



ASX
Futures
Supervision
Forum



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AGENDA: THE CHANGING FACE OF FUTURES SUPERVISION
12:30 – 2:00pm
Welcome: **Tracey Lyons**, *Director Markets Operations, AFMA*
Guest speaker: **Greg Yanco**, *NSW Commissioner and Senior Executive Leader - Market Participants, ASIC*
ASX/SFE Issues: **Fiona Hooymans**, *Manager Compliance, ASX*
Industry observations: **Tracey Lyons**, *Director Markets Operations, AFMA*
Questions & Answers
Lunch



Presentation to

AFMA: Compliance Forum

Greg Yanco
Senior Executive Leader
Market and Participant Supervision
18 May 2010



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Australian Securities & Investments Commission

Overview

- Rule framework
- Approach to Market Supervision
- Interaction between ASIC and ASX
- Timing



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Rule Framework- Day 1 Approach



- Maintain status quo as much as possible
- Modelled on existing SFE Operating rules
 - ▶ Mostly consequential amendments
- While the responsibility of supervising a particular rule may change, the substance of the regulatory regime will not.
- No change to current arrangements for supervision and enforcement of clearing rules

Framework- ASIC/ SFE Market Integrity Rules



- Trading principles
 - ▶ market manipulation,
 - ▶ misleading acts, and
 - ▶ dealing with client orders.
- Relationship between participant and client
 - ▶ allocation,
 - ▶ disclosure to client,
 - ▶ client connections,
 - ▶ client's instructions,
 - ▶ exemptions from trading prohibitions, and
 - ▶ recordkeeping.
- No operational content

Market Disciplinary Panel




- ASIC will have its own Market Disciplinary Panel procedures
- New penalties proposed for contraventions or alleged contraventions of the ASIC/SFE MIRs
 - ▶ Infringement Notice
 - ▶ Enforceable undertakings
 - ▶ Civil penalties
- ASIC will have its own investigative powers and specialist Deterrence team to investigate breaches of the ASIC/SFE MIRs
- MDP will consist of industry peers

Transition to new regime




- Draft Regulations propose that any exemption (current) given by SFE to participants or any notification given by Participants to the SFE under an operating rule that will be transferring to ASIC will be grandfathered
- MOU between ASIC and ASX is being revised to facilitate a smooth transition, ensure information sharing and a co-ordinated approach to supervision.

Approach to supervision




- **Participant supervision:**
 - ▶ Reactive- complaints, referrals, exception reporting from trade surveillance reports
 - ▶ Proactive- program of RADAR broker visits and on-site reviews, self assessments
 - ▶ Beyond Day 1- integration of processes across equities and futures supervision, consistency in approach
- **Market Surveillance:**
 - ▶ Trade surveillance exception reporting
 - ▶ Beyond Day 1- focus on enhancing market surveillance
- **Focus on :**
 - ▶ Maintaining existing participant relationships
 - ▶ Day to day interaction
 - ▶ Providing easy access to ASIC Analysts



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Contacting ASIC's Market & Participant Supervision team




Who? MPS Market Analysis team
(for matters relating to trading or market activity) → MPS Participant Relationship team
(for matters relating to participant conduct)

How?

- ASIC Market Supervision hotline
- Designated email address for MPS Markets


- ASIC Market Supervision hotline
- Designated email address for MPS Participants

When? Queries, complaints, reporting suspicious conduct, notifications




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Expectations of Participants




How can Participants prepare?

- Becoming familiar with the new market integrity rules and regulations
- Updating your records with ASIC's new Market Supervision contact details (to be distributed shortly)
- Reviewing ASIC's website for updates on transition arrangements
- Attending an ASIC road show



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Timing and further information



- Working towards Q3FY10 commencement (August-September)

Information on Transition:


- June- Direct communications with Participants on ASIC's new structure, process and engagement model.
- July- ASIC Market Supervision road shows around Australia



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Beyond Day 1- Enhancements

- Focus on enhancing market surveillance techniques
- Integrating supervision of futures market with supervision of the equities market

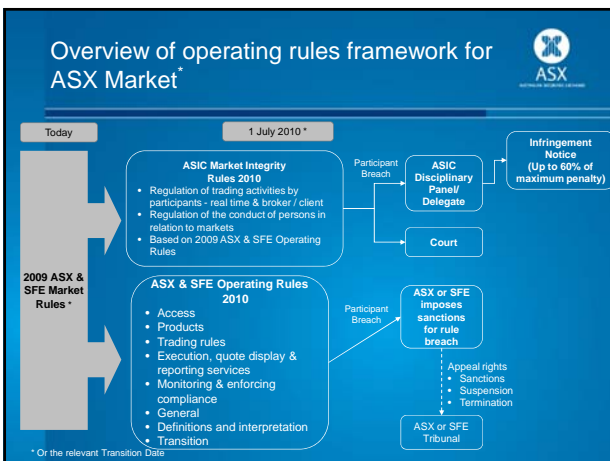


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ASX FUTURES SUPERVISION FORUM

What it means for SFE Participants
Fiona Hooymans, ASX
18 May 2010



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