

Annual Report

Australian Financial Markets Association Ltd

2009



Chairman's Report

At the time of writing last year's report, the world's capital markets were in turmoil. Governments were taking urgent steps to preserve liquidity and stability in their financial markets and restore confidence in their major financial institutions.

At that time, there was great uncertainty of the eventual outcome and an unknown intervening period of volatility until some measure of confidence and stability in global financial markets could be restored.

A year later, it appears the world's financial markets have somewhat stabilised, with business starting to get improved access to capital and the global economic outlook becoming less pessimistic.

Australia has fared better than most developed countries through this period, with our economy slowing but still positive, our financial markets in good working order and our financial institutions now counted among the world's strongest.

This result is a combination of a fundamentally sound economy, effective regulation and prudent management of financial institutions.

Throughout the crisis, the government and the financial services industry communicated and co-operated effectively. AFMA played an active part in this process, working with Treasury, ASIC, APRA and the RBA to ensure that the regulatory response in Australia was timely and above all effective in maintaining efficient financial markets.

Two episodes illustrate the value of an association that is quick on its feet and has the ear of government and regulators. First, the decision to impose a total short selling ban and second the government guarantee of deposits held by banks. Both announcements were made on a weekend and both required a fast response from AFMA and our members to ensure the markets were able to adjust and operate without significant disruption. Within hours, AFMA was able to secure market maker exemptions for short selling and within days, wider application of the banking guarantee to minimise liquidity polarisation.

As governments begin to turn their focus from emergency measures to longer term regulatory change, AFMA is well placed to speak for members to ensure policy changes are necessary, timely, practical and proportionate, and to continue to facilitate the operation of efficient financial markets.

contents

| |
|---------------------------------------------|
| Chairman's Report |
| A Commentary on the Global Financial Crisis |
| Key Policy Initiatives |
| Market Technical Committees |
| Operations Technical Committees |
| Member Services |
| Submission List |
| Committee Lists |
| Member Lists |

A COMMENTARY ON THE GLOBAL FINANCIAL CRISIS

The global financial crisis provoked a major rethinking of the role of financial markets and the failures in their governance, particularly in advanced economies. Up to this time official thinking in the major economies was skewed towards emerging markets and did not focus on the underlying vulnerabilities in mature markets. The prevailing view was that mature financial markets were already robust and there was little value in enhancing the oversight of them. Efforts to extend regulation to systemically important segments in advanced economies, such as hedge funds, also met with resistance from some major countries and market participants.

Around the world, the need for rapid government support of markets to maintain liquidity and confidence caused a profound change in the thinking of policy makers. There was a loss of confidence in the infallibility of unfettered financial markets and market efficiency theory. Officials in major economies came to the common view that there had been a failure in the regulation of financial markets. Although the Basel prudential framework

Working with Regulators

At the international level, AFMA is actively engaged with the International Council of Securities Associations (ICSA) which in turn has an on-going dialogue with the principal global regulators' forum, the International Organisation of Securities Commissions (IOSCO). AFMA chairs the lead committee of ICSA – the Standing Committee on Regulatory Affairs – and is represented on all of ICSA's policy committees. These affiliations give AFMA the appropriate insight into global policy making and regulatory change and the opportunity to help shape the response of the global securities industry.

In Australia, AFMA has good working relationships and access to the appropriate Government Ministers, the Treasury, as well as with the key regulators ASIC, APRA and the RBA.

We assisted the regulators in conducting a major survey of the over-the-counter (OTC) markets in Australia, which revealed that these markets remained generally robust during the global financial crisis, with a resultant greater focus on the management of operational, credit and market risks. While the survey found there is room for further enhancement of OTC market processes, it did not reveal any significant gaps in the regulation of our OTC derivatives markets or any serious weaknesses in the infrastructure that supports them.

Enhancing OTC Markets

In general, the regulators' survey reinforced AFMA's view that the Australian OTC markets remained orderly, showing resilience and integrity during a period of great strain and volatility in global financial markets. This was clearly helped by the committee structure, market conventions and standard documentation provided by AFMA.

AFMA has taken up the invitation from the regulators to work with them on the seven areas identified in the survey where further enhancements can be made (below), and a working group comprising senior AFMA members is in discussion with the regulators on these points.

1. Promote market transparency
2. Ensure continued progress in the timely negotiation of industry-standard legal documentation
3. Expand the use of collateral to manage counterparty credit risks
4. Promote Australian access to central counterparties for OTC derivative products
5. Expand the use of automated facilities for confirmation processing
6. Expand the use of multilateral compression and reconciliation tools
7. Increase Australian influence in international industry fora

This work is taking place in the context of rapid evolution of global financial markets infrastructure, driven in part by financial markets participants' own desire to



emphasised capital adequacy, capital regulation was imposed in a way that allowed the build up of significant leverage and exacerbated cyclical trends. In addition, the fragmentation of regulation, particularly in the United States, was determined to have contributed to regulatory arbitrage and greater risk taking, as did the fact that large systemically important financial institutions were outside the scope of prudential regulation.

The crisis brought home the lesson that it is not enough to ensure that each institution individually is sound, to spot outliers and rein them back. There is a need also to identify and reduce vulnerabilities which arise from their interaction and from behaviour which may be rational for one firm but, when replicated many times, can lead to excessive cyclical trends.

Before the crisis, the prevailing policy orthodoxy was to treat regulation as a microeconomic instrument whose function was to correct or mitigate specific market failures. In the financial sector it addressed, in particular, the imbalances of information between consumers and producers; the common objective in maintaining open and competitive markets; and the collective interest in the resilience of key institutions and the risk that, left alone, they would underinsure against failure. The policy impetus to improving efficiency through better regulation was replaced by preparation of regulatory responses to improve the functioning of markets, particularly those for structured products and derivatives.

The international regulatory environment is evolving very rapidly driven by powerful political forces in the US and Europe. This is also driving a high level of activity and advice from international standard setting bodies as they review the global regulatory and supervisory system; guided by the November 2008 Washington Action Plan, the March 2009 G20 Finance Ministers' and Central Bank Governors' Horsham Communiqué, and the April 2009 London Summit Declaration on Strengthening the Financial System, confirming this commitment at the recent G20 summit in Pittsburgh.

The Financial Stability Board (FSB) held its inaugural meeting in June 2009 and reviewed progress on regulatory pledges made by the G20. The FSB was set up by the G20 to oversee stability of the financial system and ensure that regulatory principles agreed globally are applied consistently in each country. Progress on key G20 pledges has included: simplifying accounting rules by the end of 2009; strengthening bank capital and liquidity rules; registering and supervising hedge funds and credit rating agencies; and regulatory

improve both operational processes and credit risk management following the crisis, and also either encouraged or mandated by regulatory authorities.

In responding to regulatory changes in global markets, Australia should preserve its advantages as a relatively small but flexible, adaptive and well regulated financial market, building on substantial strengths which have helped shield our markets from the worst effects of the financial crisis.

Regulatory Developments

Another significant recent development was the Government's decision to transfer supervision of the ASX to ASIC over the course of the next year. Coupled with ASIC's closer interest in OTC markets, this move will give ASIC wider responsibility for the oversight of both exchange traded and OTC markets in Australia.

This development makes it important for participants in both the exchange traded and OTC markets to be represented by an effective association that covers both types of market and can interface with ASIC across the full spectrum of its regulatory responsibilities. In particular, the association needs to be aware of the global regulatory factors which ASIC takes into account in its approach to market regulation in Australia.

AFMA is well positioned to continue to represent the interests of its broad membership and work closely with ASIC to deliver the projected market efficiencies of this change.

AFMA's Clear Focus

The refinement of AFMA's focus and function in 2008 left the association well placed to assist its members in managing the

approaches to supervising securitisation and credit default swaps.

Market participants and their regulators misjudged how far globalisation had increased the risks of contagion across different national markets. An official consensus has formed that the biggest failure of regulation was to give too little weight to systemic links. This is being addressed by authorities devising means to improve information flows to regulators and to enhance market participants' ability to recognise and detect systemic risks.

Many of the recommendations being made by international bodies relate to enhancing market infrastructure, systems and processes, and regulating market participants more strictly. There is a lot of emphasis on treating financial instruments as being flawed tools that need to be fixed, rather than addressing macro-economic fundamentals and imbalances that have been widely recognised as key triggers of the financial crisis.

In August 2009, the US Administration detailed its plans to fully regulate OTC derivatives markets and mandate central clearing for all standardised bilaterally negotiated contracts. This legislation is being considered by Congress. The draft US legislation requires that standardised OTC derivatives be centrally cleared by a securities or derivatives clearing organisation, while encouraging the use of such standardised derivatives through higher capital and margin requirements for non-standardised derivatives. It lays out in detail how a centrally cleared OTC market would work and specifies that a swap accepted for clearing by any registered derivatives clearing organisation shall be presumed to be standardised by all market participants.

The European Commission has also been working on reforming the OTC derivatives market. Their latest communication shows that there is a convergence between regulators. The European Commission has recognised that OTC derivatives are an important tool for economic agents to mitigate risk. It is not calling for all trades to be forced onto exchanges and recognises that some OTC derivatives will not be eligible for clearing. However, questions remain over the capital penalties non-standardised contracts could possibly face; the use of central data repositories; and tightened requirements for bilateral collateral management.

Standardised terms and centralised processing of OTC derivatives contracts are system enhancements that will improve efficiency and certainty but are not a panacea. New regulation should not unduly restrict or impose a disproportionate cost on OTC transactions as this would reduce the economic benefits to business from being able effectively hedge their risks.

These regulatory moves on both sides of the Atlantic are having a powerful influence on market developments and the thinking of policy makers around the world. The result is that OTC market infrastructure is going through a period of accelerated development which means that market participants have also to adjust their business models. Major financial institutions in cooperation with regulators have been working hard to get the desired enhancements in place as quickly as possible. This combined effort represents a big commitment of resources to the process by industry.

While enhancements to market infrastructure will bring desirable improvements to market efficiency the onslaught of new regulatory requirements means that interactions between them may not be fully appreciated. Before new requirements are implemented, authorities at the global level should undertake a cumulative assessment of all the regulatory proposals in aggregate. This would help to ensure that the overall regulatory programme is internally consistent, without contradictory or duplicative elements. This is because practices designed to enhance security at the transactional or market participant level can have unintended pro-cyclical consequences at the macro level. It is also important to quantify the overall effect of proposed changes on how they will affect the ability of financial institutions to continue supporting economic activity and growth, the availability of credit and the overall risk appetite of regulated firms.

National and regional measures in prospect could introduce significant divergences from global policy consensus. This would raise costs to investors, increase the complexity of compliance and supervision, cut across global efforts to cooperate and coordinate regulation, and ultimately result in a drag on global economic recovery. A lack of coordination and uneven implementation could lead to distortion of business activity and unequal access to infrastructure and opportunities between countries and regions. Patchy implementation of the regulatory changes would also not be conducive to financial stability. Implementation of new regulation should be globally consistent and coordinated across jurisdictions.

The global financial crisis has caused a change in the direction of regulatory reform away from favouring deregulation back towards greater regulatory intervention in financial markets. The speed and volume of change has been breathtaking and it may take some years to accurately assess the full implications of the regulatory reform that is currently underway. ■

numerous challenges presented during the year. The primary purpose of AFMA remains:

- representing the interests of members in dealing with government and regulatory authorities;
- facilitating the efficient operation of Australia's OTC financial markets through agreed conventions and international standard documentation;
- promoting high professional standards through training and accreditation of OTC market dealers; and
- providing market participants with accurate and timely benchmark data.

The year ahead will bring further challenges as the regulatory changes consequent to the global financial crisis plays out, and the Government considers the recommendations of the Henry Review of Australia's tax system and recommendations flowing from the forthcoming report of the Australian Financial Centre Forum headed by Mark Johnson.

AFMA was heartened by the appointment of the Hon Chris Bowen as Minister for Financial Services, Superannuation and Corporate Law in June, giving the financial services portfolio the deserved recognition and representation in Cabinet.

We look forward to working with Mr Bowen and his Ministerial colleagues on the many issues on AFMA's agenda described elsewhere in this annual report.

Commitment and Teamwork

As is customary, I will be standing down as Chairman at the 2009 annual general meeting, having served two years in this position. During that time, we have reviewed and refined AFMA's role and objectives, placed the association on a stronger financial footing and dealt with a wide range of issues to the benefit of members.

I record with appreciation the support of my colleagues on the Board and their efforts to give AFMA a clear sense of direction and adequate resources to perform its important role of representing the industry. AFMA is effective because it has the commitment of industry principals.

I also wish to acknowledge the work of the senior staff drawn from many AFMA members who comprise our Policy, Technical and Operations Committees. A successful association is heavily dependent on the support and input it receives from its members.

Finally, I thank the professional staff of AFMA who have continued to produce policy, education, data and other market support services of the highest quality.

Rob Priestley
Chairman

Markets Technical Committees

The AFMA technical committees dealt with a wide variety of issues over the course of 2008/09. In addition to maintaining conventions, providing a forum for discussion of issues as they arose, and keeping members informed of and involved in regulatory developments, there are several items worthy of individual mention.

Review of Prime Bank Process

The Secretariat undertook a review of the Prime Bank process in late 2008. Modifications were discussed by both the Negotiable & Transferable Instruments and the

Key Policy Initiatives

The central components of Australia's financial regulation and supervision system have been thoroughly tested by the events in global financial markets over the last year. Our financial system performed capably during this period but, nonetheless, a rich agenda of important policy work has arisen for AFMA across a broad range of areas.

The 'root and branch' review of our tax system being undertaken by the Henry Review, coupled with a timely review of the legal and administrative aspects of the GST, has created an opportunity to improve tax efficiency. Together with the regular tax issues that arise in the ordinary operation of our tax system, this has created an interesting and important body of policy work that will have a direct impact on members' business.

In addition, the Association has an active ongoing program of work in other areas that have a direct bearing on the commercial opportunities open to members and the cost to members of doing business. This includes the development of a carbon market, AML compliance and management, exchange markets operations and regulation, capital raising and retail structured products, amongst other things. AFMA also worked with members to facilitate a collective response by the wholesale and securities industry to the swine flu pandemic.

In our experience, the various government reform agendas are intertwined, though they may not be formally integrated. For instance, an effective policy response to the global financial crisis should involve reform of our withholding tax law and the tax rules for securities lending need to be modified to reduce risk in the event of counterparty failures. The response to systemic risk and market integrity challenges involve solutions at both the front and back end of trading processes.

Some of the policy issues that emerged this year are still being worked through by the Government and its agencies; for example, short selling disclosure rules, reform of exchange and financial market regulation, taxation of structured investment products and liquidity risk management.

Significant member input through our policy committees is essential to the Association's success in responding to these issues. The level of commitment from members in this regard over the past year has been strong and was a key ingredient in our effectiveness.

Market Governance Committees. Both Committees agreed that it would be appropriate to change the process such that all Prime Banks are required to re-nominate and stand for election at each Prime Bank survey. It was further agreed that these surveys be conducted annually rather than every two years.

Following an election process held in May/June under the new guidelines the current AFMA Prime Banks are:

- ANZ Banking Group Limited
- BNP Paribas
- Commonwealth Bank of Australia
- JP Morgan Chase Bank, NA (effective 1 August 2009)
- National Australia Bank Limited
- Westpac Banking Corporation

The Market Governance Committee also approved a Prime Bank contingency plan in the unlikely event that the banking sector experienced further significant credit rating downgrades as Prime Bank status requires the maintenance of a minimum credit rating benchmark.

Full details of the Prime Bank process including the contingency plan can be found in the [NTI Market Conventions](#).

BBSW Reference Rate Process Amended

Following a review by its relevant Technical Committees, from 6 January 2009 AFMA ceased collecting and publishing BBSW reference rate data for 9 and 12 month tenors. For organisations that previously referenced these rates AFMA now publishes a comparable indicative one year 'mid' discount reference rate, which is derived from AFMA's one year (quarterly) 'mid' interest rate swap reference rate. Further, the AFMA '1 day reference rate' now appears on page BBSW to facilitate interpolations for periods less than one month. These rates appear as a footnote to the BBSW rates.

CDS Standardisation

The AFMA Credit Trading Committee agreed to form a joint Credit Default Swap (CDS) Standardisation Working Group with the International Swaps and Derivatives Association (ISDA®) in relation to Australian reference entities. This followed the ISDA 'Big Bang' protocol in the US, and the 'Small Bang' protocol launched in Europe, which have standardised CDS contracts in those jurisdictions. A key feature is the move to fixed coupons on CDS rather than contracting each individual CDS at the traded margin price. Fixed coupons

The following is a brief summary of key policy issues that AFMA responded to last year:

Short selling regulation – AFMA organised the industry's immediate operational response to the Government's ban on short selling in September and subsequently arranged various interim ASIC regulatory relief instruments (eg market making, underwriting and algorithmic trading). AFMA appeared before the Senate Estimates Committee to give evidence on the need for a targeted and proportionate disclosure regime.

Bank funding guarantee – AFMA successfully represented the interests of the short term wholesale markets through amendments in the design of the guarantee scheme to address the disincentive for investors to participate in the market. AFMA also negotiated the inclusion of foreign ADIs in the guarantee.

Financial market regulation – AFMA is the lead industry body in facilitating and implementing improvements to the operation of OTC markets and is working closely with the regulators in this area. AFMA was prominent in discussions with government about the reform to the regulation of exchange markets in the context of multiple operators.

Environmental markets – AFMA obtained technical improvements to the Carbon Pollution Reduction Scheme legislation and its anticipated implementation and responded to proposed reforms in state based schemes.

Capital raising – AFMA supported a number of ASIC administrative reforms to capital raising regulation, which improves the speed and efficiency of capital raising. AFMA has developed a Standard Form Arrangement Letter designed for use with offers of debt securities by Australian issuers outside the United States.

Margin lending – AFMA represented the major margin loan providers in the development of the new regulation of the industry and secured materially important improvements to the timing and application of the law.

ASX business and regulation – AFMA established a regular high level policy and technical liaison process with ASX and responded to a wide range of futures and equities market issues, such as revisions to market rules and clearing house harmonisation, that impact members' businesses.

Withholding tax – AFMA played an important role in convincing the Government to remove non-resident interest withholding tax from semi-government bonds. The Government is also considering AFMA's request for withholding tax relief for foreign bank parent funding and institutional deposits.

Wholesale market distinction – Following AFMA submissions, legislation for the new unfair contracts and the margin lending regulatory regimes were amended to prevent their application to wholesale transactions.

Anti-money laundering – AFMA has discussed practical issues with AUSTRAC regarding due diligence on wholesale account signatories, warrants roll-over and give-up agreements and amended rules are being developed by AUSTRAC.

Personal property securities – AFMA made several submissions to the Government and Senate which have influenced important improvements to personal property securities reform legislation. The proposed legislation represents a substantial overhaul of Australian law with regard to the holding of security interests. ■

removes the risk of lost margins on trading books in the event of default, makes portfolio compression simpler, and standardises contracts in a way that they can be cleared. A further concern is maintaining restructuring as a credit event. This has been removed in the US protocol, but retained in the European protocol.

Repo Market Conventions – Definition of ‘General Collateral’

The Repo Committee agreed to modify the definition of ‘General Collateral’ (GC) as described in the AFMA Repo Market Conventions. The previous definition of GC was: All securities accepted by the RBA as collateral in their daily liquidity dealings, from all market participants, qualifies as ‘General’ Collateral and should be accepted as such by market participants.

The Repo Committee noted that not all market participants could accept all eligible securities. Therefore the Committee modified the definition of GC to a tiered status, with two categories of General Collateral, namely:

- GC1 – Actively traded Commonwealth and Semi-Government Bonds only (note: no index-linked, no T-notes, only “standard” domestically issued bonds); and
- GC2 – Any securities accepted by the RBA in their daily liquidity dealings.

Changes to Settlement of Low Value Electronic Payments

A key focus of the Cash Committee over 2008-09 has been the RBA low value feeder project, which will move low value electronic payments from a next day settlement to a near real time settlement via hourly batches. The Cash Committee has raised concerns with the RBA regarding potential impacts on late day liquidity and cash flow management as these payments will be processed up until 8:15pm. This matter is ongoing at the time of writing; however following concerns raised by the Committee, the model requiring processing of late day payments is under review.

Documentation Developments

Developments at ISDA kept the Documentation Committee busy during the year. Mallesons Stephen Jaques issued a new opinion on the *2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement* in April 2009 and a letter of advice on the *2009 ISDA Close-out Amount Protocol* in the following month. An updating opinion regarding the enforceability of close-out netting was provided in June.

On the domestic front, the *Investment Manager Supplement* was updated after a comprehensive review.

Carbon Benchmark Addendum Released

The Carbon Benchmark Addendum, which is an equitable method of offsetting windfall gains and losses arising from the impact of carbon on NEM prices post introduction of the Carbon Pollution Reduction Scheme, was released in November 2008. The Addendum proposes an adjustment to the Fixed Price in a swap (in \$/MWh) derived from the Average Carbon Intensity (ACI) and a Carbon Reference Price. The Electricity Committee is liaising with the Department of Climate Change and the Australian Energy Market Operator in relation to the ACI. Acceptance and usage of the Addendum has become quite widespread. ■

Operations Technical Committees

The Operations Committee has general oversight of the work of Operations Technical Committees which, together with Markets Technical Committees, oversee OTC transaction from the time the deal is done until it is settled.

The committees have reviewed the confirmation and settlement standards and created a Common Operations Conventions document. The product specific material for FX, FX Options, Swaps, Forward Rate Agreements (FRAs) and Interest Rate Options has been reviewed and updated and added to sections 4 and 5 of the relevant Conventions.

Collateral Operations Committee

This committee was formed in May 2009 in response to the increasing focus on effectively managing collateral transactions.

The committee is looking at issues around portfolio reconciliation and valuation, non-cash collateral and jurisdictional issues (particularly in the Asia/Pacific region). This will involve considerable liaison with ISDA.

Equity Operations Committee

The Equity Operations Committee was formed in May 2009 in order to cover processes, systems and procedures involved in the execution, clearing and settlement of equities transactions on ASX and other equities markets used by brokers in Australia. A range of matters are discussed including securities lending disclosure and short selling real time tagging developments. The implications of multiple equities market operators and the entry of new licensees are matters of relevance to the committee. ■

Member Services

AFMA offers specialised services to its members to assist them in the efficient and compliant operation of their businesses in three areas: Accreditation and Education; Market Data and Documentation.

Accreditation and Education

AFMA operates two accreditation programs to provide AFMA members with benchmarks for professional standards.

The AFMA Financial Markets Accreditation Program is based on the Diploma of Financial Services (Financial Markets) FNS51004. A nationally recognised qualification within the Australian Quality Training Framework, AFMA's diploma is listed on the ASIC training register and as such provides a suitable compliance solution for ASIC Regulatory Guide 146 - Licensing: Training of financial product advisers. The program has five product specialist modules; Foreign Exchange Markets, Debt Markets, Futures Markets, Electricity Markets and Equity Markets. The Equity Markets module is the most recent addition to the program. Split into two components the first part covers equities and their derivatives and the second part managed investments. AFMA currently has 2,205 financial markets accredited individuals, with over 400 students completing the diploma program during financial year 09.

The AFMA Operations Accreditation Program was previously offered to the industry as the AFOA Operations Accreditation Program. Following the merger of AFMA and AFOA, the AFMA Operations Accreditation Program was updated and relaunched in December 2007. Currently there are 649 Operations Accredited Individuals. To assist Operations Accredited Individuals in meeting their annual continuing education (CE) requirements AFMA runs a number of free Be-Briefed events during the year. Held in both Sydney and Melbourne, nine events were run during financial year 09 covering a variety of relevant and interesting topics.

AFMA Accredited Individuals are required to complete 20 hours of CE each year to maintain their accredited status. AFMA offers a broad range of CE courses in specialised areas of financial market activity from the fundamental to the highly complex.

AFMA's Responsible Managers Program is mapped to the Advanced Diploma of Financial Services FNS60104. This course also provides an alternative pathway to AFMA Accredited Individual Status.

Market Data

AFMA continues to offer daily benchmark and end of day reference rates for a range of financial market products:

- Bank Bills – BBSW
- NCDs
- Forward Foreign Exchange
- Credit Derivatives
- Cash – Live
- Repurchase Agreements
- Interest Rate Swaps
- Swaptions
- Government Bonds
- Semi Government Bonds
- Floating Rate Notes
- Mortgage Backed Securities
- Electricity
- Renewable Energy Certificates

Documentation Services

The Guide to Australian OTC Transactions is AFMA's flagship documentation service. During the year AFMA updated a number of the Guide's documents, including:

- October 08 – Global Master Repurchase Agreement (GMRA) opinion updated
- November 08 – Investment Manager Supplement updated
- November 08 – Australian Carbon Benchmark Addendum added
- April 09 – ISDA Big Bang Protocol added
- April 09 – Environmental Products released with two new Victorian schemes and material for EP option trading
- June 09 – ISDA Close out protocol, netting opinion and Small Bang Protocol added

Immigration

The AFMA Immigration Service continued to assist members during the past year with efficient and speedy processing of visa applications for their overseas staff entering Australia and also for converting from temporary to permanent residency. This service was discontinued from 30 June because of new Government policy and administrative arrangements. AFMA members may instead access the Government's online Business Migration Program.

Financial Markets Foundation for Children

AFMA provides administrative support for the Financial Markets Foundation for Children which raises funds from financial markets participants to benefit the health and welfare of Australian children. So far more than \$11million has been distributed to 180 projects, mainly for medical research. ■

Submission List

AFMA made 73 submissions on various taxation and regulatory issues. Significant submissions included:

| Submission Issue | Policy Maker | Indicative Benefit |
|---------------------------------------------------------------------------------|------------------------------------------------------------|--------------------|
| Government Deposit and Wholesale Funding Guarantee* | APRA, RBA, Treasury | ◆ ● ■ |
| Implementing G-20 Principles in Australia | Prime Minister | ● |
| Unregulated Markets and Products | IOSCO | ● |
| Temporary Ban on Short Selling* | ASIC | ● |
| Short Selling Disclosure Regime* | Treasury, Senate Economics Committee | ◆ ● |
| Aspects of Market Integrity | CAMAC | ● |
| Financial Services and Credit Reform | Treasury | ◆ ● |
| Regulation of Margin Lending* | Treasury | ◆ ● |
| Equity Market Supervision with Multiple Market Operators | Minister for Superannuation and Corporate Law | ● ■ |
| Shareholder Claims against Insolvent Companies | Minister for Superannuation and Corporate Law | ◆ ■ |
| Carbon Pollution Reduction Scheme* | Department of Climate Change, Senate Economics Committee | ◆ ● ■ |
| Garnaut Review of Climate Change and Carbon Permit Pricing | Minister for Climate Change and Water | ◆ ● ■ |
| Inquiry into Climate Change Policies | Senate Select Committee on Climate Change | ◆ ● |
| Design Options for the Expanded National Renewable Energy Target Scheme | COAG | ● ■ |
| Australia as a Financial Services Centre | Australian Financial Centre Forum | ◆ ● ■ |
| Personal Property Securities Reform* | AG's Department, Senate Legal and Constitutional Committee | ● |
| Unfair Contract Term Provisions Reform | Treasury | ● |
| Securities Lending and Substantial Shareholding Disclosure* | ASIC | ◆ ● |
| Prudential Standard on Liquidity Risk Management | APRA | ◆ ● |
| Cross-border Regulation and Unilateral/Mutual Recognition | ASIC | ◆ ● ■ |
| SEC Regulation and Offshore Subsidiaries of Australian Entities | US Securities and Exchange Commission | ◆ ● ■ |
| ASX Disciplinary Processes and Appeals Rulebook | ASX | ◆ ● |
| Consultation on Key Futures Market Issues | ASX | ◆ ● |
| SFE Self Reporting Rule | ASX | ● |
| Review of Share Purchase Plan Threshold | ASIC | ● ■ |
| Facilitating Equity Capital Raising | ASIC | ● ■ |
| AML Customer Identification Procedures for Correspondent Banking Relationships* | AUSTRAC | ◆ ● |
| AML Verification of Wholesale Account Signatories | AUSTRAC | ◆ ● |
| ASIC's Consumer Website and Information on CFDs | ASIC | ● |
| Standard Sign-Off Letter from Investigating Accountants | APESB | ◆ ■ |
| Australia's Future Tax System (Henry Tax Review)* | Treasury | ◆ ● ■ |
| Tax Treatment of Foreign Bank Borrowing from their Parent* | Assistant Treasurer | ◆ ■ |
| 2009-10 Budget and Tax Measures | Treasury | ◆ ■ |
| Taxation of Capital Protected Products* | Treasurer, Treasury | ◆ ■ |
| Taxation of Deferred Purchase Agreements | ATO | ◆ ■ |
| State Government Bonds and Interest Withholding Tax Exemption* | Treasury, Senate Economics Committee | ◆ ■ |
| Review of the Legal Framework for the Administration of the GST* | Board of Taxation, Treasury | ◆ ● ■ |
| Review of the GST Financial Supplies Provision | Treasury | ◆ ● |
| Taxation of Financial Arrangements Legislation | Senate Economics Committee | ◆ ● |
| Taxation of Financial Arrangements and Managed Investment Schemes | Treasury | ◆ ● |
| Australia's Tax Treaty with the United Kingdom | Treasury | ◆ ■ |
| Tax Consolidation Amendments | Treasury | ● |
| 2009 Draft Tax Return Forms | ATO | ◆ |

* – Several submissions prepared

◆ – Direct costs saving

● – Better regulation

■ – Business opportunity

CAMAC – Corporations and Markets Advisory Committee

COAG – Coalition of Australian Governments

APESB – Australian Professional Ethical Standards Board

Committee List

Market Committees

BBSW Committee
Cash Committee
Credit Trading Committee
Debt Origination Committee
Debt Securities Committee
Documentation Committee
Electricity Committee
Environmental Products Committee
Interest Rate Options Committee
Negotiable/Transferable Instruments Committee
Repo Committee
Swaps Committee

Operations Committees

Collateral Operations Committee
Debt Market Operations Committee
Derivatives Operations Committee
Equities Operations Committee
Foreign Exchange Operations Committee
Operation Education Committee

Business Line Committees

Carbon Markets Committee
Contracts for Difference Committee
Equities Steering Committee
Equity Derivatives Committee
Futures Steering Committee
Islamic Finance Working Group
Property Derivatives Working Group

Policy Committees

Anti-Money Laundering Committee
Bank Regulation Committee
Capital Raising Committee
Deferred Purchase Agreements Working Group
Equities Compliance Committee
Financial Markets Compliance Committee
Financial Products Taxation Committee
Futures Compliance Committee
GST Committee
Heads of Compliance Committee
Human Resources Committee
Pandemic Planning Working Group
Personal Property Securities Working Group
Regulatory Reporting Committee
Risk Management Committee
Self Regulation Working Group
State & Employment Taxes Working Group
Taxation Committee

Board of Directors (08-09)

| | |
|--------------------|-------------------------------------|
| Angus James | ABN AMRO Bank NV |
| Anthony Fowler | AGL Energy Limited |
| Peter Hodgson | ANZ Banking Group Limited |
| Stephen Roberts | Citi |
| Ian Saines | Commonwealth Bank of Australia |
| Stuart Grimshaw | Commonwealth Bank of Australia |
| Chum Darvall | Deutsche Bank AG |
| Simon Rothery | Goldman Sachs JBWere Pty Ltd |
| Craig Drummond | Goldman Sachs JBWere Pty Ltd |
| Robert Priestley | JP Morgan Chase Bank, N.A. |
| Richard Sheppard | Macquarie Group Limited |
| Paul Bide | Macquarie Group Limited |
| Steve Harker | Morgan Stanley Australia Limited |
| Richard Sawers | National Australia Bank Limited |
| John Hooper | National Australia Bank Limited |
| Hiroyuki Nishikawa | Nomura Australia Limited |
| Stephen Knight | NSW Treasury Corporation |
| Stephen Williams | RBS Group (Australia) Pty Limited |
| John Harvey | Societe Generale Australia Branch |
| Greg Bartlett | St George Bank Limited |
| Russell Kennett | State Street Bank and Trust Company |
| Matthew Grounds | UBS AG, Australia Branch |
| Brad Orgill | UBS AG, Australia Branch |
| Philip Chronican | Westpac Banking Corporation |

Market Governance Committee (08-09)

| | |
|--------------------|-------------------------------------|
| Colin McKeith | ABN AMRO Bank NV |
| Robert O'Callaghan | ANZ Banking Group Limited |
| Christopher Cox | Citi |
| Rod Lewis | Commonwealth Bank of Australia |
| Peter Sherman | CS Energy Ltd |
| Melissa Babbage | Deutsche Bank AG |
| Jeff Herbert-Smith | JP Morgan Chase Bank, N.A. |
| Paul Bide | Macquarie Group Limited |
| John Feeney | National Australia Bank Limited |
| Andrew Wardle | Societe Generale Australia Branch |
| Peter Fitzgerald | St George Bank Limited |
| Ian Martin | State Street Bank and Trust Company |
| William Whitford | Treasury Corporation of Victoria |
| Grant Lovett | UBS AG, Australia Branch |
| Paul Verschuer | Westpac Banking Corporation |

Operations Committee (08-09)

| | |
|-----------------------|-------------------------------------|
| Julius Cox | ANZ Banking Group Limited |
| Leigh Conder | Commonwealth Bank of Australia |
| Ian Saines | Commonwealth Bank of Australia |
| Rupert Armistead | Credit Suisse |
| Tony Mendes | Deutsche Bank AG |
| Peter Snodgrass | HSBC Bank Australia Limited |
| Martin Stockley-Smith | Independent |
| Shane Kelly | JP Morgan Chase Bank, N.A. |
| David Johnson | Macquarie Group Limited |
| Stephanie Manefield | Macquarie Group Limited |
| Martyn Nott | Morgan Stanley Australia Limited |
| John O'Rourke | National Australia Bank Limited |
| Sharon Clark | RBS Group (Australia) Pty Limited |
| Russell Kennett | State Street Bank and Trust Company |
| Merrilee Bryant | Westpac Banking Corporation |

Member List

Financial Market Members

Acciona Energy Oceania P/L
AGL Energy Limited
AMP Capital Investors Limited
AMP Services Limited
ANZ Banking Group Limited
Arab Bank Australia
Arcadia Energy Trading
Aurora Energy Pty Ltd
Australian Office of Financial Management
AWB Services Limited
Babcock & Brown Power
Bank of America NA
Bank of China
Bank of Queensland
Bank of Scotland plc Australia Branch
Bank of Tokyo-Mitsubishi UFJ Ltd
Barclays Bank PLC
Bendigo and Adelaide Bank Limited
BGC Partners (Australia) Pty Ltd
BNP Paribas
BP Energy Asia Ltd
Brisbane City Council
Calyon Australia Limited
Citi
City Index Limited
CMC Markets Asia Pacific
Colonial First State Global Asset Management
Commonwealth Bank of Australia
Country Energy
Credit Suisse
Credit Union Services Corporation (Aust) Ltd
CS Energy Ltd
Custom House Global Foreign Exchange
Delta Electricity
Deutsche Bank AG Australia
Energy Developments
EnergyAustralia
Eraring Energy
Ergon Energy Queensland Pty Ltd
ERM Power Pty Ltd
FIIG Securities Limited
Financial and Energy Exchange Ltd
First Prudential Markets Pty Ltd
Goldman Sachs JBWere Capital Markets Limited
HSBC Bank Australia Limited
HVB Australia Pty Ltd
Hydro Tasmania
ICAP Australia Pty Ltd
IG Australia Pty Ltd
IMC Pacific Pty Ltd
Infratil Energy Australia Pty Ltd
ING Bank (Australia) Limited
Integral Energy Australia
InterGen (Australia) Pty Ltd
International Power (Australia) Pty Ltd
Investec Bank (Australia) Limited
JPMorgan Chase Bank, N.A.
Kuwait Finance House (Australia) Pty Ltd
Loy Yang Marketing Management Company Pty Ltd
Macquarie Group Limited
Macquarie Generation
Merrill Lynch (Australia) Pty Limited
MF Global Australia Limited
Mizuho Corporate Bank Ltd Sydney
Morgan Stanley Australia Limited
nabCapital
Newcastle Permanent Building Society
Newedge Australia Pty Ltd
Nomura Australia Limited
Northern Territory Treasury Corporation
NSW Treasury Corporation
OCBC Bank
Optiver Australia Pty Ltd
Origin Energy
Ozforex Pty Ltd
QIC
Queensland Treasury Corporation
Rabobank
RBS Group (Australia) Pty Limited
Reserve Bank of Australia (RBA)
Rio Tinto Limited
RMB Australia Limited
Royal Bank of Canada
Snowy Hydro Limited
Societe Generale Australia Branch
South Australian Government Financing Authority
St George Bank Limited
Standard Chartered Bank
Stanwell Corporation Limited
State Electricity Commission of Victoria trading as Vicpower Trading
State Street Bank and Trust Company
StoneBridge Group Limited
Sumitomo Mitsui Banking Corporation, Sydney Branch
Suncorp Metway Ltd
Synergy
Tarong Energy Corporation Limited
Tasmanian Public Finance Corporation
Territory Insurance Office
TFS Australia Pty Ltd
The Toronto Dominion Bank Australian Branch
Travelex Limited
Treasury Corporation of Victoria
TRUenergy Pty Ltd
Tullett Prebon (Australia) Pty Limited
UBS AG, Australia Branch
United Overseas Bank Limited
Verve Energy
Western Australian Treasury Corporation
WestLB Sydney Branch
Westpac Banking Corporation
Yieldbroker Pty Limited

Partner Members

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Baker & McKenzie
Blake Dawson
BT (Australia) Pty Ltd
Clayton Utz
Corrs Chambers Westgarth
DLA Phillips Fox
Ernst & Young
Freehills
Henry Davis York
Interactive Data (Australia) Pty Ltd
Johnson Winter & Slattery
KPMG
Maddocks Lawyers
Mallesons Stephen Jaques
Minter Ellison
Oakvale Capital Ltd
OMX Technology
PricewaterhouseCoopers
Standard & Poor's
Swift Services Australia Pty Ltd

Affiliate Members

Australian Energy Market Operator Ltd (AEMO)
Australian Prudential Regulation Authority (APRA)
Australian Securities & Investment Commission (ASIC)
Australian Taxation Office (NSW)
Austrade
Chamber of Commerce and Industry Western Australia
Essential Services Commission of South Australia
International Capital Market Association (ICMA)
Melbourne Centre for Financial Studies
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Weather Risk Management Association

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