



ASX

AUSTRALIAN SECURITIES EXCHANGE

MARKET ANNOUNCEMENT

17 April 2007

ASX Cash Market Fee Update

On 11 December 2006 ASX Limited foreshadowed a number of changes to its Cash Market (equities, warrants and interest rate securities) fees. These changes are designed to:

- address limitations of the current Volume Incentive Plan (VIP) and Supplementary Volume Incentive Plan (SVIP) rebate schemes;
- share with ASX Participants ("Participants") some of the merger related benefits by reducing fees;
- share with Participants the benefits of increased market activity, through a gain sharing process;
- ensure consistency with the pricing approach adopted in SFE markets by introducing an uncapped rebate pool structure with qualifying thresholds; and
- retain the existing volume to value relationship which has, with other factors, supported significant growth in direct market access (DMA) and algorithmic trading.

Summary of Changes

From 1 July 2007, the following changes will take effect:

1. The current cash market VIP and SVIP rebate schemes will be replaced with a new Large Participant Rebate (LPR) scheme. This scheme will more equitably share benefits from increased market activity through a gain-share process biased in favour (75:25) of Participants at higher levels of trading activity. Further details of the scheme are set out in the attachment to this announcement.
2. In FY08, transitional arrangements will ensure that qualifying Participants will be guaranteed to receive at least the same overall financial benefit (through the LPR scheme and other fee reductions) as received in the form of the VIP and SVIP in FY07 provided ASX cash market revenues reach FY07 levels.
3. A cash market clearing fee of 0.050 bps per side of trade value for all crossed trades will be introduced to reflect trade processing, confirmation and registration services provided for crossed trades.
4. The current cash market trade fee will be modified:
 - the trade fee for off-market (i.e. special) crossings will be reduced to 0.075 bps per side (from 0.280 bps per side) of trade value capped at \$75; and
 - the trade fee for on market crossings will be reduced to 0.150 bps per side (from 0.280 bps per side) of trade value capped at \$75.
 - The trade fee for all other trades will remain at 0.280 bps per side capped at \$75.
5. ASX technology infrastructure fees will be reduced by 25% for Participants meeting the eligibility thresholds for the LPR, provided that the total cash market revenue uplift threshold is met.
6. ASX annual market participant fees will be eliminated for Participants meeting the eligibility thresholds for the LPR, provided that the total cash market revenue uplift threshold is met.

Analysis of Total Potential Impact on ASX and Participants

An analysis of the possible impact of the changes to fees and rebates is set out below. This analysis has been based upon annualised 31 December 2006 half year results and various assumptions. The analysis is provided for illustrative purposes only. It is not intended to be a prediction of actual future outcomes. In particular, the analysis is based on indicative rebate thresholds. Final threshold levels for FY08 will be announced in June and August 2007.

Assumptions

1. FY07 estimate is the annualised 31 December 2006 half year result.
2. In FY08, based upon assumption 1, total cash market revenues would need to increase by 12.5% for Participants as a group to receive the same level of rebate as for FY07.
3. Given assumption 2, Participants are rebated 75% of gross incremental revenue once cash market revenue exceeds \$169.1 million.
4. For FY08 only, where growth in gross cash market revenue is between 0% and 12.5%, ASX will pay total rebates at the greater of a minimum rebate level or the total rebate pool derived from applying the LPR scheme as per assumptions 2 and 3 above. For these purposes the minimum rebate level is assumed to be \$10.5 million.
5. The ratio of on and off-market crossing value to total transaction value is assumed constant.
6. Technology infrastructure revenue does not rise with cash market revenue growth.

Macro Impact

An indicative illustration of the combined net impact of the changes to fees and rebates under different possible revenue growth scenarios is as follows:

	FY07 ¹		FY08 ²					
	HY07 x 2		0% ³ Increase		12.50% Increase		25% Increase	
	ASX Total	Participant Benefit	ASX Total	Participant Benefit	ASX Total	Participant Benefit	ASX Total	Participant Benefit
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Gross Revenue prior to fee changes	167.1		170.7		192.0		213.4	
Fee Changes	(0.0)		(3.6)	3.6	(4.1)	4.1	(4.5)	4.5
Gross Revenue after fee changes	167.1		167.1		187.9		208.9	
Rebates	(14.1)	14.1	(10.5)	10.5	(14.1)	14.1	(29.8)	29.8
Net Cash Market Revenue	153.0		156.5		173.8		179.1	
Technology Infrastructure Fees	6.6		6.6		5.8	0.7	5.8	0.7
Participation Fees	2.7		2.7		2.3	0.4	2.3	0.4
Total ASX Net Revenue	162.3		165.9		181.9		187.2	
Total Participant Benefit		14.1		14.1		19.3		35.4

¹ Half year 07 x 2

² Potential FY08 scenarios

³ Total cash market revenue growth is net of fee changes

Thus the net impact of the above changes, assuming the respective percentage increase in FY08 gross cash market revenue after price changes over FY07, would be:

- Based on a 0% increase – to maintain total rebates and discounts to qualifying Participants at the same level as in FY07 of \$14.1 million (\$10.5 million LPR and \$3.6 million fee reductions), provided gross revenue after fee changes for FY08 remains at or exceeds that achieved in FY07.
- Based on a 12.5% increase - to increase FY08 cash market gross revenue prior to fee changes by \$24.9 million, while increasing total rebates and discounts to qualifying Participants by \$5.2 million to a total of \$19.3 million (\$14.1 million LPR, \$4.1 million fee reductions and \$1.1 million other rebates).
- Based on a 25% increase - to increase FY08 cash market gross revenue prior to fee changes by \$46.3 million, while increasing total rebates and discounts to qualifying Participants by \$21.3 million to a total of \$35.4 million (\$29.8 million LPR, \$4.5 million fee reductions and \$1.1 million other rebates).

The compound annual growth rate (CAGR) of gross cash market revenue before rebates for the period FY03-FY06 was 18% and the annual growth during this period has ranged between 17.5% and 25%. These growth rates are consistent with significant growth of DMA and algorithmic trading which ASX believes is some years away from having reached maturity.

Further information on the LPR scheme and various fee changes are contained in the attached appendix.

Other pricing announcements

Final thresholds relating to the ASX cash market LPR will be advised in June and August 2007 as appropriate. Thresholds relevant to SFE derivatives markets Large Volume Rebate (LVR) for FY08 will be advised in June 2007.

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Appendix

ASX Cash Market Fee Update - Details

Large Participant Rebate (LPR) Scheme Details

The LPR scheme will be based on the following principles:

- A rebate pool will be created once total ASX cash market revenue exceeds a predetermined revenue threshold. This revenue threshold will be set by first establishing percentage uplift on FY07 total cash market revenues. The percentage uplift threshold will be advised in June 2007 but for the purposes of illustration in this announcement it has been indicatively set at 12.5%.
- Eligible cash market revenue includes the total of all trading, clearing and settlement transaction fee revenue earned by the ASX.
- Once the revenue threshold is met, the rebate pool accrues at the rate of 75% of the incremental eligible cash market revenues, resulting in a gain-share ratio of 75:25 in favour of Participants.
- There will be a transitional arrangement for FY08 only designed to ensure that total rebates and fee benefits received by qualifying Participants are no less than those received during FY07, provided that gross cash market revenue remains at or exceeds that of FY07. In the transitional period if growth in gross cash market revenue is between 0% and 12.5% (indicative until the percentage is announced in June 2007), ASX will pay total rebates at the greater of a minimum rebate level or the total rebate pool derived from applying the LPR scheme. The minimum rebate level will be advised in August 2007.
- Any Participant is eligible to share in the LPR pool once the Participant's total cash market fees exceed a predetermined threshold. This threshold will be advised in June 2007.
- Each Participant who has qualified for the rebate pool will receive a pro-rata rebate based on their total cash market fees paid.
- The Participant threshold will be the same for all Participants. This threshold will be set in June 2007 and ASX anticipates that it will be approximately \$5 million or higher.
- All qualifying thresholds will be set annually, however rebates will be paid six monthly, with any necessary adjustments made at the end of the financial year.

In summary, the LPR will be based on the following thresholds:

Type of Threshold	Threshold Advisory Dates
ASX total cash market total revenue uplift threshold (to be advised as a percentage uplift over FY07 revenue)	To be advised in June 2007 for FY 2008 (indicative level is 12.5% over FY07)
Individual Participant cash market total revenue qualifying threshold	To be advised in June 2007 for FY 2008 (indicative level is \$5 million per annum)
ASX total cash market revenue rebate commencement threshold (in absolute dollar terms)	To be advised in August 2007 for FY 2008 once the FY07 result is announced
Minimum rebate level	To be advised in August 2007 for FY 2008 once the FY07 result is announced

Fee Changes to Reflect Value Proposition

Recognising ASX's value proposition for crossed trades, ASX will introduce a 0.050 bps per side clearing fee for crossed trades and modify the trade fee for the two types of crossed trades:

- Trade fee for on market crossings - 0.150 bps per side of trade value (down from 0.280 bps per side) capped at \$75; and
- Trade fee for off market crossings - 0.075 bps per side of trade value (down from 0.280 bps per side) capped at \$75.

Overall, ASX will have a 3 tier fee system reflecting ASX's differential value proposition.

Trade Type	Trading Value Proposition	Trading Fee	Clearing Value Proposition	Clearing Fee	Maximum Trading and Clearing Fee
Normal CLOB ⁴ trade	• Liquidity • Price discovery • Trade execution	0.280 bps per side capped at \$75 (greater than \$2.7 million trade value)	• Counterparty risk reduction • Novation • Netting • Trade processing, confirm and registration	0.250 bps per side	0.530 bps per side (no change)
On market crossings	• Price discovery • Trade execution	0.150 bps per side capped at \$75 (greater than \$5.0 million trade value)	• Trade processing, confirm and registration	0.050 bps per side	0.200 bps per side (0.080 bps per side reduction)
Off market crossings	• Price discovery	0.075 bps per side capped at \$75 (greater than \$10.0 million trade value)	• Trade processing, confirm and registration	0.050 bps per side	0.125 bps per side (0.155 bps per side reduction)

Other Fee Changes

Cash Market Technology Infrastructure Fee Rebate

As a further incentive, Participants will receive a rebate of 25% on cash market infrastructure fees once they qualify for the LPR pool, provided the total cash market revenue uplift threshold has been met.

Cash Market Participation Fees

ASX cash market participation fees paid by Participants will be refunded in full once the Participant qualifies for the LPR pool, provided the total cash market revenue uplift threshold has been met.

⁴ Central Limit Order Book