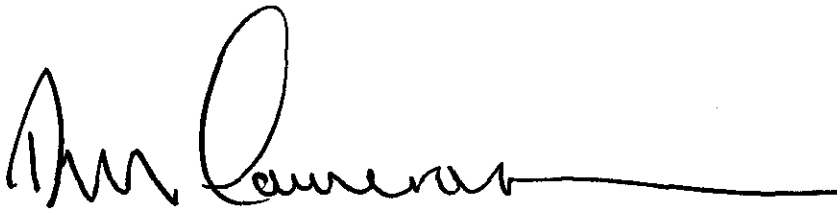




Australian Market Licence (Australia Pacific Exchange Limited) 2004

I, ROSS CAMERON, Parliamentary Secretary to the Treasurer, grant this Licence under subsection 795B (1) of the *Corporations Act 2001*.

Dated 11 August 2004



Parliamentary Secretary to the Treasurer

1 Name of Licence

This Licence is the *Australian Market Licence (Australia Pacific Exchange Limited) 2004*.

2 Commencement

This Licence commences when it is granted.

3 Definitions

In this Licence:

acquisition means the acquisition by APX from Paragon Asset Management Limited (ACN 010 338 324) (*Paragon*) of all the assets that were required by Paragon to carry on markets in securities.

Act means the *Corporations Act 2001*.

APX means Australia Pacific Exchange Limited (ACN 080 399 220).

capital raising means the acquisition of \$400 000 in capital by APX in addition to the funds raised by APX under the reconstruction.

Division 3 arrangements has the meaning given by section 880B of the Act.

fidelity fund has the meaning given by section 880B of the Act.

Note Section 880B has been modified in relation to a licensed market by regulation 7.5.01A of the *Corporations Regulations 2001*.

reconstruction means:

- (a) the reconstruction, comprising the share split, buy-back, share acquisition and rights issue, approved at a meeting of shareholders of APX held on 28 November 2001; and
- (b) the amendment to the constitution of APX approved at a meeting of shareholders of APX held on 10 May 2004.

Note 1 A number of expressions used in this Licence are defined in section 9 of the Act, including *ASIC*.

Note 2 Expressions used in this Licence and in Chapter 7 of the Act, including *Australian financial services licence, licensed market, managed investment product, participant* and *security* have the same meaning as in Chapter 7 of the Act. For the definitions of these expressions, see section 761A of the Act.

4 Grant of licence

This Licence is granted to APX to operate the financial market to be established by APX through which members of the public can, through participants acting on their behalf, trade securities and managed investment products.

5 Classes of financial products

The classes of financial products that can be dealt with on the market are:

- (a) securities; and
- (b) managed investment products.

6 APX to operate market only in certain circumstances

APX may operate the market only if all of the following occur within 6 months from the date of this Licence:

- (a) the reconstruction is completed;
- (b) the acquisition is completed;
- (c) the capital raising is completed;
- (d) APX has given confirmation in writing to ASIC that the matters mentioned in paragraphs (a) to (c) have occurred;
- (e) 14 days have passed since APX has given the confirmation mentioned in paragraph (d).

7 Clearing and settlement arrangements

- (1) APX must, following the execution of a transaction on the market, notify each party to the transaction of the identity of the other party to the transaction.

- (2) APX must have operating rules for the market that provide for transactions effected through the market to be settled by the parties to the transaction.

8 Compensation arrangements

- (1) The minimum amount of cover required for APX's Division 3 arrangements is \$750 000.
- (2) APX must maintain a fidelity fund as the source of funds for its Division 3 arrangements.

9 Participants to be licensed

APX must require each participant in the market to hold an Australian financial services licence that permits trade in the products offered on the market, unless the participant is exempt under Australian law from the requirement to hold such a licence in relation to participation in the market.

10 Disclosure to clients

APX must require each participant to give to a client, before accepting the first order from the client to deal on the market, a written statement that describes the market and the risks of trading on the market.

11 Reporting

- (1) APX must, within 14 days after the end of each quarter occurring during the first 2 years of operation of the market, give ASIC a report that sets out the following:
- (a) the number and identity of:
 - (i) the entities listed on the market at the end of the quarter; and
 - (ii) the participants in the market at the end of the quarter;
 - (b) a statement of cash flows for the quarter;
 - (c) a statement of financial position at the end of the quarter;
 - (d) the opinion of the directors of APX, as at the end of the quarter, as to whether APX will be able to pay its debts when they become due and payable;
 - (e) the opinion of the directors of APX, as at the end of the quarter, as to whether APX has sufficient resources to meet, in the next 6 months, its obligations under Chapter 7 of the Act as a market licensee.

- (2) In this Licence:

quarter means a period of 3 months ending on 31 March, 30 June, 30 September or 31 December.

12 Suspension of the market

If APX suspends the operation of the market, APX must notify ASIC as soon as practicable in writing of the suspension and the reasons for it.