

9 September 2011

Ms Anastasia Zafeirakopoulos  
Exchange Market Operators  
Australian Securities and Investments Commission  
GPO BOX 9827  
Sydney NSW 2001

Email: [marketstructure@asic.gov.au](mailto:marketstructure@asic.gov.au)

**Newcastle**

Level 2, 117 Scott Street,  
Newcastle NSW, 2300

**Melbourne**

Suite 1.2, 415 Riverside Road  
Hawthorn East, VIC, 3123

[www.nsx.com.au](http://www.nsx.com.au)

National Stock Exchange of Australia Limited

ABN: 11 000 902 063

SIM Venture Securities Exchange Limited

ABN: 41 087 708 898

Dear Ms Zafeirakopoulos

**Re: Consultation Paper CP 166 Market Integrity Rules: non-AFS Licenced foreign participants and consequential amendments.**

## About NSX

1. NSX Limited is the holding company of two Australian Market licencee's able to trade cash equity securities.
2. The National Stock Exchange of Australia ("NSXA") has been operating as an Australian Market Licencee since February 2000. In April 2005 NSXA acquired the Bendigo Stock Exchange (now known as the SIM Venture Securities Exchange or SIMVSE). Referred to in this document as "The Exchanges".
3. The Exchanges operate under section 792A of the Corporations Act and are regulated by ASIC.
4. The parent company, NSX Limited ("NSX"), is itself a listed entity and consequently has certain overarching insights into the complexities, advantages and disadvantages of the Australian equities markets.
5. The Exchanges have grown to have a combined market capitalisation of \$2.5billion with over 130 securities listed. The Exchanges operate international standard electronic trading systems and settlement is available electronically via ASX Settlement CHES system or manually for non-CHES enrolled securities.
6. The primary business model operated is that of a listing market where issuers of securities that meet the listing rules apply for listing of their securities to the market and the securities become quoted securities. Revenue is dominated by service fees obtained from the companies that are listed on the markets. Costs tend to have a high fixed component along the lines of other exchanges globally.

## **Participating Brokers Profile**

7. Under the Australian Regulatory system investors wishing to trade listed securities must utilise a broker that has been registered with that market licencee.
8. Currently between SIM VSE and NSXA there are 16 registered brokers. These brokers have AFS Licences and all operate in accordance with the Business rules of the Exchanges, ASIC market integrity rules and the corporations Act and therefore are highly regulated.
9. There are currently no non-ASF licenced brokers that are domiciled outside of Australia that are registered brokers with The Exchanges.

## **Potential application forthcoming**

10. Nevertheless The Exchanges expect an application imminently from an overseas based broker to trade on its markets. This would entail a non-AFS applications. This broker has been working for some time to research and under the Australian Regulatory requirements for participation on a non-AFS licence basis.
11. In particular they are relying on Class Order CO 03/1103. They will be completing a deed as required by the class order.

## **Submission on amendment to market integrity rules.**

12. The Exchanges understand that CP 166 pertains on to ASX and CHI-X at this stage. Although CP 166 does mention that changes will be made to Market Integrity Rules at a future date.
13. CP 166 does not refer to Class Order CO 03/1103. The Exchanges are uncertain as to how this class order will interact with these rules or ASIC's expectations of future consultations with other market operators.
14. The Exchanges are of the view that any potential non-AFS licence applicant should still be able to rely on CO 03/1103 irrespective of any potential Market Integrity rule changes in the future so as to be able to progress their application in a timely fashion. This view is arrived at as the changes proposed in CP 166 does not vary significantly from Class Order CO 03/1103.
15. The Exchanges submit that ASIC should either clarify the status of existing class orders for other market operators or immediately move to incorporate similar rules into the NSXA and SIM VSE Market Integrity Rules so that certainty can be afford to proposed applicants on these markets.

## **Further Information concerning this submission.**

Scott Evans  
General Manager  
National Stock Exchange of Australia  
SIM Venture Securities Exchange  
scott.evans@nsxa.com.au  
P: +61 2 4929 6377