



Investment & Financial Services Association Ltd

ABN 82 080 744 163

30 January 2008

Ms Tracey Lyons
Director, Markets Regulation
Australian Securities and Investments Commission
Level 18 No 1 Martin Place
SYDNEY NSW 2000

Email: tracey.lyons@asic.gov.au

Dear Tracey

Re: IFSA Submission: Competition for Market Services

IFSA previously responded to ASIC's Consultation Paper 86 dealing with AXE and Liquidnet's applications for Australian market licences to operate competing venues for trading in ASX-listed securities.

Since then, IFSA has met with representatives from both AXE and Liquidnet to obtain a clearer understanding of their respective applications and intended market operations.

The Investment and Financial Services Association Limited (IFSA) is a national not-for-profit organisation which represents the retail and wholesale funds management, superannuation and life insurance industries. IFSA has over 140 members who are responsible for investing over \$1 trillion on behalf of more than ten million Australians. Members' compliance with IFSA Standards and Guidance Notes ensures the promotion of industry best practice.

Given the relative size of Australia's capital market and the competition for capital faced from other markets – we need to continue to support mechanisms which can serve to lower the cost of capital through reducing transaction costs for market participants.

It is also important that Australia's regulatory regime be seen to be receptive and capable of adapting to new developments/technologies – especially where they have already been adopted in competing markets.

IFSA does not believe that the issues raised in Consultation Paper 95 are insurmountable, and understands that the respective applicants are preparing detailed responses to ASIC's queries.

Level 24, 44 Market Street, Sydney NSW 2000

Ph: (02) 9299 3022

Email: ifsa@ifsa.com.au

Fax: (02) 9299 3198

In our view, while ASIC has identified a number of concerns in its consultation paper regarding possible market inconsistencies as well as issues around transparency, price discovery and best execution, IFSA believes these matters should be resolved through continued consultation with license applicants rather than through the adoption of arbitrary thresholds that are likely to remove the competitive and trading benefits that would otherwise flow from the proposals.

Additionally, as previously indicated, ASIC will preferably see fit to only impose minimal additional conditions at the time of granting any market licenses and instead seek to conduct a review at the end of the first 12 months of their operation to ensure that market integrity and efficiency has not been compromised.

In this regard, IFSA would be happy to arrange for a meeting between ASIC and any institutional investors who have transacted on either platform during that time.

In summary, while the proposals raise important considerations, IFSA does not believe that they present a significant risk to the integrity of Australia's capital markets and as a result is supportive of their respective applications for market licenses.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Gilbert', is positioned to the left of a vertical red line.

Richard Gilbert
Chief Executive Officer