

4 November, 2013

Mr Con Corkofigas
Senior Manager and Legal Counsel
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

By email: Con.Korkofigas@asx.com.au

Dear Mr Korkofigas

Proposed Changes to ASX Enforcement and Appeals Rule Book – Trade Cancellation Appeals

I refer to ASX's Letter of 30 September 2013 setting out alternatives for proposed changes to the right of appeal from decisions regarding cancellation of transactions on ASX Trade and ASX Trade 24. Thank you for the opportunity to discuss these proposals with members of the Stockbrokers Association and to seek feedback.

We have canvassed the views of members in a number of Association forums, including the Institutional Broking Committee, Retail Broking Committee and Derivatives Sub-Committee. The feedback we have received has been consistent, namely, Stockbrokers consider the right to appeal a decision on the question on cancellation as being extremely important right, and strongly feel that it should not be taken away.

The general feedback was that ASX has to date done a good job in making the right decision on questions of cancellation. The desire to retain the right of appeal was not a

reflection that ASX has been making the wrong decisions and that appeals have been a commonplace event.

Rather, many members were able to call to mind instances where cancellation decisions involved highly significant situations, and having a right of appeal in such circumstances was seen as being a fundamentally important right of participants in the market.

We note the reasons given why ASX was favouring the removal of the right to appeal, particularly the considerations relating to uncertainty for the market, including counterparties to the trade who may have a linked exposure, such as a hedge or another leg to the trade. Members, including those who were market makers and derivatives traders, provided feedback that they have ways to “ring fence” a trade that is subject to the potential for cancellation, and did not consider this to be of sufficient weight to warrant the loss of the right to appeal from a cancellation.

For these reasons, Stockbrokers Association members did not support Alternative 2.

As regards Alternative 1, it was noted that this alternative would see the appeal arrangements for ASX 24 cancellations applied to ASX Trade. It was noted that this would mean that a decision would need to be made within 5 minutes of the decision on cancellation as whether or not to lodge an Appeal.

There was a view expressed by a number of members that 5 minutes is an extremely short time, and whether it was necessary for it to be so short, even paying due regard to the objective of removing market uncertainty. Members questioned why 15 minutes could not be allowed for the decision to appeal, and believed that this was not so long as to be inconsistent with the objective of market certainty. It was noted that with the high levels of DMA activity originating from clients situated offshore, a reasonable amount of time was needed for appropriate communications, and there was not much that could be done in 5 minutes.

Members did not express a view on whether 5 minutes was an adequate time for the futures market, but were of the view that the equities market was sufficiently different in character from the ASX 24 market to justify the longer period of 15 minutes being allowed under the Appeal procedure for ASX Trade if Alternative 1 is to be adopted.

We appreciate the opportunity to provide comments in respect of these Proposals. Should you require any additional information or wish to discuss further any of the

matters raised in this Submission, please contact me or Peter Stepek, Policy Executive on pstepek@stockbrokers.org.au .

Yours sincerely,

A handwritten signature in black ink, appearing to read "D Horsfield". The signature is written in a cursive, slightly slanted style.

David W Horsfield
Managing Director/CEO