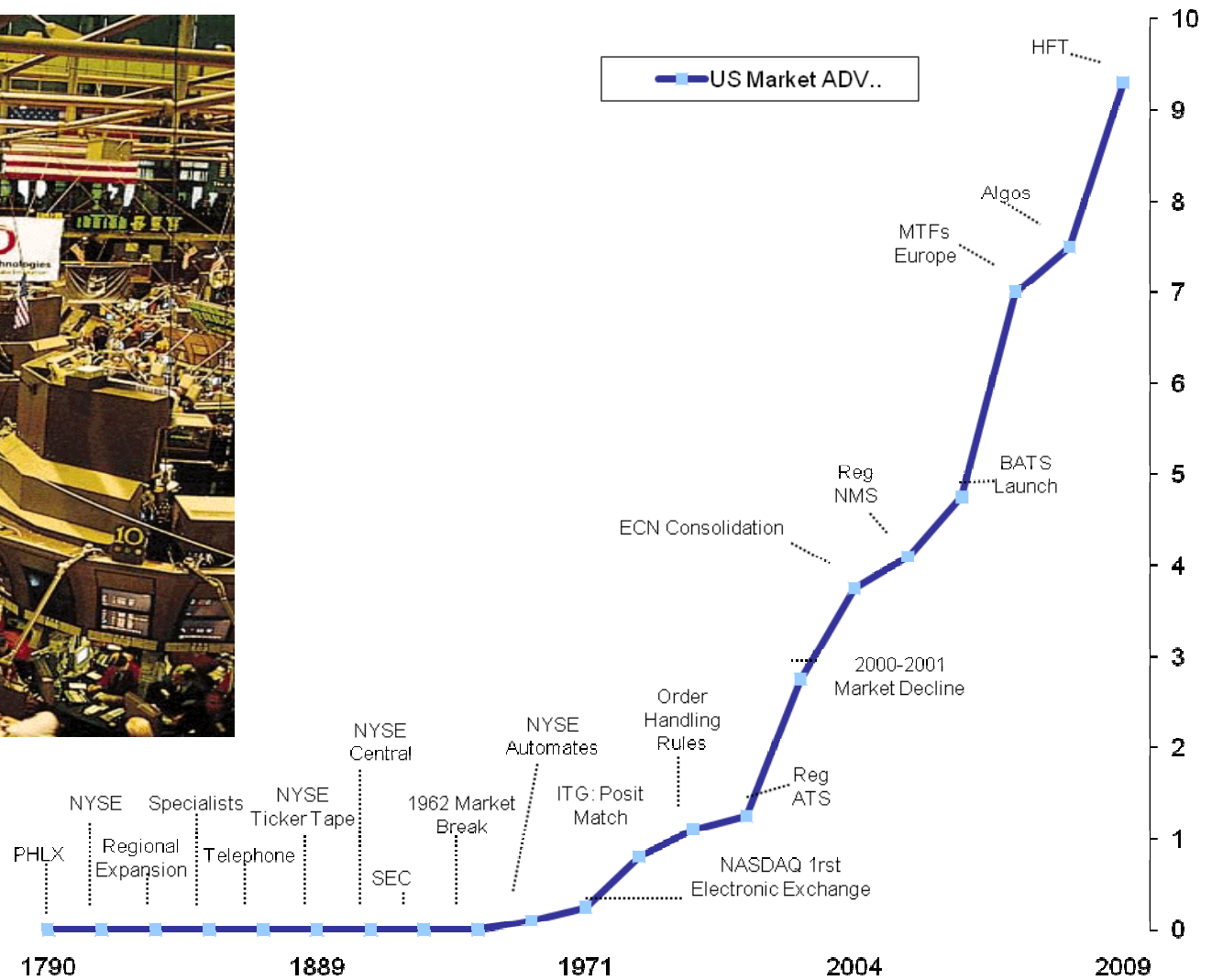
1. Global Trends Playing out in Australia
2. Regulatory Reform
3. ASX Equity Trading Strategy
4. Access & Connectivity Strategy
5. 2012 and beyond



Evolution of Electronic Trading



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Source: Deutsche Bank

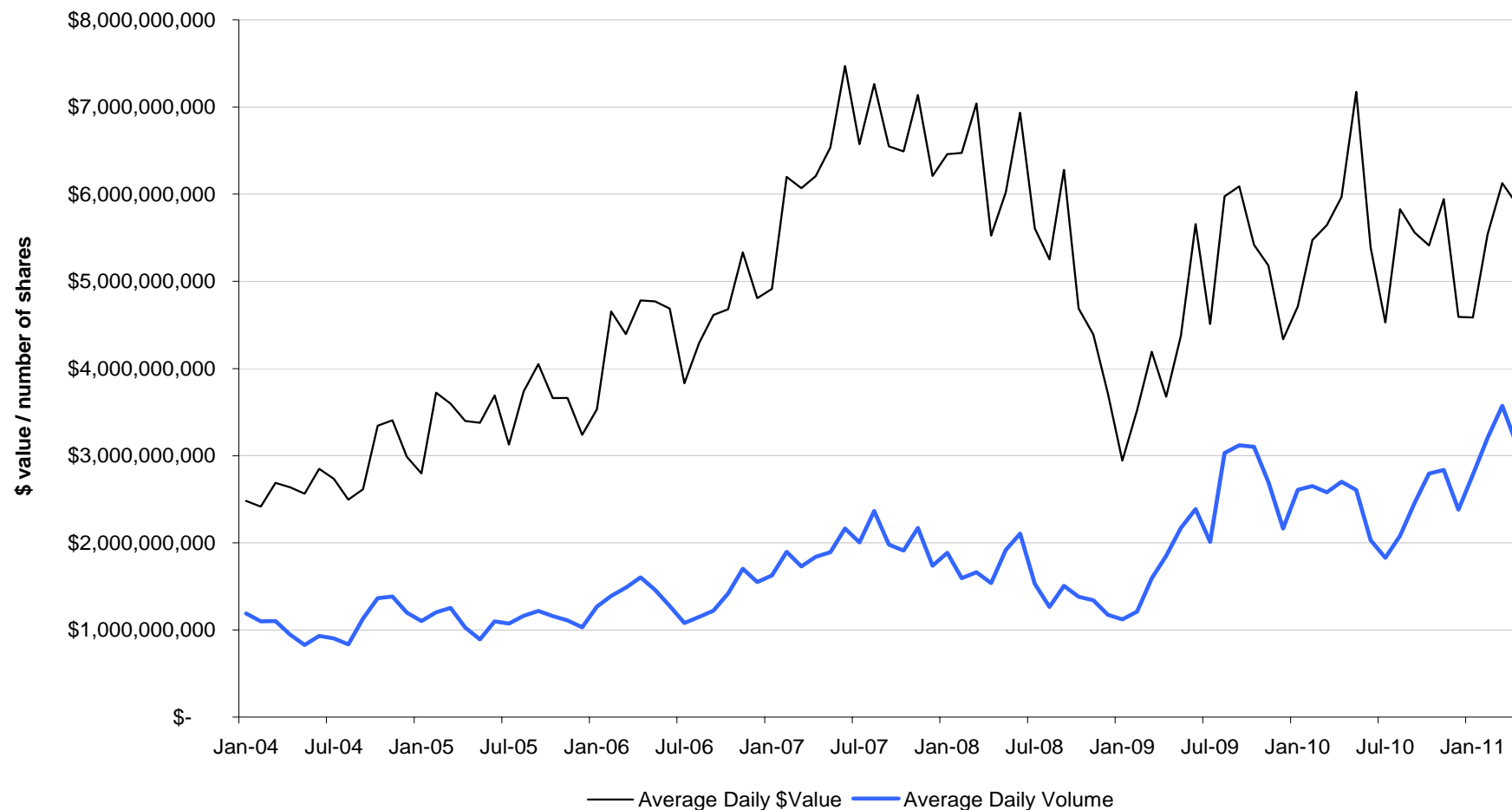


ASX

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Australian Equities

Cash Markets Average Daily Value and Volume

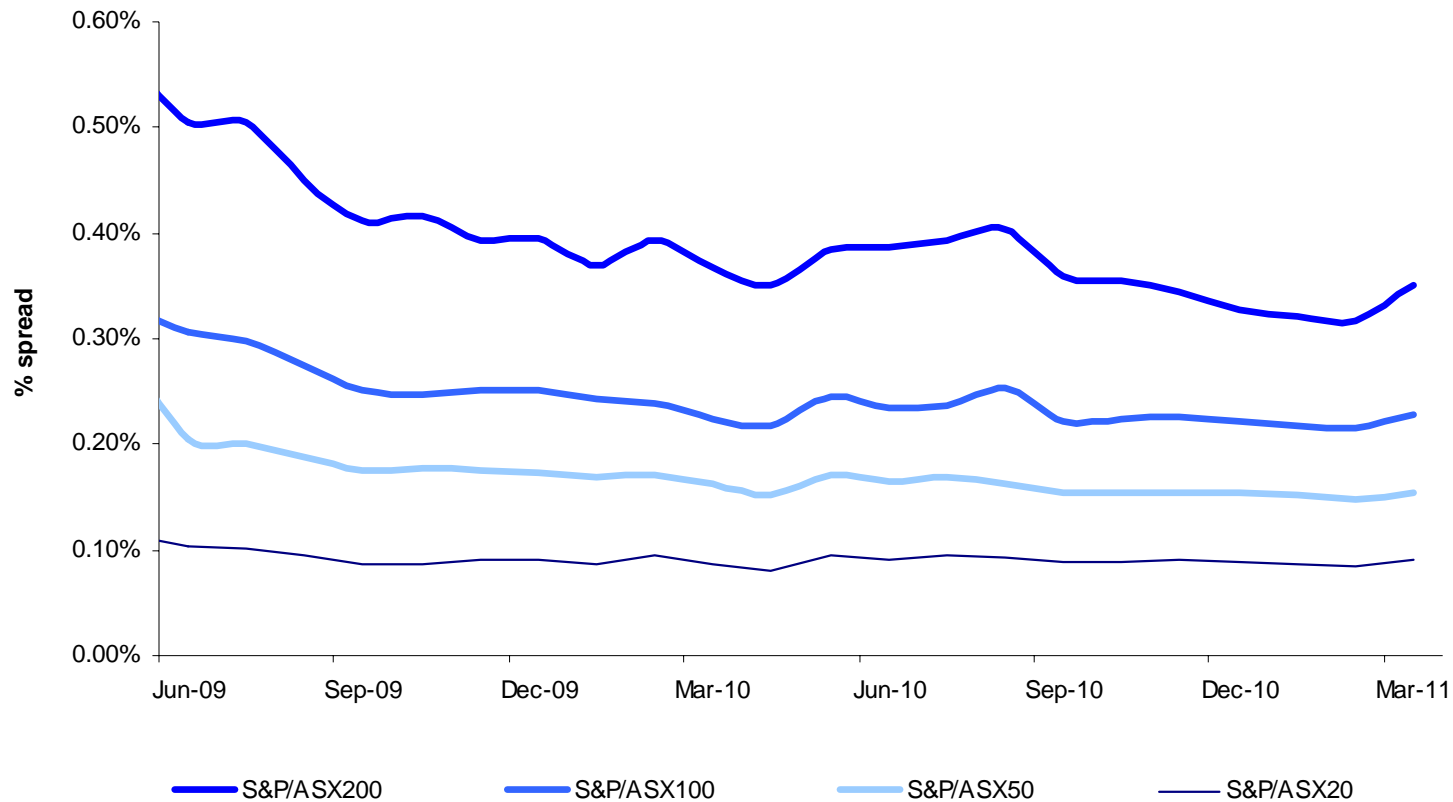


Spread Trend – large caps



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% Bid Ask Spread

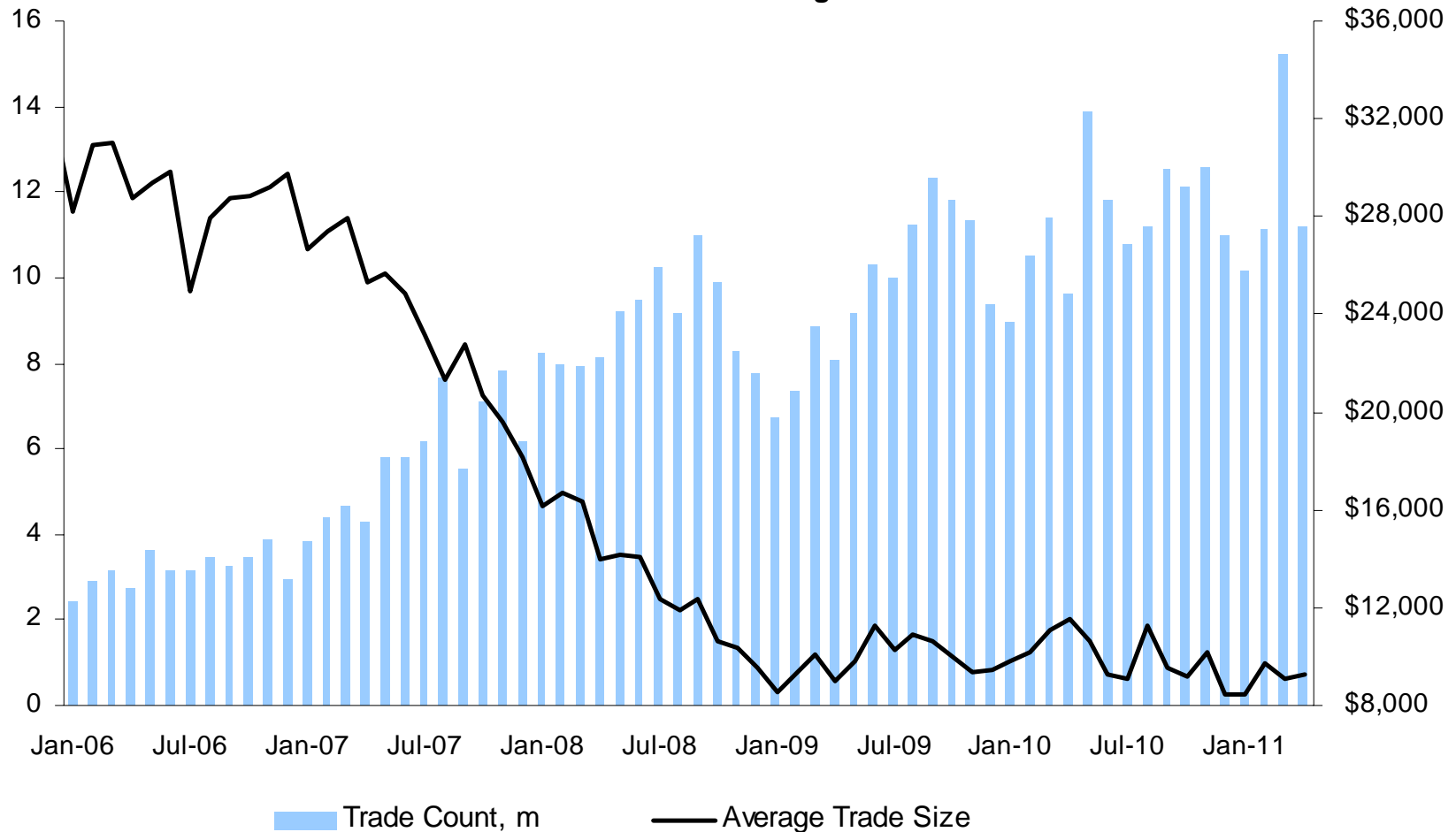


DMA/Algo - average trade size

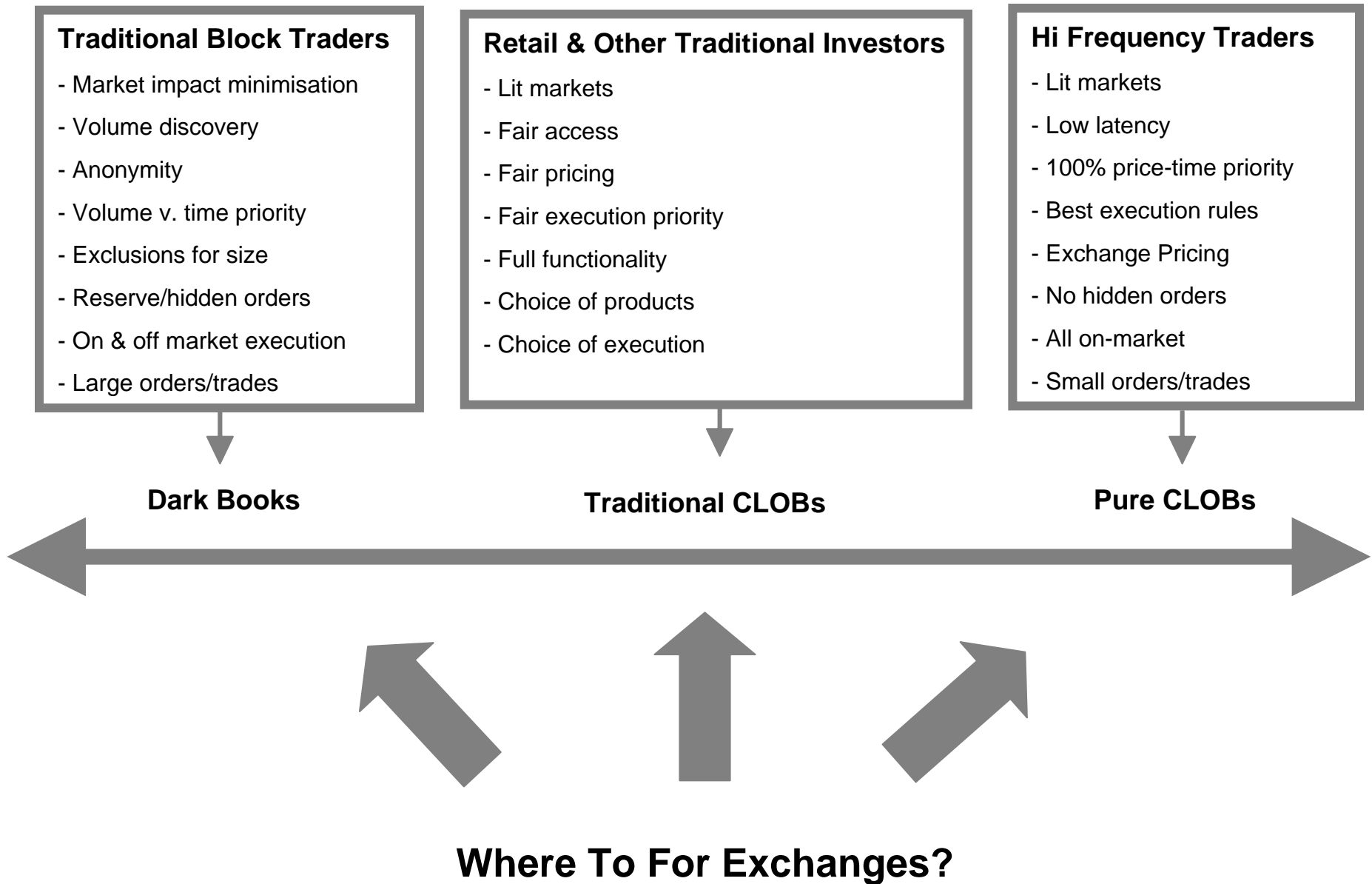


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Number of trades and average trade size



One Size Fits All Market Structure No Longer Works



Regulatory Reforms - MIRs



AUSTRALIAN SECURITIES EXCHANGE

- Best execution
 - Broker obligations
 - Retail v. institutional
- Pre-Trade Transparency
 - Dark books, hidden order rules
 - Crossing rules
- Post-Trade Transparency
- Exchange Cooperation
- Volatility Controls
- Multi-Market settings
 - Market Hours
 - Tick sizes



ASX Equity Trading Strategy



AUSTRALIAN SECURITIES EXCHANGE

- ASX Trade
 - *TradeMatch*
 - *PureMatch*
 - New Trade Functionality
 - Infiniband (faster messaging)
 - ITCH (faster data) – Oct 11
 - OUCH (faster order entry) – Q1 12
- ASX Net
- ASX Co-Lo – “*Australian Liquidity Centre*”



Centre Point Price Improvement



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Results

Table 1 Execution Costs (basis points)

	July	August	September	October	November	December
Implicit Costs						
Central Limit Order Book	11.24	10.55	10.77	12.13	12.21	12.49
Explicit Costs						
Centre Point Order	0.5	0.5	0.5	0.5	0.5	0.5
Centre Point Crossing ²³	0.15	0.15	0.15	0.15	0.15	0.15
ASX Equities Trade Fee*	0.15	0.15	0.15	0.15	0.15	0.15
ASX On-Market Cross Trade Fee*	0.1	0.1	0.1	0.1	0.1	0.1
Price Improvement for CX orders net of ASX fee	10.74	10.05	10.27	11.63	11.71	11.99

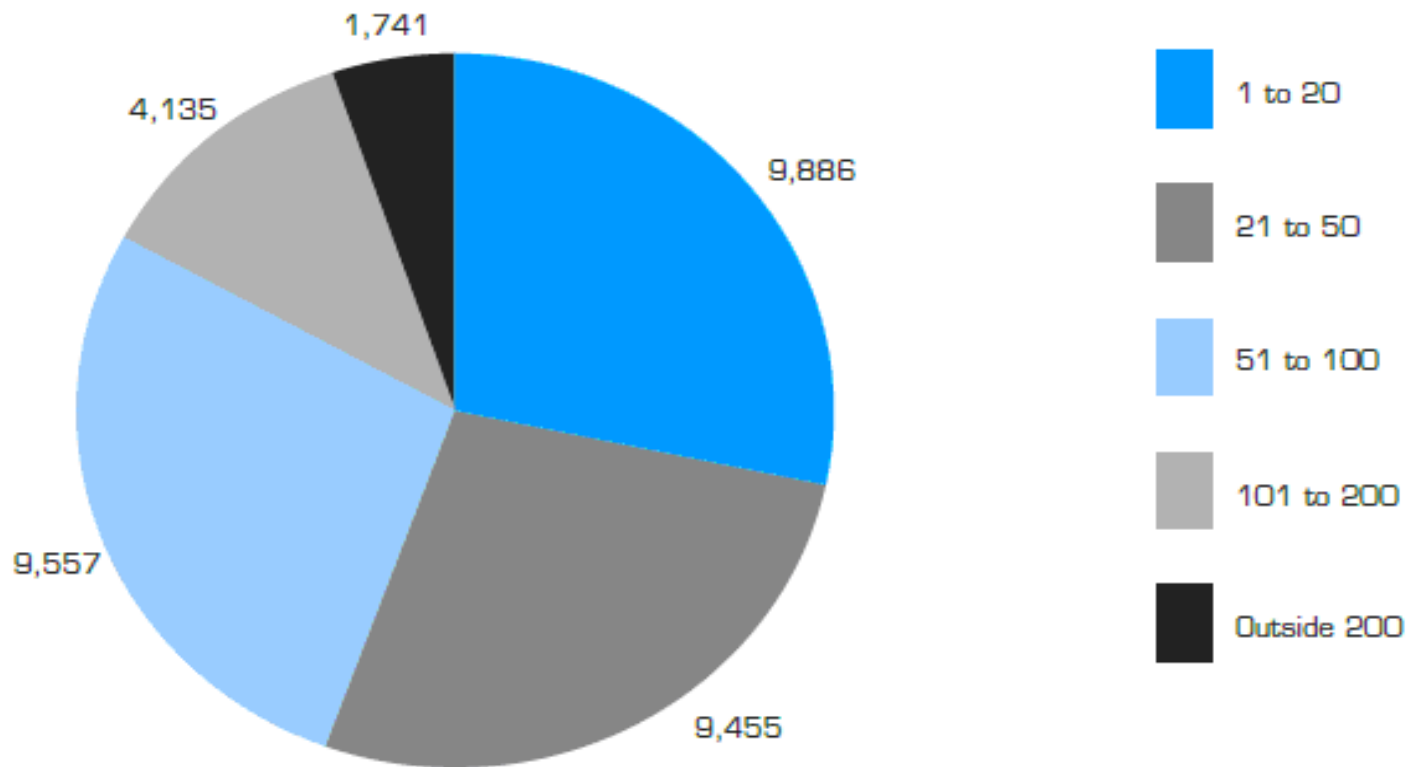
- In 2011, 5.1% of TLS (by value) has been traded via CentrePoint and CP Crossings
- Study available in the ASX Trade section of asx.com.au

\$65 billion of liquidity routed to VolumeMatch



AUSTRALIAN SECURITIES EXCHANGE

Number of Orders by Stock Market Cap Ranking



ASX Trade



AUSTRALIAN SECURITIES EXCHANGE

- **November 2010**
- **ASX Trade (Genium I-NET based)**
 - 5m trades (ITS: 2m)
 - 500m orders (ITS: 100m)
 - 300µs Latency (ITS: 2-5ms)
- **ASX Trade enables multiple trade execution facilities**
 - TradeMatch
 - PureMatch
 - VolumeMatch & New Order Types



ASX Trade



AUSTRALIAN SECURITIES EXCHANGE

- **TradeMatch - Nov 2010**
 - Main execution venue
 - 2,000+ Equities,
 - 25,000+ ETOs,
 - 3,500+ Warrants
 - 50+ ETFs
 - Full range of functionality
 - All new order types
 - No change to key market settings

- **ASX Trade performance is a journey - not a destination**
 - Infiniband, ITCH, OUCH
 - Faster messaging, data and order entry



ASX Trade



AUSTRALIAN SECURITIES EXCHANGE

- **PureMatch - Nov 2011**
 - Same platform - ASX Trade
 - ASX 300 securities, plus liquid ETFs
 - Different pricing model - target HFT
 - Lit order execution service
 - No auctions
 - No crossings
 - No hidden orders
 - No contingent orders
 - Two lit services in top 300 stocks
 - Both in the ASX “*Australian Liquidity Centre*”
 - Lowest latency possible between two trade facilities



ASX Net



AUSTRALIAN SECURITIES EXCHANGE

- **ASX Net - 2010**
 - **Dark fibre network**
 - **Functionality**
 - Distributed access to ASX
 - Fully managed by ASX
 - ASX Trade & ASX Trade 24
 - Market data, settlement, test beds, other 3rd party services (July 2011)
 - **Performance**
 - Much greater capacity (2 meg to 100meg initially)
 - (ASX Trade + ASX Net) in Sydney now faster access than (ITS + Co-Lo) in 2010
 - 70x faster than NiPPA



ASX Best



AUSTRALIAN SECURITIES EXCHANGE

- **ASX Best**
 - **Trader Workstation - fundamental upgrade**
 - **Partner with an internationally recognised vendor**
 - **Experienced in smart routing solutions**
 - **Functionality**
 - **Multi-market routing**
 - **Smart Order Routing**
 - **Integration capability – OMS, risk, etc**
 - **DMA Client access**
 - **Broker compliance with Best Ex**
 - **Competitively priced**
 - **Commence roll out - end 2011**



ASX CoLo - “Australian Liquidity Centre”



AUSTRALIAN SECURITIES EXCHANGE

- **Australian Liquidity Centre**
 - Phase I - Nov 2008 - ASX Trade only
 - Phase II - Nov 2011 - ASX Trade & ASX Trade 24
 - Site at Gore Hill – construction phase complete
- **Liquidity Access**
 - TradeMatch, PureMatch, VolumeMatch, ASX 24
 - Separate services
 - Hosting
 - Liquidity Access
 - Community Access
 - Technology Services
 - Aimed at the whole financial market community
- **Features**
 - Sufficient rack space, 6kw power
 - Access, Security, Service



2012 & Beyond



AUSTRALIAN SECURITIES EXCHANGE

- **Trade execution functionality – an ongoing evolution**
- **2012 & 2013 – Market Structure ex-S&P/ASX 300**
 - Trading market structure
 - Listing environment
 - Support services
- **Foreshadowing ASX Trade Releases**
 - Mandatory Releases - Apr, Oct
 - Voluntary Releases





ASX

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