AFMA

2011 Australian Financial Markets Report

In partnership with

Australian Government
Australian Trade Commission

Australia UNLIMITED

ASX GROUP

Compiled for AFMA by

sirca

Australia's financial markets are full of energy and opportunities

The rebound in activity on the Australian financial markets in the last financial year to greater than pre-global financial crisis levels illustrates their vitality and underlines their resilience in the face of continued uncertainty and volatility in world capital markets.

Throughout the global financial crisis and since, the financial markets in Australia have operated smoothly in performing the important functions of enabling Australian companies to raise equity and debt finance and allowing financial institutions, companies and investment funds to manage their cash positions, hedge against risks and efficiently utilise their capital. These markets connect Australia to global capital markets. The strength of Australia's markets is reflected by the fact that 15% of capital raisings in 2008-09 globally were here in Australia.

The over-the-counter (OTC) markets, which generate the majority of turnover, have performed well under market conventions developed by consensus among AFMA members and in accordance with standard transaction documentation customised for Australia.

The Gillard Government knows that AFMA plays a critical role in co-ordinating self-management of the OTC markets through its Market Governance Committee and a range of specialist Markets Committees. AFMA provides the forum through which market participants come together to discuss common issues, develop solutions and facilitate opportunities to further develop the market. We are a government that believes the ideas and know-how of Australian enterprise should never be under-estimated.

The Gillard Government is enthusiastically committed to the development of the financial services industry in Australia. In the Asia Pacific Century and with a huge new middle class emerging, this is a sector we must back to its full potential. The Government has put in place the regulatory architecture required to allow competition in equity market trading to the benefit of investors, which will very shortly become a reality. The Government is taking other concrete steps to improve our international competitiveness and position Australia as a leading financial services centre; for instance by improving Australia's taxation on investment management and scheduling reductions in interest withholding tax from 2013. Taken with other measures, like improved savings incentives and further growth of Australians' superannuation assets, this will help to sustain a vibrant financial services industry into the future, supporting capital efficiency, high quality employment and economic development.

I commend Austrade and the Australian Securities Exchange for their continuing support of AFMA's efforts to prepare and publish the Australian Financial Markets Report which remains the most comprehensive survey of exchange-traded and OTC market activity in Australia.

HON BILL SHORTEN MP

Assistant Treasurer and Minister for Financial Services and Superannuation

THE AUSTRALIAN FINANCIAL MARKETS ANNUAL TURNOVER SUMMARY BY MARKET (AUD billion)

	2006-07	2007-08	2008-09	2009-10	2010-11	% change
OTC MARKETS						
Government Debt Securities	772	716	792	928	1,483	59.8
Non-Government Debt Securities	605	637	494	675	908	34.4
Negotiable & Transferable Instruments	4,665	5,871	5,543	4,112	3,676	(10.6)
Repurchase Agreements	4,415	3,885	5,147	5,418	7,364	35.9
Swaps	4,962	6,099	5,725	5,923	7,227	22.0
Overnight Index Swaps	2,660	1,846	1,031	3,000	6,595	119.8
Forward Rate Agreements	4,241	5,833	5,424	4,519	4,952	9.6
Interest Rate Options	361	425	285	379	370	(2.3)
Credit Derivatives	135	255	247	247	309	25.1
Foreign Exchange	46,690	45,837	44,303	41,436	44,569	7.6
Currency Options	1,110	745	834	706	723	2.5
Total OTC	70,617	72,149	69,825	67,343	78,174	16.1
EXCHANGE TRADED MARKETS						
Equities						
ASX Shares	1,324	1,616	1,129	1,359	1,339	(1.5)
ASX Options	492	583	374	504	681	34.9
Sub-Total	1,816	2,199	1,503	1,864	2,020	8.4
Futures						
ASX 24 Futures	37,119	40,850	26,852	33,974	47,151	38.8
ASX 24 Options	1,140	646	340	364	551	51.4
Sub-Total	38,259	41,496	27,192	34,338	47,702	38.9
Total Exchange Traded	40,075	43,695	28,695	36,202	49,722	37.3
ALL FINANCIAL MARKETS	110,692	115,844	98,519	103,544	127,896	23.5
ENERGY MARKETS						
Electricity (million megawatt hours)						
OTC Electricity Derivatives	337	304	208	221	315	42.3
d-cyphaTrade ASX Electricity Futures and Options	243	241	301	399	549	37.5
Total Electricity	580	545	509	620	863	39.3
Environmental Products (million certificates)						
Renewable Energy Certificates	6	10	8	21	47	120.3
NSW Greenhouse Gas Abatement Certificates	30	24	11	14	27	87.0
Gas Electricity Certificates[a]	-	-	-	2	9	261.2
Total Environmental Products				38	82	

Repo, Credit Derivatives and Foreign Exchange data have been revised from previous year due to change in the contributed data after publication.
[a] GEC was collected for the first time in 2009-10

THE AUSTRALIAN FINANCIAL MARKETS ANNUAL TURNOVER SUMMARY BY ASSET CLASS (AUD billion)

	2006-07	2007-08	2008-09	2009-10	2010-11	% change
DEBT MARKETS						
Physical Market Turnover						
Government Debt Securities	772	716	792	928	1,483	59.8
Non-Government Debt Securities	605	637	494	675	908	34.4
Negotiable & Transferable Instruments	4,665	5,871	5,543	4,112	3,676	(10.6)
Repurchase Agreements	4,415	3,885	5,147	5,418	7,364	35.9
Sub-Total	10,457	11,109	11,976	11,134	13,430	20.6
Derivative Market Turnover						
Swaps	4,962	6,099	5,725	5,923	7,227	22.0
Overnight Index Swaps	2,660	1,846	1,031	3,000	6,595	119.8
Forward Rate Agreements	4,241	5,833	5,424	4,519	4,952	9.6
Interest Rate Options	361	425	285	379	370	(2.3)
Credit Derivatives	135	255	247	247	309	25.1
ASX 24 Interest Rate Future and Options	36,063	38,726	25,065	32,042	45,184	41.0
Sub-Total	48,423	53,184	37,777	46,110	64,636	40.2
Total Debt Markets	58,880	64,292	49,753	57,243	78,066	36.4
Derivative Market to Physical Market Activity	4.6	4.8	3.2	4.1	4.8	
CURRENCY MARKETS						
Physical Market Turnover						
Spot Foreign Exchange	12,607	14,986	15,536	14,680	11,881	(19.1)
Derivative Market Turnover						
FX Swaps	30,285	27,957	26,250	24,884	30,413	22.2
Forward Foreign Exchange	3,797	2,894	2,517	1,872	2,275	21.6
Currency Options	1,110	745	834	706	723	2.5
Sub-Total	35,193	31,597	29,601	27,461	33,411	21.7
Total Currency Markets	47,800	46,582	45,137	42,141	45,293	7.5
Derivative Market to Physical Market Activity	2.8	2.1	1.9	1.9	2.8	
EQUITIES MARKETS						
Physical Market Turnover						
ASX Shares	1,324	1,616	1,129	1,359	1,339	(1.5)
Derivative Market Turnover						
ASX Options	492	583	374	504	681	34.9
ASX 24 Equity Futures and Options	2,196	2,770	2,126	2,296	2,518	9.7
Sub-Total	2,688	3,353	2,500	2,801	3,198	14.2
Total Equities Markets	4,012	4,969	3,629	4,160	4,538	9.1
Derivative Market to Physical Market Activity	2.0	2.1	2.2	2.1	2.4	
ALL FINANCIAL MARKETS	110,692	115,844	98,519	103,544	127,896	23.5

Repo, Credit Derivatives and Foreign Exchange data have been revised from previous year due to change in the contributed data after publication.

Contents

Over-the-Counter Market – The Year in Review

Aggregate financial markets activity rebounded during 2010-11, increasing 16.1% from 2009-10. The majority of products reported gains, with volumes in many exceeding pre-GFC levels. This was largely due to a series of economic crises and natural catastrophes reinvigorating interest in risk on/risk off trading patterns across OTC markets. Turnover growth during such uncertainty in the world capital markets illustrates the resilience of the Australian marketplace.

THE VARIOUS SOVEREIGN crises continued to broadly drag on all global markets, with rescue packages established for Ireland in November 2010 and Portugal in May 2011. More recently, the broad outline of an additional package for Greece has been agreed. Yields soared across Europe and ratings agencies have downgraded many long term sovereign ratings across the region. Political machinations in the US around the debt ceiling and the S&P downgrade added to global pressures. Similar debates are anticipated in the 2012 and 2013 US budget sessions.

Despite some setbacks, Australia has remained relatively impervious to the travails that have beset many western economies. The decline in GDP in Q1 2011 was primarily on the back of the Queensland floods rather than any fundamental weakness in the economy. Frictions posed by the counteracting forces embodied within our strong terms of trade and weakening retail economy firstly saw a tightening bias from the RBA however sentiment tempered later in the year following weakness within the retail space. The fortunes of the Chinese economy provided much of the impetus to Australia's terms of trade, and will continue to hold sway into the foreseeable future. At the same time, China itself remains quite dependent upon the prospects for a material return of broadly measured confidence in the European and American economies.

Underscoring the positive terms of trade, the Australian currency witnessed a 25% gain against the U.S currency over the course of the financial year, finishing at 1.0740, close to its intra-year high. The trade weighted index increased 15% over the same period.

Market trends

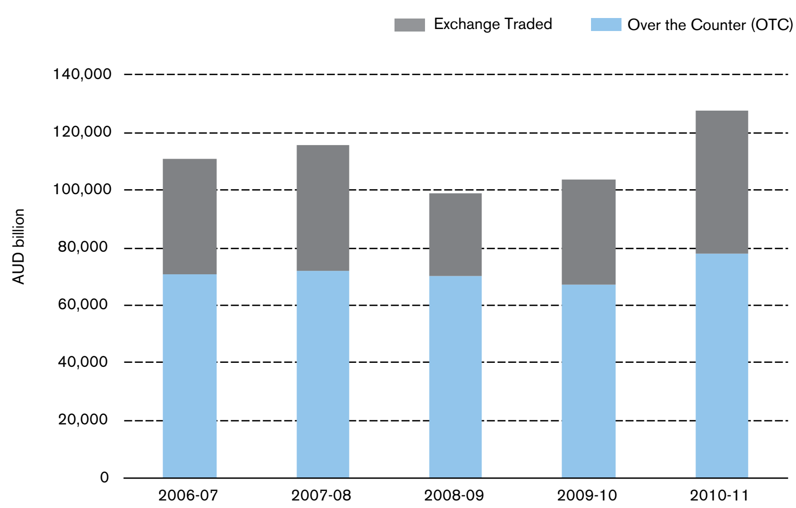
The OTC markets continue to generate the majority of turnover in the Australian financial marketplace, performing well under Market Conventions maintained by AFMA Market Committees. Standardising transaction documentation, in many cases by adapting global material for local practices and laws, also underpins market efficiency.

Both OTC and exchange-traded markets showed strong growth, rising 16.1% and 37.3% respectively.

Repeating the performance of 2009-10, Overnight Index Swaps (OIS) reported the largest percentage – up 120% – on turnover of $6.6 trillion as the market initially anticipated cash rate increases before sentiment turned towards an easing bias. Notable increases were also reported in Government and Non-Government Debt Securities, (59.8% and 34.4% respectively) Repo (35.9%), Interest Rate Swaps (22%) and Credit Trading (25.1%). These positive outcomes illustrate the broad depth of our markets, which collectively serve Australian and global enterprises well in raising equity and debt finance, while concurrently allowing financial institutions, companies and investment funds to manage the multitude of risks inherent in their business activities.

Negotiable & Transferable Instruments (short-term money market securities) declined 10.6%. The falls over the last three years reflect the success of banks in pursuing a strategy of reducing reliance on short

FIGURE 1: ANNUAL TURNOVER BY MARKET



term debt issuance. Breaking a three year downward trend, currency market turnover increased 7.6% and currency options rose a modest 2.5% from a low base, largely attributable to the growing risk on/risk off trading appetite of the markets.

OTC electricity turnover recovered significantly, rising 42.3% – back above 2007-8 levels. Activity in the d-cypha Trade ASX Electricity contracts increased 37.5%. Combined turnover was a very healthy 4.5 times NEM system demand, up from 3.2 in 2009-10.

Australia's OTC and exchange-traded markets have both fared very well during a year of uncertainty across global markets. Australia's terms of trade are among the best in the world, although that position remains heavily reliant on the economic fortunes of China and its appetite for our natural resources. Countering this, Australian consumers are less optimistic, if not somewhat pessimistic, about the local economic landscape and are focussing on saving and debt reduction, with its inevitable knock-on effects on the retail sector.

Having prospered during the GFC where many other countries faltered, Australia's strong financial system and sound economic fundamentals should serve as the drivers for increased volumes in OTC and exchange-traded markets into 2012 and beyond. Continuing prospects for a strong appetite from China for raw materials and on-going demand from global investors seeking a safe haven investment environment support this view.

Individual product reports which expand on these themes as they relate to specific markets and the full data set can be downloaded in Excel from the AFMA website, www.afma.com.au.

The global regulatory environment

The big question for OTC derivatives market regulation over the last few years and into the near future is how the Australian market will respond to the international regulatory push towards centralised clearing of derivatives.

Following the 2008 financial crisis, authorities around the world sought to improve post-trade infrastructure for OTC derivatives transactions. The Financial Stability Board has identified a need to further enhance safety in the OTC market. This led G-20 leaders to agree in September 2009 that, by the end of 2012, all "standardised" OTC derivative trades should, where appropriate, be traded on exchanges or electronic trading platforms and cleared through central counterparties (CCP). Authorities in G-20 jurisdictions have put forward policy initiatives aimed at encouraging greater use of CCPs for OTC derivatives markets. The Dodd-Frank Act reforms in the US now scheduled to come into effect early 2012 are having a major additional influence on derivatives trading and clearing around the world, although significant questions as to its jurisdictional reach remain.

While OTC derivatives markets in the Asian region are relatively small and therefore do not have the same level of systemic importance of those in the US and Europe, the need to manage risk through derivatives is growing in line with the rise in demand for, and trading in, assets in the region. All jurisdictions are working towards the goal of meeting the G-20 commitment on central clearing. Some, such as Singapore, Japan and Hong Kong, are pursuing local solutions by requiring derivatives denominated in local currencies to be cleared through domestically regulated CCPs.

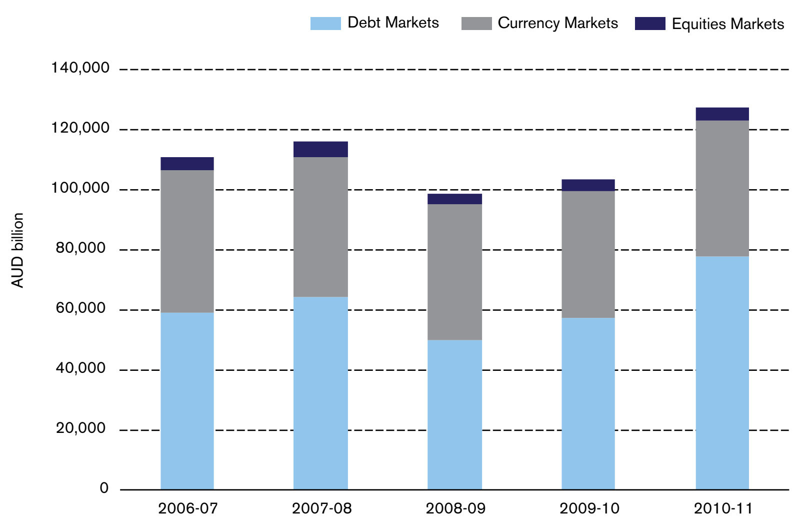
Other jurisdictions such as Australia and Canada are carefully examining the question of how to define and contain the systemic risk associated with derivatives denominated in their currencies, while maintaining connectivity with the main CCPs serving the globally traded market. It is important that forthcoming regulation in the United States, Europe and Asia mandating centralised clearing should ensure all CCPs adhere to the same standards irrespective of location.

In Australia, the Council of Financial Regulators (the Council) released its much anticipated discussion paper 'Central Clearing of OTC Derivatives in Australia' in June 2011. The primary concern of the Council centres on Australian related systemic risk in offshore CCP infrastructure, and consequent lack of supervisory control over AUD denominated products, particularly interest rate swaps.

The Council has put forward the following propositions:

– Domestic CCP solutions are unlikely if there is no regulatory requirement – Australian-based participants will use offshore CCPs;

FIGURE 2: ANNUAL TURNOVER BY ASSET CLASS



- The Council has reservations about mandatory clearing if it means a systemically important market is cleared through an offshore CCP;
- AUD interest rate swaps are systemically important within Australia.

The Council is evaluating whether AUD interest rate swaps are to be centrally cleared and, if so, is it best done through a domestic CCP.

The underlying proposition is that a well-designed CCP can reduce the risks and uncertainties faced by market participants and contribute to the goal of financial stability. Central clearing is intended to reduce settlement risks between two parties by taking on the risk of one of the parties failing, and offsetting it against its participants by establishing rules as to who bears losses arising from a participant default. However, there is an alternative view that forcing derivatives through CCPs could intensify risk in the system, because it would not remove risk but rather centralise and concentrate it into a single CCP which becomes systemically critical to the well-being of the system.

The core proposition is that centralised clearing reduces systemic risk through the process whereby the CCP interposes itself as the legal counterparty to both sides of a transaction. For market participants, the credit risk of the CCP is substituted for that of the traditional counterparties. Novation replaces market participants' exposure to bilateral credit risks with a standard credit risk to the CCP.

CCPs significantly reduce total potential insolvency losses by:

- increasing netting; requiring the segregation of accounts;
- having standardised two-way margin processes;
- establishing capital requirements for the clearinghouse and its participants;
- managing transfers of collateral; and
- generally increasing transparency.

The CCP's unique position of being a common, substituted counterparty to all trades greatly simplifies the multilateral netting of trade obligations. All of these improvements reduce externalities and, taken as a whole, are quite potent in reducing systemic risk.

On the other hand, because CCPs create a single point of failure through the concentration of risk, there are serious consequences from any problems in the system. As the CCP is counterparty to each cleared transaction, the failure of the CCP would itself pose a systemic risk; such risk increasing with the volume of trades cleared.

The push by individual jurisdictions to establish a local CCP creates compliance conflicts for users. Several major jurisdictions have already made it clear that they will require products traded under their supervision, or by firms located in them, to be cleared within that jurisdiction without resolving how users reconcile that same obligation in another jurisdiction. Such fragmentation will clearly inhibit realisation of scale and scope economies. With interoperability problematic at best, position netting opportunities will be foregone, thereby reducing the efficiency of capital utilisation as well as increasing the costs and risks of position replacement in the event of default.

Liquidity will be fragmented and counterparties to a trade will have to agree on which CCP to use. Some may be unwilling or unable to agree, thereby reducing the potential number of counterparties with which a particular firm can trade. This problem can be mitigated to some extent by market participants making arrangements to clear at multiple CCPs, but this increases costs and operational burdens.

Links between CCPs create their own systemic risk because of contagion where the weakest link in the chain could bring others down if it were involved in a default and was insufficiently capitalised to meet margin calls. Even if covered by collateral, inter-CCP exposures could give rise to liquidity risk if a CCP could not liquidate sufficient collateral to cover the call. Because such issues remain unresolved, interoperability between CCPs is not likely to occur for the foreseeable future.

CCPs are being promoted as a cornerstone of derivative market infrastructure on the policy assumption that they will reduce systemic risk. As with a number of other developments in market regulation, this assumption is more a matter of faith than demonstrated fact. Centralised clearing is likely to have significant impacts on the allocation of risk in the system and the incentives for participants to take on, manage, and monitor it. The cumulative effect of the changes is difficult to predict because of the complex nature of the interactions within the financial system.

AFMA

Exchange Traded Market – The Year in Review

The financial year ending 30 June 2011 was dominated by geopolitical and natural disaster events of local, regional and global significance. For the ASX Group (ASX) of companies, it was a year headlined by ongoing preparation (and engagement with regulators) for competition for market services, as well as activity associated with an attempted combination with the Singapore Exchange. While the latter did not eventuate, ASX is well prepared to meet the challenges of the former. Throughout its history, ASX has successfully embraced change and has evolved to meet the needs of its diverse stakeholder groups.

2010-11 in review

Business activity levels in 2010-11 were generally robust. Listings activity in the primary market was underpinned by strong initial public offerings, translating into 160 new listings for 2010-11, compared to 93 in the previous year; boosting initial capital raisings to $29.4 billion compared to $11.5 billion in 2009-10. Secondary capital issuance was lower than the high levels of 2009-10 that emanated from the global financial crisis, down to $33.7 billion in 2010-11 from $65.1 billion in 2009-10.

Trade execution activity levels in secondary and derivative markets were mixed. Cash equities markets exhibited no growth in traded value, principally due to investor concerns globally about the scale of European sovereign debt refinancing challenges and indicators of a more sluggish than anticipated US economy. Futures markets (particularly for interest rate derivatives) grew strongly in the wake of market volatility emanating from the geopolitical unrest in the Middle East, the natural disaster in Japan during the March quarter of 2011, a rebound in 'carry trade' activity and a strengthening Australian dollar. Electricity derivative volumes were also very strong, due to high levels of price volatility and expanded distribution to a more diverse range of market participants.

ASX introduced new trade execution platforms in the cash market (ASX Trade) and futures market (ASX Trade24) in 2010-11, delivering world-class order execution latency. A new high speed distribution network (ASX Net) was also introduced, supporting both trading platforms. That network will be extended to include some of the Group's clearing and settlement platforms during 2011-12, delivering simplified network management benefits to market participants as well as enhanced speed of trade execution, data and other services. A new state-of-the-art ASX data centre – the ASX Australian Liquidity Centre – a short distance from Sydney's central business district will be operationally ready to roll out new co-location, data and other technology services from November 2011, in addition to strengthening business continuity arrangements.

Derivative market expiry processes in both stock and index options and futures markets were orderly throughout 2010-11, and the timeliness of both equities and fixed income settlements was at the upper quartile of international benchmarks over the course of the year. Capacity headroom across each of the Group's trading, clearing and settlement system applications remains well within foreseeable growth in order and trade volumes. Nevertheless, capacity planning processes remain vigilant in anticipation of prolific growth in order-to-trade ratios once newly licensed trade execution venues for ASX-listed securities start operating.

During the period of dramatic market volatility in the early months of the new financial year, driven by sovereign debt concerns in the US and Europe, ASX's systems and processes continued to provide consistent service availability for its many users.

A new environment

Mindful of the challenges faced by participants and their clients in Australia's migration to a multi-market environment later in 2011, ASX is well advanced in implementing a range of new execution and technical services. We are seeking to increase the range of execution choices, provide liquidity search tools, improve execution efficiency and minimise costs in a fragmented market.

Service improvements already delivered have provided significant benefits to ASX customers. Over the past five years, cash market trade execution capacity has been increased tenfold to 5,000,000 trades per day. Over the same period, network latency has been reduced from 70,000 to 300 microseconds, average daily volume has increased from 125,000 to 570,000 trades, and average daily value traded has increased from $3.9 billion to $5.3 billion. Transaction costs have also been reduced through the narrowing of average bid-offer spreads and substantial lowering of headline transaction fees.

The implementation of the next range of service enhancements will complete a new, broader-based trade execution and technical service offering (including smart order routing and expanded network and data centre services), which will further reduce costs and operational complexities for our customers and ensure ASX's competitiveness in a multi-market and more complex environment.

There has also been significant progress beyond trade execution, in re-defining ASX's listings, clearing and settlement service offerings. For example, the diversity of the needs of listed entities, based on geography, size, sector, or product type, has led ASX to invest in enhancements to its rule books, as well as to develop new issuer services. These initiatives are designed to improve the efficiency of the capital formation process and assist ASX-listed entities to deepen their investor base.

ASX is also unbundling its clearing and settlement services to provide more tailored central counterparty (CCP) and post trade services, as well as developing new services to help customers improve their operational and capital efficiency. In addition, ASX is now offering CCP services to enable its customers to seamlessly clear and settle transactions from other market operators, as well as developing new CCP services for over-the-counter markets.

The key to ASX's long-term franchise has always been its ability to adapt and innovate during periods of dynamic change in Australia's capital markets. That progress continues.

Primary market

Despite a record in the value of new listings on ASX, market conditions were mixed in 2010-11. Overall, 160 new entities listed, up 72% on the previous financial year. The biggest IPO was the privatisation of QR National (QRN), which listed with a market capitalisation of $6.2 billion in late November 2010. The float was a success with QRN shares trading well above the offer price in secondary trading. Other notable floats in the first half were Aston Resources and ERM Power. Westfield Retail Trust raised $2 billion in new capital and had a market capitalisation on listing of $8.4 billion in December 2010. Westfield was one of a large number of demergers in 2010-11. Echo Entertainment Group, Treasury Wine Estates, Dulux Group and Dart Energy were all listings resulting from corporate re-structuring. The success of listings in the first half of the year encouraged many companies to pursue their own listing plans, but challenging market conditions ensued and many floats were delayed or the trade sale option was chosen. The vast majority of the floats in the second half were junior exploration companies.

Stronger corporate balance sheets saw equity capital market activity significantly down on levels in the two years prior to 2010-11. Secondary raisings totalled $33.7 billion, down 48% on the strong activity experienced in financial year 2010, where companies raised $65.1 billion. The largest raisings of the year included Origin Energy's $2.3 billion pro rata renounceable entitlement offer, Commonwealth Bank of Australia's first series of retail bonds which raised $570 million, and CFS Retail Property Trust's $540 million institutional placement. Many companies, including BHP, CSL, Westpac and JB Hi-Fi, returned surplus cash to shareholders in the form of capital management initiatives. The value of buybacks and redemptions increased by 600% to $23.2 billion in 2010-11.

Secondary equity market

Over the course of 2010-11, the S&P/ASX All Ordinaries rose 7.7% following a rise of 9.5% in the previous financial year. Market volatility was slightly lower (0.6% average daily movements compared to 0.8% in FY10). Expected future volatility, as measured by the S&P/ASX 200 VIX, averaged 18.7, down 18% on the previous year.

The performance of the Australian market lagged behind many other major markets with the US up 28.1%, the UK up 20.9%, Hong Kong up 11.3%, and Singapore up 10.0%. This relative under performance, in large part, reflected the strong rise in the Australian dollar over the financial year: 26% higher against the US dollar, 14% against the yen and 6% against the euro. The S&P/ASX 200 closed at 4608.0 points, a rise of 7.1% over the course of the financial year. Concerns about macroeconomic conditions stemming from European sovereign debt issues, subdued US growth, and the US debt ceiling issue began to weigh on the market at the end of 2010-11 and into the first quarter of 2011-12.

Increased cash markets trading activity was experienced in 2010-11 with an average of 570,440 trades per day, up 9% on the previous financial year. The average daily traded value of $5.3 billion was in-line with 2009-10. A new monthly record of 15.2 million trades was set in March. Anticipating growth in trading activity, ASX replaced the ITS System with a new trading platform, ASX Trade, in November 2010.

ASX exchange-traded options (ETO) market

ETO market volume increased by 6.9% compared to 2009-10. The XJO index option continued its strong growth of recent years rising over 59% in notional value compared with the prior corresponding period. In March 2011 ASX significantly increased ETO quoting obligations on Market Makers to improve the quality of the ETO market. In May 2011 the standard contract size of ETOs was reduced from 1,000 to 100 shares per contract for all single stock ETO contracts. ASX is committed to further reforms to improve the ETO market including introducing:

- a more comprehensive and granular list of ETOs;
- 'OTC style' strike price and expiry day choices for trade reports;
- 'European Fair Value Settlement' in the event of a successful takeover bid; and
- a new ETO market-making scheme substantially increasing market maker obligations further – quoting out three years on all series listed.

ASX SPI 200® futures and options

Despite a relatively range-bound equity market, both ASX SPI 200® futures and options on futures saw volume and notional value increases in 2010-11 compared to the previous 12 months. Both contracts experienced an 8% increase in volume, which brought activity levels back to those of 2008-09 reversing slight declines in 2009-10. Similarly, ASX SPI 200® futures and options both experienced a 10% increase in notional value traded. The average 'lotting factor' (the number of contracts or lots per trade) for ASX SPI futures averaged approximately 2.5 contracts per trade through the year.

ASX warrants market

In 2010-11 the warrant market continued to reinvent itself with product evolution across expanded asset classes, such as currencies and commodities. Citigroup and Macquarie Bank commenced quoting MINI warrants and deferred purchase agreements remained popular. Trading volumes remained subdued with $2.95 billion in value traded over the year. However, 2,822 new warrants were listed in 2010-11, up 22.5% on FY10. ASX reduced listing fees for warrants on 1 July 2011 to stimulate the product range still further.

Managed funds and exchange-traded funds (ETF) & exchange-traded commodities (ETC) markets

The introduction of new asset classes and increased competition between providers supported solid growth in ETFs during 2010-11. This led to a range of new ETFs being available to Australian investors, including: currency ETFs offering US dollar, euro and British pound investment returns; a gold bullion ETF hedged for currency risk; and the introduction of synthetic investment return ETFs. Twenty new ETFs were admitted during 2010-11, with most offering domestic equities coverage or sectors thereof. The market capitalisation of the 48 ETFs quoted on ASX as at June 2011 was $4.7 billion, an increase of 34% on the previous year. In view of the appreciation of the Australian dollar over the last 12 months, the market capitalisation for the seven ETCs performed well and was unchanged at $700 million. Total trades for ETFs and ETCs in 2010-11 were 227,000.

ASX Listed CFD® market

ASX Listed CFD® volumes continued to grow in 2010-11, with more than 176 million contracts being traded – an increase of 15% on the previous year. Notional value traded decreased slightly by 4% to $3.5 billion.

As in previous years, CFDs over equities and equity indices were the major contributors to the year's volumes and value traded. Additional equity CFDs were listed in late June 2010 and in February 2011, bringing the total number of equity CFDs currently available on ASX to 70.

ASX interest rate securities market

During 2010-11 ASX's interest rate securities market saw six new listings. The most notable was the Commonwealth Bank Retail Bond, which was issued after the release of ASIC's new 'vanilla bonds' regulatory regime change in May 2010. During the year there were 164,046 trades with an average monthly trade value of $216 million. Total market capitalisation of all issues as at 30 June was $22.33 billion, of which hybrids made up 69%, floating rate notes 23%, convertible notes 6% and corporate bonds 2%.

ASX 24 interest rate futures market

Trading activity for 2010-11 was strong across all interest rate futures contracts. Market volatility drove activity in interest rate derivatives, particularly the 30 day interbank cash rate, 90 day bank bill and 3 year treasury bond futures contracts.

Record levels of activity were witnessed in the 30 day interbank cash rate and 3 year treasury bond futures contracts, increasing by 68% to over 6 million contracts and by 29% to almost 39 million contracts, respectively for the financial year. Activity in the 10 year treasury bond futures contract increased by 35% on the previous year. The increase in bond futures activity was driven by the increased debt on issue, the strong Australian dollar and inflow of offshore investment funds, and shifts in the shape of the yield curve.

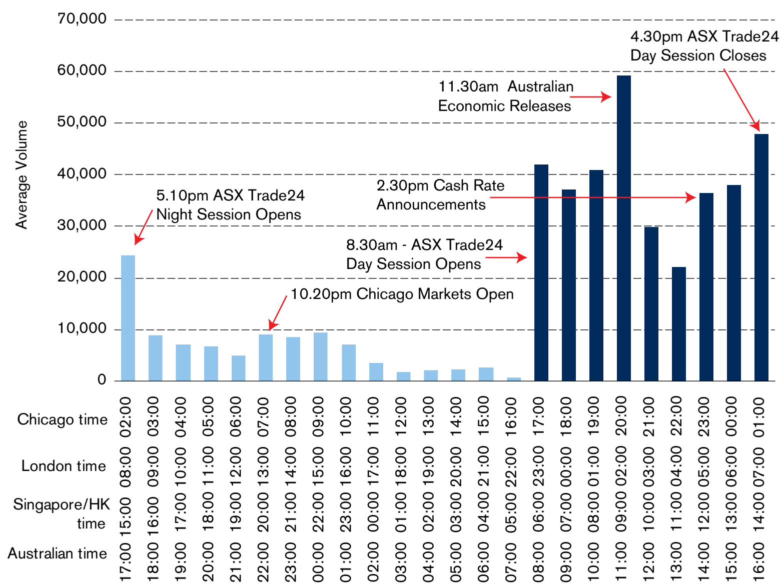
One session, intra-day and overnight options on 3 year bond futures continued to show strong activity throughout the year, as investors sought to hedge overnight and intra-day risk and traders looked to profit from the volatility in the markets.

Liquidity, as measured by bid/offer spreads and order book depth, across all benchmark interest rate futures contracts returned to pre-global financial crisis levels. The improvement in order book liquidity was evident for both the day and night sessions, providing market users with the opportunity to undertake larger transactions with minimal slippage.

Activity through the off-market trading mechanisms – exchange for physicals and block trade – reflected the growth in the overall market, increasing 24% and 84%, respectively. Exchange for physical transactions contributed 10% of interest rate futures activity in 2010-11, consistent with the previous period. With block trade data included, off-market transactions represented 11.4% of total volume in the interest rate futures market. The block trade facility was extended to include the large volume orders in the 30 day interbank cash rate futures contract.

FIGURE 1: ASX TRADE24 TRADED VOLUME BY HOUR

(ASX non-daylight savings / US and UK daylight saving)



Trading activity in a 24 hour trading day

The ASX Trade24 trading system permits near 24 hour trading of ASX's futures and options on futures contracts, making the market accessible at any time from many major global financial centres through the ASX Trade24 distribution network. The following chart shows average trading activity that occurs over a 24 hour period.

Austraclear

Austraclear is the major central securities depository for the domestic debt market.

It primarily provides settlement, custody and issuer services for Australian dollar denominated debt securities and has a direct link to the Reserve Bank of Australia's Information and Transfer System (RITS), thus facilitating Real Time Gross Settlement of Australian dollar debt, cash, foreign exchange and derivatives transactions.

Austraclear currently has over 800 participants, including banks, Commonwealth and state government authorities, trustee companies, custodian banks, other non-bank financial institutions and large corporates.

Total Austraclear debt holdings growth continued in 2010-11, assisted in part by a 29% increase in treasury bonds and a 46% increase in treasury notes on issue at the end of June 2011, compared to the prior corresponding period. State government debt on issue grew 19% in the 12 months to the end of June 2011. Issuance of short-dated discount securities remained weak, with a fall of 59% in bank bills on issue in the 12 months to the end of June 2011.

Austraclear's total securities holding at 30 June 2011 was $1,242.7 billion compared to $1,160.2 billion at the end of the previous financial year.

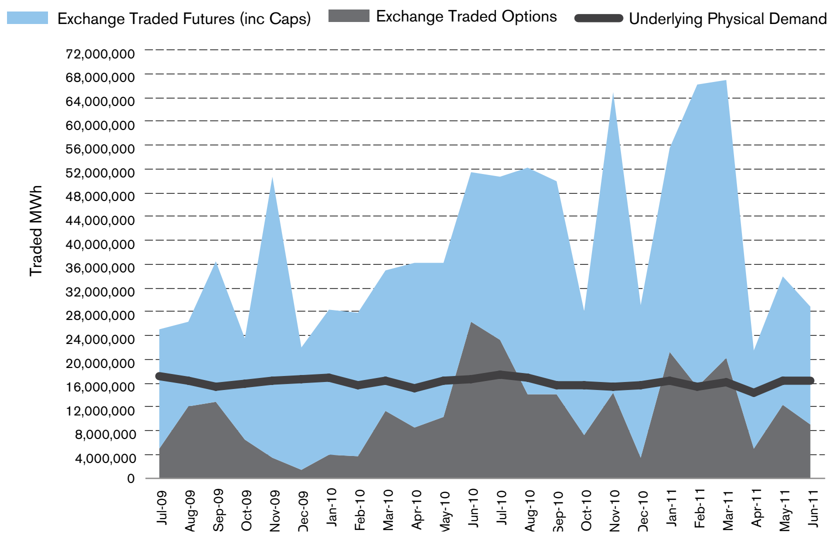
ASX energy and environmental markets

The market for d-cyphaTrade ASX electricity futures and options continued to deliver robust liquidity in 2010-11. Traded volume of 549 million MWh (with a face value of over $20.3 billion) was up 38% on the previous year and represented 285% of underlying National Electricity Market (NEM) system demand.

Calendar options market activity increased by 53% in 2010-11, with the standout performer being the Cap market which grew by 88%. Coupled with the popularity of the Cap/Futures spread, this growth may also be attributed to market participants recognising that the Cap contract is somewhat insulated from the impact of the price of carbon. Cap products make up over half of the open interest in the 2013 contracts. In 2010-11, the options market traded over 160 million MWh and Cap Futures just under 66 million MWh.

Coinciding with the NSW privatisation and some mid-quarter rises in temperature, first quarter 2011 liquidity was record breaking. During the quarter, traded volume represented 392% of underlying NEM system demand, recording 186 million MWh, which is almost equal to the annual underlying NEM system demand. Uncertainty over the Australian Government's direction on carbon pricing and traders reassessing after the hectic first quarter, brought liquidity back to approximately 178% of NEM system demand or 85.4 million MWh for the last quarter of 2010-11.

FIGURE 2: ASX ELECTRICITY MARKET



ASX agricultural derivatives

2010-11 was a record year for traded volume on the ASX grain futures and options market. The total volume traded was 483,273 contracts, which equates to 9,665,460 tonnes of Australian grain and oilseed – representing 24% growth on FY10.

In 2010-11 a strong La Niña event bringing excess rain adversely affected grain production in eastern Australia whilst crops in Western Australia were also severely reduced as a result of insufficient rain. Both the rain and the drought reduced the quantity of deliverable milling wheat quality for both the NSW wheat contract and the WA wheat contract.

The liberalisation of Australia's bulk wheat export marketing framework has been, and is expected to continue to be, supportive for future market growth. In the fourth quarter of calendar year 2011, the ASX grain market is being migrated to the ASX 24 trading platform. This move is expected to further develop market liquidity in the grain futures and options market as access and availability will be improved.

A promising winter season for the crops across Australia has growers and industry alike hopeful of a good harvest of high quality milling wheat in 2011-12. Volatility remains a constant in global wheat markets, with the supply and demand equation finely balanced.

A Resilient Economy and Robust Financial Services Sector

This article has been provided by The Australian Trade Commission (Austrade) the Australian Government's trade and investment development agency.

The financial services sector continues to play a pivotal role in Australia's economy which now ranks the 13th largest in the world, rivalling countries such as India, Spain and South Korea. Australia's GDP is now estimated at over US$1.4 trillion, making it the fourth largest economy in the Asia-Pacific region.

THE AUSTRALIAN ECONOMY has recorded 20 years of uninterrupted growth to 2011. The strength of the Australian economy is well recognised. The 2011 Institute for Management Development (IMD) World Competitiveness Yearbook rated Australia's economy the second most resilient in the world for the two consecutive years to 2011. For countries with populations greater than 20 million, Australia has topped this category each year since 2008.

In its latest assessment of Australia's economy, the International Monetary Fund (IMF) sees the economic outlook for Australia as favourable, led by private investment in mining and commodity exports. It expects strong commodity demand to be long lasting because of favourable prospects for sustained growth in emerging Asia. The IMF projects real GDP growth of 2% for calendar year 2011 and 3.5% in 2012, with the unemployment rate remaining at around 5%. It notes that Australia's economic stability has been supported by prudent fiscal policy and on-going structural reforms. See Figure 1.

The Organisation for Economic Cooperation and Development (OECD) Economic Outlook confirms that the Australian economy remains one of the best performing in the developed world. The report shows that our general government financial deficit as a percentage of GDP is amongst the lowest in OECD. The OECD has also given a strong endorsement of the Government's fiscal strategy, stating that the prudent fiscal consolidation strategy reinforces Australia's commitment to sound public finances. See Figure 2.

Australian Government net debt is estimated to be around 8% of GDP, according to the IMF 2011 World Economic and Financial Surveys. The ratio is well below the average of 73.3% of GDP for advanced economies. The relatively low level of public sector debt reinforces Australia's strong financial position and sound economic credentials.

Open trading environment

The Australian economy is an open economy with low barriers to trade. The ratio of Australia's trade (exports plus imports) in goods and services to GDP was high, at around 40% in 2009-10. According to the latest report by the World Trade Organisation (WTO), Australia exported more than US$210 billion worth of merchandise goods and imported around US$202 billion worth of merchandise products, respectively the 15th and 13th largest globally respectively.

According to more recent Australian Bureau of Statistics (ABS) figures, Australia's annual export value of goods and services rose by 17 per cent to A$298 billion in 2010-11. The surge was led by minerals, up 48% to A$79 billion, and fuels, which climbed 20% to A$68 billion. Australia's annual imports also increased by 7% to A$276 billion in 2010-11. Australia recorded a total trade surplus of A$22 billion in 2010-11, a marked turnaround on the A$3 billion deficit of the previous year. Australia's terms of trade have reached their highest levels in 140 years, based on strong price increases for Australia's key non-rural commodity exports. This reflects strong commodity demand from rapidly growing Asian economies, particularly China and India. See Figure 3.

Foreign direct investment

Australia offers an environment welcoming of Foreign Direct Investment (FDI). FDI grew by 7.5% to A$474 billion in 2010 after an 11.1% increase in 2009. The top five major FDI source countries continue to be the US, UK, Japan, the Netherlands and Switzerland. FDI from the US jumped 20.4% to A$120 billion during 2010, and FDI from China grew by 41% to A$12.8 billion following an increase of almost 150% in 2009. Significant growth on 2009 FDI figures has also come from South Korea (up 61.8%), Canada (31.6%), Singapore (22.6%) and Hong Kong (22.5%). Australia's world share of foreign direct investment (FDI), measured in US$, increased to 2.7% in 2010, compared to its 2.4% share in 2009. UNCTAD's World Investment Report 2011 shows that FDI into Australia was US$508 billion in 2010, up from US$242 billion in 2005. As a percentage of GDP, FDI in Australia rose to almost 40% in 2010 from 31.7% in 2005. See Figure 4.

Financial sector strength

The World Economic Forum's The Financial Development Report 2010 has ranked Australia five out of 57 of the world's leading financial systems and capital markets, ahead of Canada, the Netherlands, Switzerland and Japan. Australia has been rated first in terms of overall financial access. Australia has also achieved a solid score in financial markets (sixth).

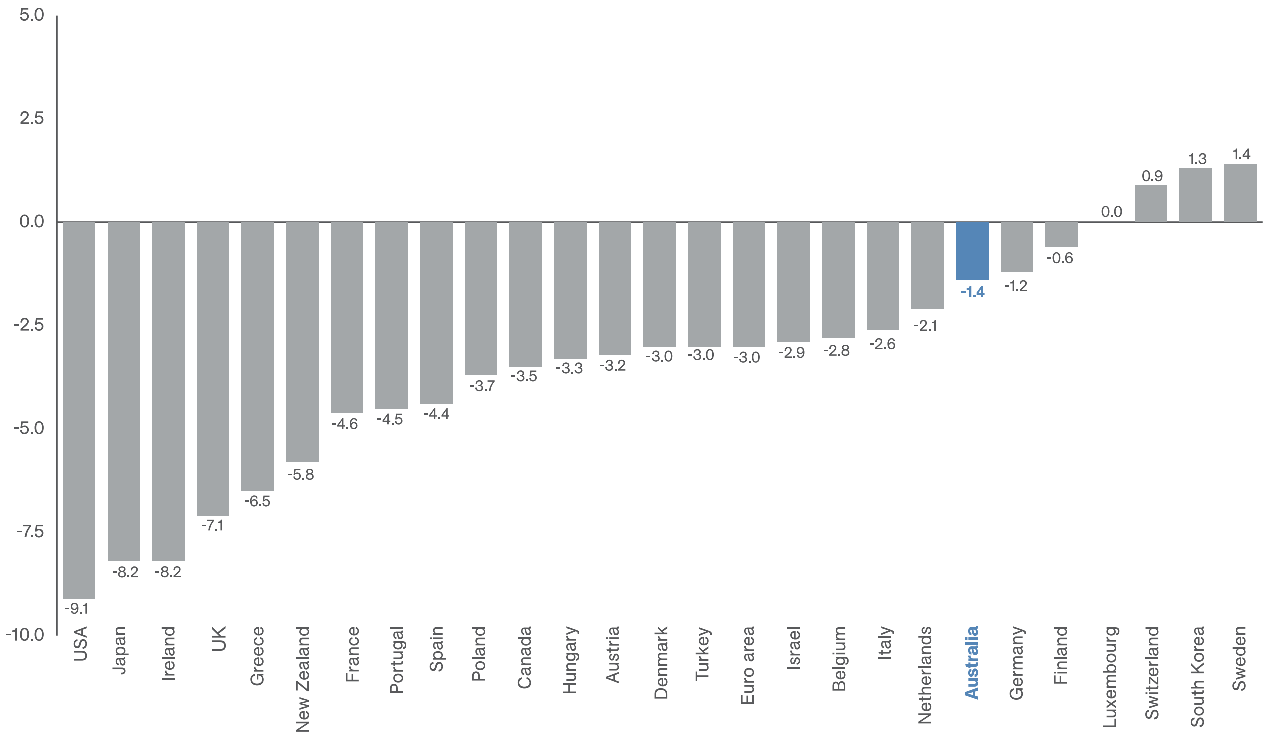
FIGURE 1: REAL GDP GROWTH BY ECONOMY[F]

Rank	Average Growth Rate 1998 to 2012	2004	2005	2006	2007	2008	2009	2010	2011[F]	2012[F]
China	10.7	10.1	11.3	12.7	14.2	9.6	9.2	10.3	9.6	9.5
India	8.5	8.1	9.2	9.7	9.9	6.2	6.8	10.4	8.2	7.8
Vietnam	7.1	7.8	8.4	8.2	8.5	6.3	5.3	6.8	6.3	6.8
Mongolia	8.6	10.6	7.3	18.8	10.2	8.9	-1.3	6.1	9.8	7.1
UAE	5.2	10.1	8.6	8.8	6.6	5.3	-3.2	3.2	3.3	3.8
Singapore	6.5	9.2	7.4	8.7	8.8	1.5	-0.8	14.5	5.2	4.4
Russia	4.6	7.2	6.4	8.2	8.5	5.2	-7.8	4.0	4.8	4.5
Philippines	5.1	6.4	5.0	5.3	7.1	3.7	1.1	7.3	5.0	5.0
Taiwan	4.7	6.2	4.7	5.4	6.0	0.7	-1.9	10.8	5.4	5.2
Malaysia	5.0	6.8	5.3	5.8	6.5	4.7	-1.7	7.2	5.5	5.2
South Korea	4.0	4.6	4.0	5.2	5.1	2.3	0.2	6.1	4.5	4.2
Indonesia	5.8	5.0	5.7	5.5	6.3	6.0	4.6	6.1	6.2	6.5
Hong Kong	5.0	8.5	7.1	7.0	6.4	2.3	-2.7	6.8	5.4	4.2
Thailand	4.2	6.3	4.6	5.1	5.0	2.5	-2.3	7.8	4.0	4.5
Australia [1]	**2.9**	**3.8**	**3.1**	**2.6**	**4.6**	**2.6**	**1.3**	**2.7**	**2.0**	**3.5**
Brazil	4.3	5.7	3.2	4.0	6.1	5.2	-0.6	7.5	4.1	3.6
Canada	2.0	3.1	3.0	2.8	2.2	0.5	-2.8	3.2	2.9	2.6
Spain	1.5	3.3	3.6	4.0	3.6	0.9	-3.7	-0.1	0.8	1.6
New Zealand	1.8	4.5	3.3	1.0	2.8	-0.2	-2.1	1.5	0.9	4.1
USA	1.9	3.6	3.1	2.7	1.9	0.0	-2.6	2.9	2.5	2.7
Netherlands	1.6	2.2	2.0	3.4	3.9	1.9	-3.9	1.7	1.5	1.5
UK	1.2	3.0	2.2	2.8	2.7	-0.1	-4.9	1.4	1.5	2.3
Switzerland	2.1	2.5	2.6	3.6	3.6	1.9	-1.9	2.6	2.4	1.8
France	1.3	2.3	2.0	2.4	2.3	0.1	-2.6	1.4	2.1	1.9
Germany	1.4	0.7	0.9	3.6	2.8	0.7	-4.7	3.5	3.2	2.0
Italy	0.3	1.5	0.7	2.0	1.5	-1.3	-5.2	1.3	1.0	1.3
Japan	0.9	2.7	1.9	2.0	2.4	-1.2	-6.3	4.0	-0.7	2.9
World Average[2]	**2.9**	**3.9**	**3.5**	**4.0**	**3.9**	**1.6**	**-2.1**	**4.0**	**3.4**	**3.7**

F = Forecast; **UAE** = United Arab Emirates.
1. Australia's 2011 and 2012 figures were sourced from International Monetary Fund (IMF) *'Australia – 2011 Article IV Consultation Concluding Statement'.*
2. Based on market exchange rates.
Sources: International Monetary Fund, World Economic Outlook (WEO) Database, April 2011, WEO Update June 2011; Austrade

FIGURE 2: GENERAL GOVERNMENT FINANCIAL BALANCES – 2012[F]

Surplus (+) or Deficit (-) as a percentage of nominal GDP



Sources: OECD Economic Outlook No. 89 – June 2011 – Annual Projections for OECD Countries, Annex Table 27 (Released 25 May 2011); Austrade

The financial sector is the largest contributor to Australia's national output, generating 11% or A$135 billion of real gross value added in the year to June 2011. Australia's financial sector continues to grow more rapidly than most other sectors of the economy. The financial services industry is a major driver of Australia's economic growth, contributing almost four times that of agriculture, forestry and fisheries (A$34 billion), and over 10% more than mining (A$118 billion).

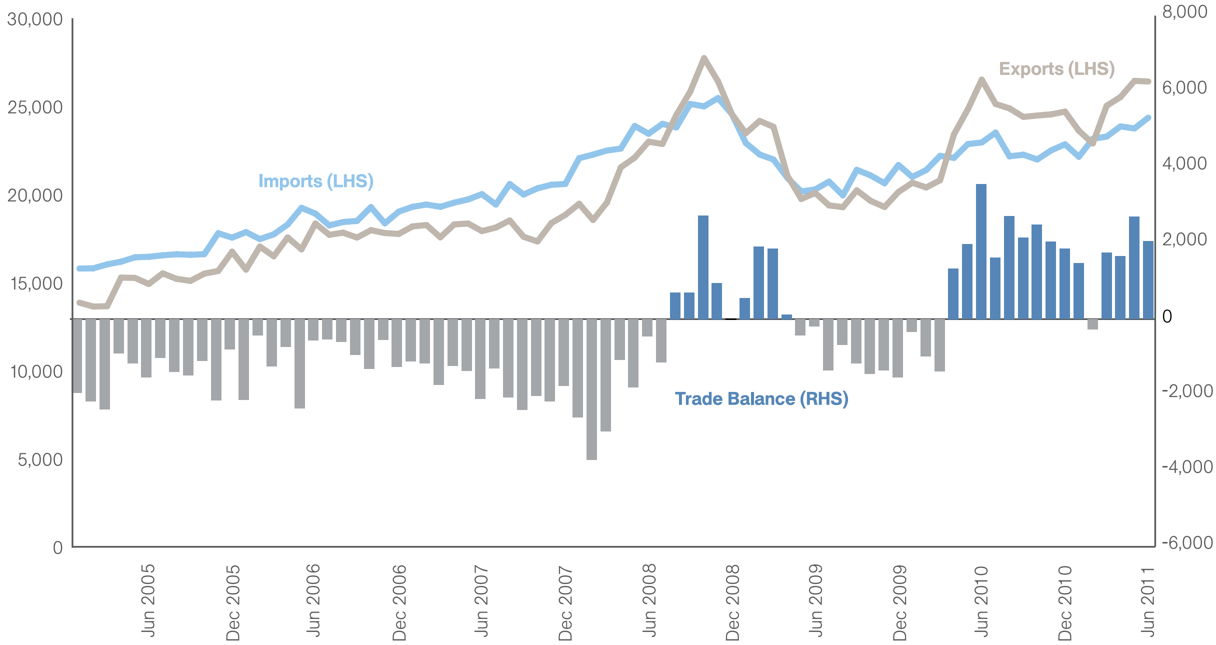
Australia's finance and insurance sector has been one of the country's highest performing industries, achieving an average annual growth rate of 4.9% a year between 1998 and 2011. This is well above the combined average for all industries (3.4%) and reflects the overall strength of Australia's service-based economy (which currently accounts for almost 80% of the Australia's economy). See Figure 5.

Australia's large, expanding and mature financial services sector has assets of more than A$5 trillion, which is equivalent to around four times nominal GDP. This reflects the sophistication and depth of our financial markets which have benefited from two decades of uninterrupted economic growth, sound management of the economy and a strong legal and regulatory framework.

Among 21 economies surveyed by the Asian Bankers 500, Australia has the third largest pool of bank assets in the region after Japan and China. Australia's total

FIGURE 3: AUSTRALIA'S TRADE IN GOODS AND SERVICES

A$ Million seasonally adjusted



Sources: Australian Bureau of Statistics, Cat. No. 5368.0, International Trade in Goods and Services, Australia Table 1 (Released 3 August 2011); Austrade

FIGURE 4: STOCK OF FOREIGN DIRECT INVESTMENT (FDI) IN AUSTRALIA

Rank in 2010		2001	2002	2003	2004	$A Billion 2005	2006	2007	2008	2009	2010	% Share in 2010	% Change 2001-10
1	USA	68.8	70.6	83.9	145.2	75.6	86.6	100.5	99.8	99.8	120.1	25.4	74.4
2	UK	48.1	55.4	45.7	43.6	52.5	55.8	64.5	61.4	63.6	52.5	11.1	9.2
3	Japan	16.3	16.7	18.4	18.1	21.4	23.8	31.1	36.7	45.0	49.4	10.4	203.1
4	Netherlands	10.5	12.0	11.9	18.0	21.4	24.6	25.3	20.7	33.7	31.1	6.6	195.3
5	Switzerland	NP	9.7	10.9	9.9	11.8	16.6	16.4	19.5	17.6	20.7	4.4	NA
6	Singapore	14.9	3.7	4.3	5.1	4.2	5.6	14.2	10.4	16.5	20.2	4.3	36.1
7	Canada	2.2	5.2	8.1	6.5	6.1	7.7	11.0	9.5	12.4	16.4	3.5	650.9
8	Germany	6.1	7.6	7.7	8.4	9.8	10.6	17.6	13.7	16.5	16.2	3.4	167.3
9	China	NP	NP	NP	NP	NP	0.6	NP	3.6	9.1	12.8	2.7	NA
10	France	NP	NP	6.1	NP	9.5	11.7	12.5	12.6	12.6	12.6	2.7	NA
TOTAL ALL COUNTRIES		**218.3**	**244.8**	**260.7**	**337.9**	**297.6**	**336.9**	**396.9**	**396.5**	**440.6**	**473.7**	**100.0**	**117.0**
OECD		179.1	201.8	216.5	279.1	229.6	261.8	306.2	302.6	330.8	347.9	73.4	94.2
APEC		111.7	107.1	127.1	187.8	123.3	144.5	177.4	181.8	201.4	241.9	51.1	116.5
EU		80.2	93.6	87.3	90.6	105.3	114.4	136.2	128.9	147.3	131.6	27.8	64.0
ASEAN		16.3	7.0	7.4	7.8	9.0	10.5	17.7	16.1	21.8	27.5	5.8	68.7

NP = not available for publication but included in totals where applicable, unless otherwise indicated; **NA** = not applicable.

Sources: Australian Bureau of Statistics Cat. No. 53520, – International Investment Position, Australia: Supplementary Statistics, 2010 (Released 3 May 2011) bank assets accounted for around 240% of the country's nominal GDP, well above Japan (193%), China (178%), South Korea (146%), India (102%), and the regional average (176%).

Aggregate Australian financial markets (over-the-counter (OTC) and exchange-traded) turnover rose 5.4% to almost A$102 trillion in 2009-10. The total market turnover in 2009-10 was more than two and half times that of ten years ago, underlining the growth in depth and sophistication of Australia's financial markets.

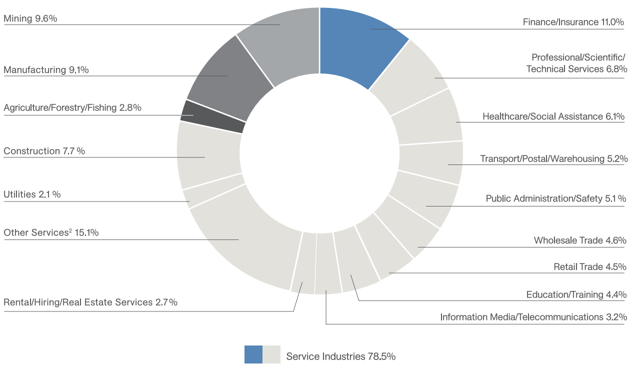
With 2,241 listed (domestic and foreign) companies, the Australian stock market is currently the largest liquid stock market in the Asia-Pacific region (ex-Japan) and ranks sixth in the world, with total market capitalisation of US$1,136 billion. The market capitalisation of floating stocks in Australia is more than double that of Hong Kong (US$480 billion) and more than four times larger than that of Singapore (US$258 billion). See Figure 6.

Investment Management

Total investment fund assets in Australia have increased seven-fold since 1991, with a compound annual growth rate of 11%. Consolidated assets under management reached A$1.8 trillion (US$1.9bn), up from A$240 billion two decades ago. Superannuation (pension) funds dominate the Australian investment management industry, representing around 53% of the market. Since June 1991, superannuation funds under management have increased by 13% (compounded annually) to A$974

FIGURE 5: AUSTRALIA'S REAL GROSS VALUE ADDED BY INDUSTRY[1]

As a percentage of total industry

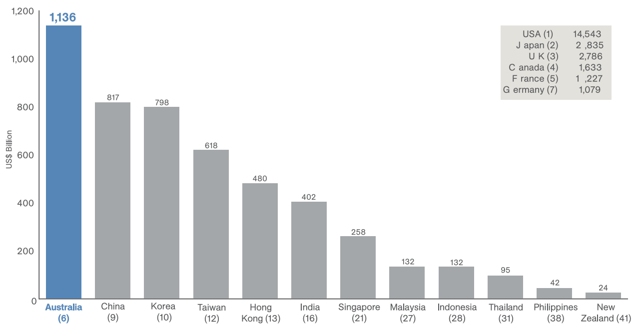


1. Annual total to June 2011.
2. Including Ownership of Dwellings (7.9%), Administrative/Support Services (2.6%), Accommodation/Food Services (2.2%), and Arts/Recreation Services (0.8%)

Sources: Australian Bureau of Statistics, Cat. No. 5206.0, National Income, Expenditure and Product, Time Series Workbook (Released 7 September 2011), Table 33; Austrade

FIGURE 6: SIZE OF STOCK MARKETS IN THE ASIA-PACIFIC REGION

Market capitalisation of floating stocks (US$ Billion, 31 July 2011)



Note: The number in brackets is the world ranking of each country or economy (out of 45). Standard & Poor's capitalisation-weighted indices are float adjusted. Under float adjustment, the share counts used in calculating the indices reflect only those shares available to investors rather than all of a company's outstanding shares. Float adjustment excludes shares that are closely held by control groups, other publicly traded companies or government agencies.

Sources: Standard & Poor's, Global Broad Market Index, July 2011; Austrade

FIGURE 7: AUSTRALIA'S TOTAL FUNDS UNDER MANAGEMENT (FUM)

$A Billion

	Total Managed Funds Industry	Consolidated Assets of Managed Funds Institutions[1]					Funds Managed by Australian Investment Managers on behalf of		
At end of	(a)+(b)+(c)-(d)	Total[(a)]	Superannuation (pension) Funds	Life Insurance Corporations[2]	Public Offer (Retail) Unit Trusts	Other[3]	Australian Entities Other Than Managed Funds Institutions (b)	Overseas Investors[(c)]	Other Australian Investment Managers[(d)]
Jun-1991	**239.7**	220.6	87.8	89.6	22.9	20.3	14.8	4.2	0.0
Jun-1996	**376.7**	335.0	149.9	117.9	44.7	22.6	33.9	7.8	0.0
Jun-2001	**776.0**	643.2	302.5	174.2	120.4	46.1	133.0	21.3	21.4
Jun-2006	**1,382.0**	1,079.0	590.1	187.8	245.7	55.5	319.1	42.2	58.4
Jun-2011	**1,824.3**	1,449.1	974.0	191.3	248.2	35.6	325.4	61.5	11.6
% of Total FUM	**100.0**	79.4	53.4	10.5	13.6	2.0	17.8	3.4	0.6
% of Nominal GDP	**131.1**	104.2	70.0	13.7	17.8	2.6	23.4	4.4	0.8
% CAGR Since 1991	**10.7**	9.9	12.8	3.9	12.6	2.8	16.7	14.3	NA

CAGR = Compound Annual Growth Rate.
NA = not applicable

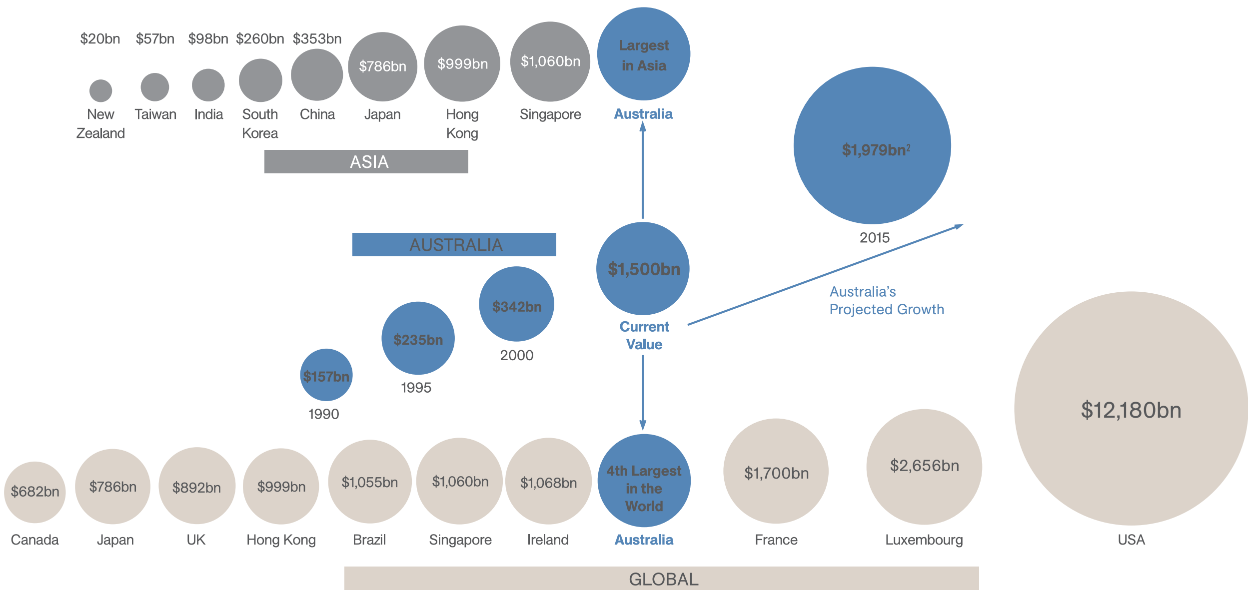
Note: The US$/A$ exchange rate was US$1.0739 as at 30 June 2011 (sourced from RBA statistics); the nominal value of Australia's GDP in the year to 30 June 2011 was A$1,391 billion.

1. Consolidated assets equal unconsolidated assets minus crossed invested assets between managed funds.
2. Figures include superannuation funds held in statutory funds for life insurance offices.
3. The combined assets of cash management trusts, common funds and friendly societies.

Sources: Australian Bureau of Statistics (ABS), Cat. No. 5655.0 Managed Funds, Australia, Time Series Spreadsheet (released 25 August 2011), Tables 1. Summary Managed Funds Industry, and Table 2. Summary Managed Funds Institutions, ABS, Cat. No. 5206.0 – Australian National Accounts: National Income, Expenditure and Product, June 2011, Time Series Spreadsheets (released 07 September 2011), Table 34; Austrade

FIGURE 8: GLOBAL SIGNIFICANCE OF AUSTRALIA'S INVESTMENT FUND ASSETS POOL

Investment Fund Assets[1], US$, March Quarter 2011



Note: Circles are not to scale. Data between countries is not strictly comparable.

1. Refers to home domiciled funds, except Hong Kong and New Zealand, which include home and foreign-domiciled funds. Funds of funds are not included, except for France, Germany, Italy, and Luxembourg. In this statistical release 'investment fund' refers to a publicly offered, open-end fund investing in transferable securities and money market funds. It is equivalent to 'mutual fund' in the US and 'UCITS' (Undertakings for the Collective Investment of Transferable Securities) in the European Fund and Asset Management Association's statistics on the European investment fund industry. Australia's investment funds in the ICI survey only include consolidated assets of collective investment institutions.

2. Standard & Poor's Investment Consulting have assumed: A$1 = US$0.80.

Sources: Investment Company Institute, Worldwide Mutual Fund Assets and Flows, March 2011 (released 4 August 2011); Hong Kong's data (the sum of asset management business and fund advisory business of licensed corporations), December 2010, sourced from Securities and Futures Commission, Fund Management Activities Survey 2010 (released July 2011); Singapore's data sourced from the speech by Mr Peter Ong, Permanent Secretary for Finance at the Investment Association of Singapore 12 Annual Conference; Singapore's AUM was S$1.4 trillion (US$1,060 billion, exchange rate US$1 = S$1.2875) in December 2010, the projected figures of Australia's investment fund assets were provided by Standard & Poor's Investment Consulting; Austrade

FIGURE 9: GLOBAL PENSION ASSETS

	Total Assets						Growth Rates – 10 Year CAGR	
	(US$ Billion)		Market Share – %		As % of GDP (local currency)		Local Currency	US$
Market	End 2000	End 2010E	End 2000	End 2010E	2000	End 2010E	(31/12/00 – 31/12/10)	
USA[1]	10,141	15,265	63.4	57.8	102	104	4.2	4.2
Japan	2,418	3,471	15.1	13.1	52	64	0.2	3.7
UK	1,256	2,279	7.9	8.6	85	101	5.8	6.1
Australia	**275**	**1,261**	**1.7**	**4.8**	**70**	**103**	**9.6**	**16.4**
Canada	668	1,140	4.2	4.3	92	73	1.3	5.5
Netherlands	441	1,032	2.8	3.9	114	134	5.1	8.9
Switzerland	310	661	1.9	2.5	124	126	2.1	7.9
Germany	188	471	1.2	1.8	10	14	5.8	9.6
Brazil	74	342	0.5	1.3	12	17	14.7	16.5
South Africa	67	256	0.4	1.0	51	72	12.8	14.3
France	85	133	0.5	0.5	6	5	0.9	4.5
Ireland	50	100	0.3	0.4	52	49	3.4	7.1
Hong Kong	31	87	0.2	0.3	18	38	10.8	10.8
TOTAL	**16,004**	**26,496**	**100.0**	**100.0**	**71**	**76**	**5.9**	**5.1**

CAGR = Compound Annual Growth Rates.

E = Estimates.

1. Includes Individual Retirement Arrangements (IRAs).

2. Excludes personal and stakeholder defined contribution (DC) assets.

Sources: Towers Watson, 2011 Global Pension Asset Study, February 2011; Austrade billion (US$1,008bn). The total market share of superannuation fund assets, including funds held by Australia's life insurance offices, represents more than 60% of Australia's total investment funds. See Figure 7.

Australia's funds under management (FUM) ranks fourth largest in the world by the Investment Company Institute's Worldwide Mutual Fund Assets and Flows. The global significance of Australia's FUM and the maturity of our industry see Australia well positioned to develop as a fund management centre for the region. See Figure 8.

Australian superannuation fund (pension) assets are estimated to have reached almost US$1.3 trillion, according to Towers Watson's 2011 survey. Over the past year, Australian superannuation assets moved up from fifth to become the fourth largest pension asset pool in the world. The growth in Australia's pool of superannuation assets has been largely driven by the universal and mandatory 'Superannuation Guarantee' system introduced in 1992. The Government is committed to further increasing the Superannuation Guarantee from 9% to 12%. This would boost the pool of superannuation savings by around

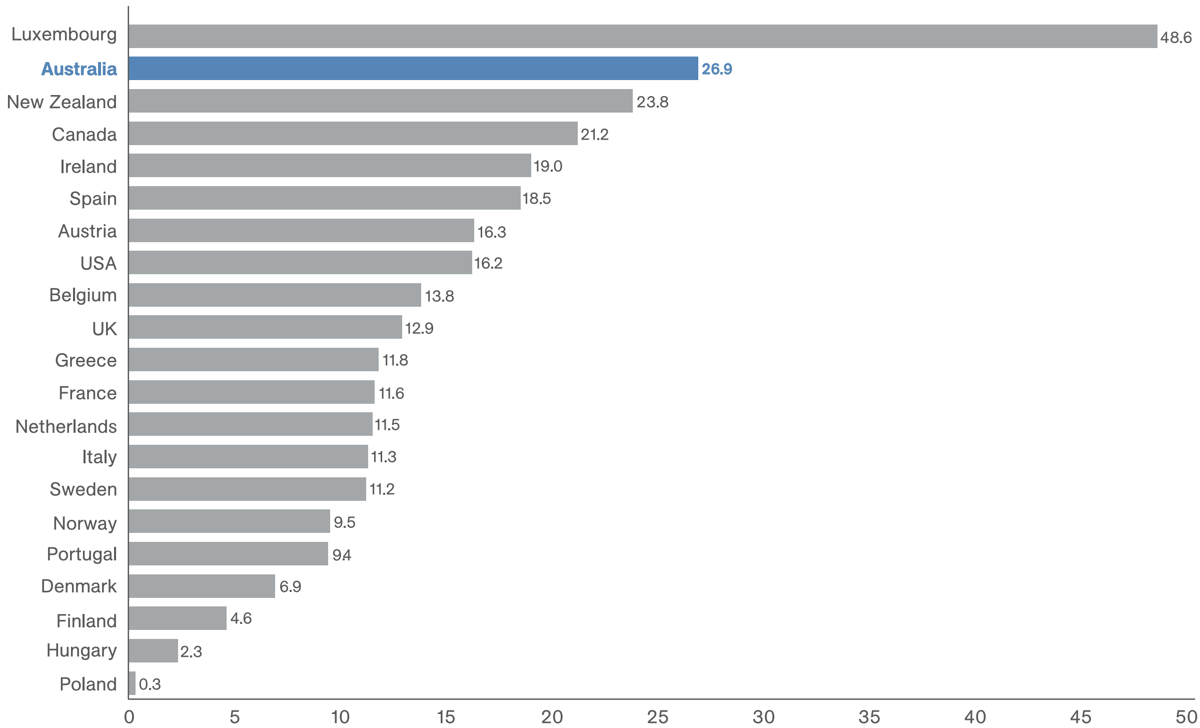
FIGURE 10: SELECTED DEMOGRAPHIC COMPARISONS[1] – MID YEAR 2010

('000)	Melbourne	Sydney	New York	London	Tokyo	Hong Kong	Singapore
Population	4,077	4,576	8,422	7,825	13,162	7,068	5,077
Labour Force	2,209	2,406	4,008	4,177	7,172	3,664	3,136
Employed Persons – All Industries	2,100	2,286	3,627	3,796	6,721	3,492	3,047
Finance and Insurance[1]	90	140	302	333	278	191	173
% of Total Employed Persons	4.3	6.1	8.3	8.8	4.1	6.0	5.7
Universities – Total Enrolled Students[2]	184	265	530	408	712	110	56
% of total Population	4.5	5.8	6.3	5.2	5.4	1.6	1.1

1. Data for London represents 2009. Data for Melbourne, Sydney, Hong Kong, Singapore and Tokyo represent 2009; Data for New York represents Fall 2010 and London academic year 2009-10. Student numbers for Sydney and Melbourne refer to the states of New South Wales and Victoria respectively. Singapore data represents 2009 full-time enrolment.

Sources: AUSTRALIA: Australian Bureau of Statistics (ABS) Cat. No. 3101.0, Australia Demographic Statistics, December 2010; ABS Cat. No. 6291.0.55.001 Labour Force, Australia, Detailed – Electronic Delivery May 2011, Table 02; Department of Education, Employment and Workplace Relations. USA: US Census Bureau, Preliminary Annual Estimates of Resident Population of Countries (Released March 2011); Bureau of Labour Statistics, Regional News Releases, New York State Department of Labour Quarterly Census of Employment and Wages; New York-New Jersey; New York Office of Higher Education of Research and Information System. UK: Office of National Statistics; Higher Education Statistics Agency, Headline and Summary Statistics. HONG KONG: Census and Statistics Department, Hong Kong in Figures 2011 Edition; Education Bureau. JAPAN: Statistics Division Bureau of General Affairs; SINGAPORE: Department of Statistics; Ministry of Manpower, Online Statistics, Labour Force, Ministry of Education, Education Statistics Digest 2010.

FIGURE 11: FOREIGN BORN LABOUR FORCE AS A PERCENTAGE OF LABOUR FORCE – 2009



Note: Data for Canada, New Zealand and Sweden represents 2006, and Finland 2008.

Sources: Organisation for Economic Co-operation and Development, International Migration Outlook 2011, Key Statistics, Table A.2.2; Austrade

A$500 billion over the next 25 years. See Figure 9.

Skilled workforce

The calibre and capability of Australia's workforce is supported by a strong tertiary education sector (ranked seventh in the world by the Institute for Management Development (IMD)). In many critical categories, such as finance skills, foreign-skilled people, management education, and reliance on professional management, Australia's workforce rates amongst the best in the world. In addition, Australia's working environment has proven to be highly attractive to skilled workers, ranking seventh in the world for attracting and retaining talent in the IMD study.

Together Sydney and Melbourne employ 230,000 people in financial services, more than Hong Kong (191,000) and Singapore (173,000). Sydney's financial services workforce now accounts for 6.1% of the city's total employment. In education, both Sydney and Melbourne have around 5.2% of their population enrolled as tertiary students, which is comparable to that of London (5.2%), Tokyo (5.4%) and New York (6.3%), and well above that of Hong Kong and Singapore. See Figure 10.

Australia's skilled workforce offers substantial multilingual and cross-cultural capabilities, and is characterised by a strong work ethic and positive approach to change. On average, more than 26% of Australia's workforce holds a tertiary qualification across all industry sectors. In many critical categories, such as, education and training, scientific and technical services, and finance and insurance, 40% to 60% of the workforce hold a Bachelor Degree or higher. This superior quality of our workforce is an important consideration for multi-national companies deciding to set up or expand their operations in Australia and the Asia-Pacific region.

According to OECD International Migration Outlook 2011, Australia's overseas-born labour force as a percentage of total labour force (26.9%) ranks second after Luxembourg among all OECD countries. Australia is the most culturally diverse country in Asia Pacific and one of the most multicultural countries in the world. This underpins the country's capacity to offer workforce solutions to organisations requiring multilingual staff. See Figure 11.

Australia is the 'first choice' destination for students across the region. More than 320,000 students, mainly from China, Singapore, Malaysia, India, Hong Kong, Vietnam and Indonesia, are currently studying in Australia's tertiary institutions, with a majority of students enrolling in commerce and management, information technology, engineering and related technologies.

In the eight years since the inaugural edition of the Academic Ranking of World Universities (ARWU), the number of Australian universities in the top 500 has risen to 19 from 13. Australia is one of a select number of nations that can claim to have more than half of the institutions within their university sector listed in the ARWU Top 500. This provides Australia with a distinctive edge in promoting its university sector as high quality.

The prospects for the Australian economy and for key sectors such as financial services remain buoyant. Australia is well positioned to offer a gateway to the region and will remain an important source of natural resources and of skilled services, including financial services. The Government remains committed to encouraging the development of Australia as a centre for financial services excellence and for funds management. This is reflected in recent and prospective taxation reforms, including reductions in interest withholding taxes and the foreshadowed introduction of an investment management regime.

THE AUSTRALIAN TRADE COMMISSION – Austrade – is the Australian Government's trade and investment development agency.

Through Austrade's network in over 50 countries, we assist Australian companies to succeed in international business, attract productive foreign direct investment into Australia and promote Australia's education sector internationally.

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Australian Government
Australian Trade Commission

Australia UNLIMITED

Government Debt Securities

THE 2010-11 FINANCIAL YEAR was characterised by continued issuance by both the Commonwealth and state treasury corporations. Combined bond outstandings at end-June 2011 of approximately $370 billion was an increase of approximately $90 billion from the June 2010 level. The Commonwealth Government issued $55.3 billion in new bonds, giving net issuance of $36.5 billion after $18.8 billion matured. The Commonwealth also had net issuance of $4.7 billion in index bonds as interest in inflation-linked products continued to grow. Total net issuance by the states was approximately $30 billion. Continuing the trend of prior years, both Commonwealth and state programs were strongly supported by both domestic and offshore investors.

The solid levels of stock on issue provided for healthy turnover in debt securities over the year (up 59.8% in total) and market conditions remained relatively stable. Despite monetary policy favouring a tightening bias when the cash rate was increased to 4.75% from 4.5% in November 2010, overall bond yields were little impacted, barely changing over the financial year. The RBA's indicative three-year bond started the year at 4.71% and ended at 4.76%, while the 10 year moved from 5.33% to 5.16%. The spreads between Commonwealth and state government securities were also barely changed over the year, although state government yields rose post-July 2011 as investors demanded a higher risk premium from concerns around the European debt crisis and its potential to impair global economic growth.

The outlook for 2011-12 is for a similar level of issuance by the Government sector and continued solid demand from both domestic and offshore investors. The additional risk premium demanded by investors in state government debt will likely continue, particularly should the uncertainties surrounding the Eurozone persist. On balance, equilibrium between issuers and investors is expected to continue until the Commonwealth Government returns to surplus, currently projected for 2012-13.

FIGURE 1: ANNUAL TURNOVER

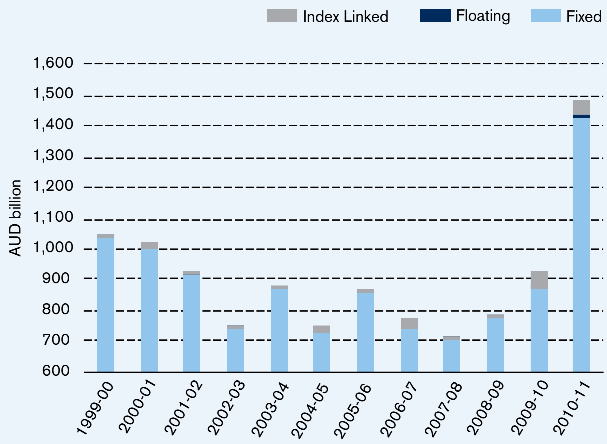


FIGURE 2: TURNOVER BY ISSUER

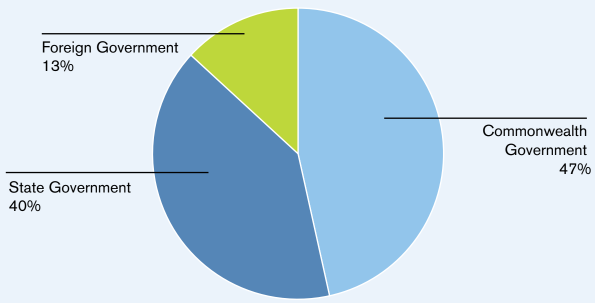
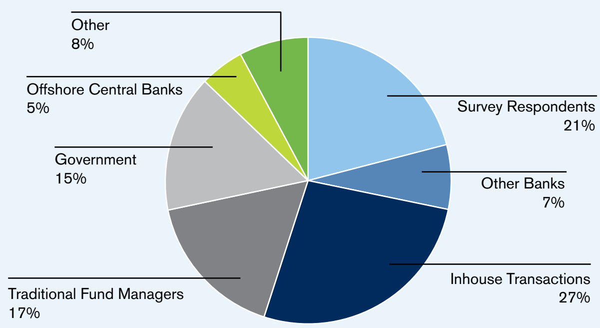


FIGURE 3: TURNOVER BY COUNTERPARTY



GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
COMMONWEALTH GOVERNMENT BONDS									
2006-07	78,557	33,946	76,904	79,655	3,179	28,922	0	19,598	320,761
2007-08	62,643	38,654	62,519	91,384	2,789	9,781	2,259	14,653	284,681
2008-09	55,675	37,925	70,961	75,047	212	32,041	5,841	21,560	299,261
2009-10	84,470	45,851	122,162	81,020	15	65,380	23,375	30,209	452,481
2010-11	150,885	52,502	222,414	116,178	2,355	49,983	56,683	38,834	689,834
% change	78.6	14.5	82.1	43.4	15,600.0	(23.6)	142.5	28.6	52.5
STATE GOVERNMENT BONDS									
2006-07	67,764	22,656	54,138	76,379	3,139	102,951	0	10,376	337,404
2007-08	55,630	22,511	49,915	73,973	3,358	106,953	624	11,184	324,147
2008-09	54,659	39,017	84,345	85,570	71	137,187	3,022	38,232	442,104
2009-10	78,780	34,390	71,256	71,652	25	114,768	10,276	13,628	394,775
2010-11	127,592	35,758	101,952	118,387	1,209	173,887	13,350	25,541	597,676
% change	62.0	4.0	43.1	65.2	4,736.0	51.5	29.9	87.4	51.4
OTHER GOVERNMENT GUARANTEED BONDS[a]									
2006-07	81	4	37	318	0	111	0	9	560
2007-08	33	27	136	286	0	301	0	63	845
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
% change	na	na	na	na	na	na	na	na	na
FOREIGN GOVERNMENT BONDS									
2006-07	4,586	49,604	11,292	13,262	0	708	0	33,978	113,429
2007-08	4,451	44,973	10,170	8,612	0	637	202	37,212	106,257
2008-09	4,932	9,864	8,146	5,969	4	1,498	1,748	18,685	50,846
2009-10	7,840	2,941	26,479	11,861	0	2,033	2,363	26,978	80,495
2010-11	32,270	19,594	72,159	13,288	262	1,878	4,086	51,650	195,186
% change	311.6	566.2	172.5	12.0	na	(7.6)	72.9	91.5	142.5
TOTAL									
2006-07	150,988	106,210	142,371	169,612	6,318	132,692	0	63,961	772,151
2007-08	122,757	106,164	122,739	174,091	6,147	117,672	3,084	63,113	715,930
2008-09	115,266	86,806	163,452	166,586	287	170,726	10,610	78,477	792,211
2009-10	171,090	83,182	219,896	164,533	40	182,181	36,014	70,815	927,751
2010-11	310,747	107,853	396,525	247,853	3,826	225,748	74,119	116,025	1,482,696
% change	81.6	29.7	80.3	50.6	9,465.0	23.9	105.8	63.8	59.8

[a] Other Government Guaranteed Bonds are included in Non Government Debt Securities from 2008-09

FIXED GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
COMMONWEALTH GOVERNMENT BONDS									
2006-07	76,694	33,844	69,990	74,511	3,179	15,861	0	19,413	293,493
2007-08	60,492	38,410	58,551	86,573	2,789	9,641	2,259	14,529	273,243
2008-09	53,852	37,431	67,306	70,837	140	31,962	5,841	20,419	287,787
2009-10	78,061	45,007	114,411	68,390	15	58,167	23,241	29,620	416,912
2010-11	143,163	51,294	215,475	102,116	2,355	48,483	56,560	38,007	657,453
% change	83.4	14.0	88.3	49.3	15,600.0	(16.6)	143.4	28.3	57.7
STATE GOVERNMENT BONDS									
2006-07	67,744	22,656	54,134	76,300	3,139	102,895	0	10,362	337,231
2007-08	55,522	22,511	49,848	73,192	3,358	106,524	624	11,180	322,759
2008-09	54,419	38,947	83,741	84,401	57	135,983	3,022	38,097	438,667
2009-10	73,398	33,971	68,315	65,937	25	112,744	9,854	12,263	376,507
2010-11	126,218	35,557	100,161	109,662	1,209	172,593	13,350	25,338	584,088
% change	72.0	4.7	46.6	66.3	4,736.0	53.1	35.5	106.6	55.1
OTHER GOVERNMENT GUARANTEED BONDS[a]									
2006-07	81	4	37	307	0	111	0	9	549
2007-08	33	27	136	286	0	301	0	63	845
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
% change	na	na	na	na	na	na	na	na	na
FOREIGN GOVERNMENT BONDS									
2006-07	4,564	49,557	11,250	12,862	0	708	0	33,918	112,858
2007-08	4,388	44,945	9,931	8,565	0	637	202	37,212	105,880
2008-09	4,880	9,804	8,018	5,832	4	1,498	1,740	18,494	50,270
2009-10	7,637	2,925	25,792	11,643	0	2,016	2,363	26,914	79,290
2010-11	31,979	19,545	71,549	12,687	262	1,873	4,086	47,133	189,114
% change	318.7	568.2	177.4	9.0	na	(7.1)	72.9	75.1	138.5
TOTAL									
2006-07	149,083	106,061	135,411	163,980	6,318	119,576	0	63,702	744,131
2007-08	120,434	105,892	118,466	168,616	6,147	117,103	3,084	62,984	702,727
2008-09	113,151	86,182	159,064	161,070	202	169,442	10,602	77,011	776,725
2009-10	159,096	81,903	208,518	145,969	40	172,928	35,458	68,796	872,709
2010-11	301,359	106,396	387,185	224,465	3,826	222,949	73,996	110,478	1,430,655
% change	89.4	29.9	85.7	53.8	9,465.0	28.9	108.7	60.6	63.9

[a] Other Government Guartanteed Bonds are included in Non Government Debt Securities from 2008-09

INDEX LINKED GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
COMMONWEALTH GOVERNMENT BONDS									
2006-07	1,863	102	6,914	5,144	0	13,061	0	185	27,268
2007-08	2,152	244	3,967	4,812	0	140	0	124	11,438
2008-09	1,823	493	3,655	4,210	72	79	0	1,141	11,474
2009-10	6,344	825	7,750	12,630	0	7,213	134	589	35,485
2010-11	7,722	1,208	6,939	14,062	0	1,499	123	827	32,381
% change	21.7	46.4	(10.5)	11.3	na	(79.2)	(8.2)	40.4	(8.7)
STATE GOVERNMENT BONDS									
2006-07	20	0	4	79	0	56	0	14	173
2007-08	108	0	67	615	0	429	0	5	1,223
2008-09	238	71	499	1,157	14	1,115	0	135	3,228
2009-10	5,276	399	2,941	5,694	0	1,875	417	1,366	17,967
2010-11	1,334	201	1,790	8,720	0	1,227	0	203	13,474
% change	(74.7)	(49.6)	(39.1)	53.1	na	(34.6)	(100.0)	(85.1)	(25.0)
OTHER GOVERNMENT BONDS[a]									
2006-07	0	0	0	11	0	0	0	0	11
2007-08	0	0	0	0	0	0	0	0	0
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
% change	na	na	na	na	na	na	na	na	na
FOREIGN GOVERNMENT BONDS									
2006-07	22	31	0	398	0	0	0	28	479
2007-08	63	28	239	47	0	0	0	0	377
2008-09	52	42	117	134	0	0	0	114	459
2009-10	203	13	687	217	0	17	0	9	1,145
2010-11	18	4	462	208	0	5	0	22	719
% change	(91.1)	(69.2)	(32.8)	(4.1)	na	(70.6)	na	144.4	(37.2)
TOTAL									
2006-07	1,905	133	6,919	5,632	0	13,117	0	226	27,931
2007-08	2,323	272	4,274	5,473	0	569	0	128	13,038
2008-09	2,112	606	4,271	5,501	86	1,194	0	1,390	15,160
2009-10	11,824	1,236	11,378	18,540	0	9,104	551	1,964	54,597
2010-11	9,074	1,412	9,192	22,990	0	2,731	123	1,052	46,574
% change	(23.3)	14.2	(19.2)	24.0	0.0	(70.0)	(77.7)	(46.4)	(14.7)

[b] Other Government Guaranteed Bonds are included in Non Government Debt Securities from 2008-09

COMMONWEALTH GOVERNMENT BONDS LIQUIDITY RATIO (AUD million)

Survey Year	Outstandings[a]	Turnover	Ratio
2006-07	53,137	320,761	6.0
2007-08	54,366	284,681	5.2
2008-09	63,098	299,261	4.7
2009-10	110,199	452,481	4.1
2010-11	158,801	689,834	4.3

[a] Outstandings was calculated as an average of monthly data on Commonwealth Government Bonds as published by AOFM

GOVERNMENT DEBT SECURITIES TRADING CONCENTRATION

Market Rank	% Market Share[a]	% Cumulative Share
1	21.5	21.5
2	17.2	38.8
3	9.3	48.1
4	6.8	54.9
5	6.7	61.6
6	5.5	67.1
7	4.9	72.0
8	4.7	76.7

[a] Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share[a]
2006-07	80.8
2007-08	83.1
2008-09	79.6
2009-10	88.0
2010-11	76.7

[a] Market share data excludes Inhouse transactions

Non Government Debt Securities

AGGREGATE NGDS VOLUMES expanded at a slightly slower pace than in 2010, though still recording a significant overall increase of 34.4%. Advances in the major sectors – Corporate: 53.7%, Bank: 35.7% – were supported by a surge in activity (albeit from a low base) in foreign non-government issues, notably the kangaroo bond market's AAA-rated supranational securities, which accounted for 16% of aggregate volumes.

Longer dated issuance from both government and non-government entities has improved liquidity in the longer end, which has flowed on to index extension, greater liquidity and higher confidence from the investor base across the yield curve. Foreign issuers regard the Australian market as a sound source of diversification from the perspectives of currency, duration and investor base. On the local front, the domestic corporate market continues to develop in terms of tenor with issuance out to 10 years for investment grade entities.

On the regulatory front, in December 2010 the Commonwealth Government announced that it intended to allow banks, credit unions and building societies to issue covered bonds, an initiative designed to reduce financial institutions' reliance on the offshore wholesale funding markets. Concurrently, the Government announced plans to fast-track reforms giving retail investors access to the corporate bond market. Combined, these initiatives will add support to the domestic financial system by allowing lenders to tap the national savings pool rather than having to seek funds offshore. Most importantly for the Australian banks, the ability to issue covered bonds will diversify their funding base.

At the same time APRA announced that securities eligible for Australia's banks' liquidity coverage ratio (LCR) under implementation of Basel III global liquidity standards, will not include highly rated corporate bonds or covered bonds. While initially this is a set-back for kangaroo bonds in particular, and the fledgling covered bond market more generally, there remains time for reconsideration of this stance prior to the 1 January 2015 effective date of the Basel conventions. AFMA will continue its efforts to identify liquidity characteristics which may support reconsideration of the APRA decision, particularly with regard to kangaroo bonds, which are likely to be eligible collateral under the RBA's committed repo facility which is designed to meet shortfalls in Australian bank's LCR assets.

Looking to the international arena, the Eurozone turmoil of 2010 extended into 2011 and continues, with particular focus by wary investors on the debt burdens of Portugal, Ireland, Spain, Greece and Italy, whilst remembering the difficulties in the United States raising its debt ceiling in order to avoid default. Under these circumstances, Australian bank and corporate debt should perform reasonably well when compared with their global peers, benefitting from the relative safe-haven status of Australian government debt.

FIGURE 1: ANNUAL TURNOVER

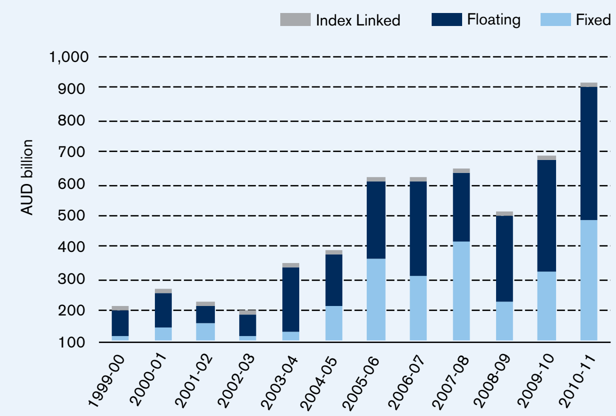


FIGURE 2: TURNOVER BY INSTRUMENT

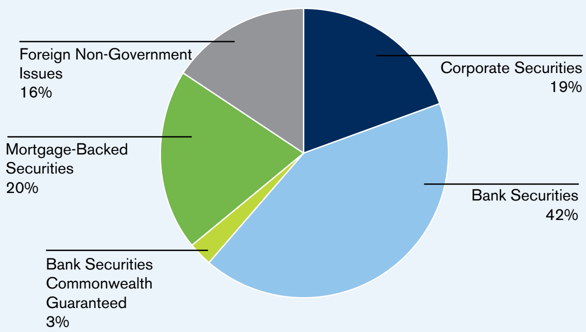
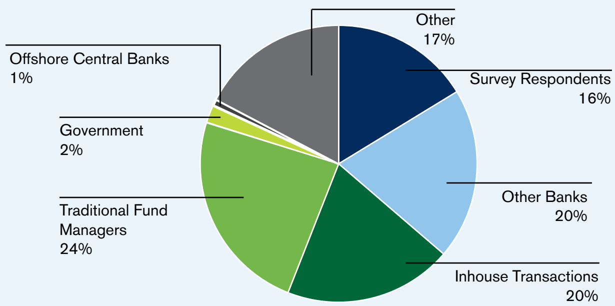


FIGURE 3: TURNOVER BY COUNTERPARTY



NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
CORPORATE SECURITIES									
2006-07	24,967	31,277	33,259	64,881	2,159	4,917	163	35,009	196,632
2007-08	8,790	14,017	29,058	25,911	0	3,802	336	23,155	105,069
2008-09	9,712	8,866	23,718	30,243	44	1,674	1,076	18,940	94,272
2009-10	16,167	17,096	18,754	38,662	49	10,095	1,687	20,735	123,246
2010-11	19,221	40,993	40,741	32,848	504	3,942	1,521	36,744	176,514
% change	18.9	139.8	117.2	(15.0)	928.6	(61.0)	(9.8)	77.2	43.2
BANK SECURITIES									
2006-07	17,766	42,206	23,557	22,789	0	2,724	245	13,392	122,679
2007-08	20,938	84,520	30,181	46,052	0	5,556	216	60,033	247,495
2008-09	15,780	73,197	30,607	16,323	72	3,260	491	25,869	165,600
2009-10	67,172	100,262	47,582	57,685	5	11,182	1,209	48,909	334,006
2010-11	93,845	108,023	85,506	48,709	46	10,639	3,287	30,209	380,265
% change	39.7	7.7	79.7	(15.6)	820.0	(4.9)	171.9	(38.2)	13.8
BANK SECURITIES COMMONWEALTH GUARANTEED[a]									
2006-07	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	-	-	-	-	-
2008-09	5,589	37,465	6,445	27,266	90	2,125	60	9,534	88,574
2009-10	4,025	24,143	13,256	8,175	5	1,301	30	1,848	52,783
2010-11	2,548	5,222	7,341	6,684	0	1,206	183	1,102	24,285
% change	(36.7)	(78.4)	(44.6)	(18.2)	(100.0)	(7.3)	510.0	(40.4)	(54.0)
MORTGAGE BACKED SECURITIES									
2006-07	6,421	25,477	10,892	36,040	567	1,495	0	17,968	98,859
2007-08	2,167	28,951	24,378	29,737	0	653	0	6,586	92,473
2008-09	2,462	26,765	10,318	31,116	73	2,432	496	9,455	83,118
2009-10	4,693	35,407	9,268	74,985	0	1,672	378	16,709	143,112
2010-11	10,101	16,182	18,646	111,858	0	2,348	129	20,247	179,511
% change	115.2	(54.3)	101.2	49.2	na	40.4	(65.9)	21.2	25.4
OTHER ASSET BACKED SECURITIES									
2006-07	308	1,410	7,896	3,722	0	435	0	98,667	112,438
2007-08	213	894	5,185	3,354	0	300	0	121,898	131,844
2008-09	51	1,377	1,594	19,210	0	46	0	1,176	23,455
2009-10	23	1,171	329	946	0	20	0	1,063	3,552
2010-11	0	0	142	44	0	0	0	351	537
% change	(100.0)	(100.0)	(56.8)	(95.3)	na	(100.0)	na	(67.0)	(84.9)
OFFSHORE AUD ISSUES									
2006-07	2,016	2,279	2,464	3,459	0	223	0	5,450	15,891
2007-08	1,186	3,946	9,985	3,400	0	233	234	2,620	21,605
2008-09	627	3,559	3,713	2,541	10	551	459	3,818	15,279
2009-10	1,378	716	5,180	171	0	10	0	527	7,982
2010-11	679	425	2,039	279	0	83	120	891	4,516
% change	(50.7)	(40.6)	(60.6)	63.2	na	730.0	na	69.1	(43.4)

cont...

NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER SUMMARY (AUD million)...cont'

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
FOREIGN NON GOVERNMENT ISSUES									
2006-07	4,214	5,633	12,545	19,613	10	1,506	0	15,296	58,817
2007-08	1,734	6,915	8,931	10,606	0	846	966	9,008	39,006
2008-09	1,648	3,000	6,673	8,435	6	1,043	134	2,465	23,404
2009-10	2,495	3,264	1,901	891	1	477	71	1,574	10,675
2010-11	21,433	10,823	24,108	15,795	70	507	1,770	67,588	142,096
% change	759.0	231.6	1,168.2	1,672.7	6,900.0	6.3	2,393.0	4,194.0	1,231.1
TOTAL									
2006-07	55,692	108,282	90,613	150,504	2,736	11,300	408	185,783	605,316
2007-08	35,027	139,244	107,718	119,060	0	11,390	1,752	223,300	637,492
2008-09	35,868	154,230	83,070	135,135	295	11,131	2,716	71,258	493,703
2009-10	95,952	182,059	96,271	181,517	60	24,756	3,376	91,365	675,355
2010-11	147,828	181,668	178,522	216,217	620	18,725	7,011	157,131	907,724
% change	54.1	(0.2)	85.4	19.1	933.3	(24.4)	107.7	72.0	34.4

[a] Bank Securities Commonwealth Guaranteed was collected in 2008-09 to account for the introduction of the Commonwealth Government's wholesale funding guarantee

FIXED NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
CORPORATE SECURITIES									
2006-07	12,524	11,290	14,145	35,168	1,958	2,633	83	12,558	90,361
2007-08	4,330	4,546	15,786	15,377	0	2,262	336	9,621	52,257
2008-09	7,751	6,250	5,855	23,567	40	1,350	1,076	8,381	54,268
2009-10	9,921	7,034	12,144	20,152	38	7,666	1,624	13,008	71,587
2010-11	9,649	8,685	27,105	18,179	3	1,853	1,350	22,357	89,180
% change	(2.7)	23.5	123.2	(9.8)	(92.1)	(75.8)	(16.9)	71.9	24.6
BANK SECURITIES									
2006-07	8,936	27,136	5,631	12,652	0	1,327	60	4,017	59,758
2007-08	11,044	72,988	19,579	34,013	0	2,776	216	37,123	177,739
2008-09	7,942	38,517	15,721	10,484	48	1,646	487	13,516	88,360
2009-10	56,728	51,745	25,679	35,863	0	6,296	1,081	30,371	207,763
2010-11	73,773	64,181	59,773	29,372	24	5,880	2,958	17,926	253,887
% change	30.0	24.0	132.8	(18.1)	na	(6.6)	173.6	(41.0)	22.2
BANK SECURITIES COMMONWEALTH GUARANTEED[a]									
2006-07	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	-	-	-	-	-
2008-09	3,911	18,153	4,325	14,793	53	1,067	60	5,910	48,272
2009-10	2,787	4,984	6,197	5,708	5	403	22	1,554	21,660
2010-11	1,515	1,971	4,818	4,513	0	525	183	818	14,343
% change	(45.6)	(60.5)	(22.3)	(20.9)	(100.0)	30.3	731.8	(47.4)	(33.8)
MORTGAGE BACKED SECURITIES									
2006-07	123	0	0	260	0	0	0	104	487
2007-08	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0
2009-10	2	57	0	28	0	0	0	56	143
2010-11	119	224	810	816	0	0	0	549	2,518
% change	5,850	293.0	na	2,814	na	na	na	880.4	1,661

cont..

FIXED NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)...cont'

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
OTHER ASSET BACKED SECURITIES									
2006-07	189	226	7,355	474	0	107	0	95,296	103,645
2007-08	38	160	5,110	490	0	0	0	120,728	126,526
2008-09	37	190	313	208	0	28	0	124	902
2009-10	0	0	0	28	0	0	0	62	90
2010-11	0	0	28	10	0	0	0	3	41
% change	na	na	na	(64.3)	na	na	na	(95.2)	(54.4)
OFFSHORE AUD ISSUES									
2006-07	1,812	2,185	1,878	3,409	0	183	0	5,039	14,506
2007-08	1,168	3,925	9,833	3,395	0	187	234	2,487	21,230
2008-09	530	3,549	3,481	2,462	10	551	459	3,715	14,758
2009-10	1,378	716	5,180	171	0	10	0	527	7,982
2010-11	432	325	1,713	279	0	83	120	415	3,367
% change	(68.7)	(54.6)	(66.9)	63.2	na	730.0	na	(21.3)	(57.8)
FOREIGN NON GOVERNMENT ISSUES									
2006-07	2,854	2,932	10,123	15,232	0	838	0	13,409	45,386
2007-08	1,397	5,122	8,274	9,655	0	542	966	7,970	33,926
2008-09	1,592	2,654	6,157	8,107	5	1,043	134	2,244	21,936
2009-10	2,260	3,113	1,871	627	1	477	71	1,359	9,780
2010-11	19,263	10,534	16,670	14,991	69	488	1,710	58,828	122,553
% change	752.3	238.4	791.0	2,290.9	6,800.0	2.3	2,308	4,228.8	1,153.1
TOTAL									
2006-07	26,437	43,769	39,131	67,194	1,958	5,088	143	130,422	314,142
2007-08	17,976	86,741	58,582	62,930	0	5,767	1,752	177,929	411,677
2008-09	21,764	69,313	35,851	59,622	155	5,685	2,216	33,891	228,497
2009-10	73,076	67,650	51,071	62,578	44	14,853	2,798	46,936	319,005
2010-11	104,752	85,920	110,917	68,160	96	8,829	6,321	100,895	485,889
% change	43.3	27.0	117.2	8.9	118.2	(40.6)	125.9	115.0	52.3

[a] Bank Securities Commonwealth Guaranteed was collected in 2008-09 to account for the introduction of the Commonwealth Government's wholesale funding guarantee

FLOATING NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
CORPORATE SECURITIES									
2006-07	12,393	19,863	17,518	29,484	200	2,237	80	22,024	103,800
2007-08	4,460	9,389	13,215	10,399	0	1,541	0	13,405	52,408
2008-09	1,961	2,616	17,863	6,642	4	292	0	10,559	39,937
2009-10	6,195	10,055	6,598	14,545	11	2,330	63	7,587	47,384
2010-11	9,530	32,304	13,573	14,401	501	2,062	171	14,344	86,886
% change	53.8	221.3	105.7	(1.0)	4,454.5	(11.5)	171.4	89.1	83.4
BANK SECURITIES									
2006-07	8,830	15,070	17,926	10,137	0	1,398	185	9,375	62,921
2007-08	9,744	11,382	10,602	11,444	0	2,779	0	22,652	68,604
2008-09	7,708	34,680	14,887	5,675	25	1,581	4	12,041	76,600
2009-10	10,443	48,510	21,903	21,678	5	4,872	128	18,522	126,062
2010-11	20,068	43,842	25,700	19,208	22	4,759	330	12,275	126,204
% change	92.2	(9.6)	17.3	(11.4)	341.0	(2.3)	157.5	(33.7)	0.1

cont...

FLOATING NON GOVERNMENT DEBT SECURITIES ANNUAL TURNOVER (AUD million)...cont'

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
BANK SECURITIES COMMONWEALTH GUARANTEED[a]									
2006-07	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	-	-	-	-	-
2008-09	1,677	19,312	2,121	12,473	37	1,058	0	3,623	40,302
2009-10	1,238	19,158	7,059	2,466	0	898	8	294	31,122
2010-11	1,033	3,250	2,523	2,171	0	681	0	284	9,942
% change	(16.6)	(83.0)	(64.3)	(12.0)	na	(24.2)	(100.0)	(3.4)	(68.1)
MORTGAGE BACKED SECURITIES									
2006-07	6,297	25,477	10,892	35,776	567	1,495	0	17,852	98,356
2007-08	2,167	28,951	24,378	29,737	0	653	0	6,586	92,473
2008-09	2,462	26,765	10,318	31,116	73	2,432	496	9,415	83,078
2009-10	4,691	35,350	9,268	74,956	0	1,672	378	16,628	142,943
2010-11	9,981	15,958	17,830	111,042	0	2,348	129	19,695	176,985
% change	112.8	(54.9)	92.4	48.1	na	40.4	(65.8)	18.4	23.8
OTHER ASSET BACKED SECURITIES									
2006-07	119	1,154	542	2,768	0	328	0	2,887	7,798
2007-08	175	734	75	2,857	0	300	0	1,152	5,293
2008-09	13	1,187	1,281	19,001	0	18	0	1,052	22,553
2009-10	23	1,171	329	884	0	20	0	966	3,393
2010-11	0	0	100	34	0	0	0	345	479
% change	(100.0)	(100.0)	(69.6)	(96.2)	na	(100.0)	na	(64.3)	(85.9)
OFFSHORE AUD ISSUES									
2006-07	205	94	586	50	0	40	0	411	1,386
2007-08	18	21	152	5	0	46	0	133	375
2008-09	97	10	232	79	0	0	0	103	521
2009-10	0	0	0	0	0	0	0	0	0
2010-11	247.5	100	326	0	0	0	0	476	1,149.5
% change	na	na	na	na	na	na	na	na	na
FOREIGN NON GOVERNMENT ISSUES									
2006-07	1,361	2,699	2,422	4,382	10	668	0	1,887	13,429
2007-08	337	1,793	656	952	0	305	0	1,038	5,080
2008-09	56	346	516	328	1	0	0	221	1,468
2009-10	234	90	30	214	0	0	0	215	784
2010-11	2,170	289	7,438	805	2	19	60	8,760	19,542
% change	827.3	221.1	24,694.0	276.0	na	na	na	3,974.5	2,392.6
TOTAL									
2006-07	29,205	64,357	49,886	82,597	777	6,165	265	54,437	287,689
2007-08	16,901	52,270	49,079	55,393	0	5,624	0	44,966	224,233
2008-09	13,974	190,197	47,218	75,315	139	5,381	500	37,015	264,459
2009-10	22,824	114,334	45,187	114,743	16	9,792	577	44,212	351,688
2010-11	43,030	95,744	67,490	147,660	525	9,869	690	56,179	421,187
% change	88.5	(16.3)	49.4	28.7	3,179.2	0.8	19.6	27.1	19.8

[a] Bank Securities Commonwealth Guaranteed was collected in 2008-09 to account for the introduction of the Commonwealth Government's wholesale funding guarantee

NON GOVERNMENT DEBT SECURITIES TRADING CONCENTRATION

Market Rank	% Market Share[a]	% Cumulative Share
1	28.4	28.4
2	15.4	43.8
3	13.4	57.2
4	11.6	68.9
5	7.8	76.7
6	6.1	82.7
7	4.0	86.7
8	3.7	90.4

[a] Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share[a]
2006-07	79.5
2007-08	87.6
2008-09	88.7
2009-10	98.9
2010-11	90.4

[a] Market share data excludes Inhouse transactions

Negotiable and Transferable Instruments

THE GLOBAL CONCERNS of 2009-10 carried over into 2010-11 as the markets re-focused firstly on the European sovereign crisis and subsequently on the United States and its deliberations around the need to raise its debt ceiling as a measure to avoid default. Against this background, the Australian macro economy remained resilient and in 2H 2010 confidence and normality returned to the Australian NTI market with spreads and volatility decreasing. This in turn fed into increased liquidity in other short end markets such as forward rate agreements (FRA), bills overnight index swap basis (BOB) and term FRA/OIS.

As consumers became more cautious, both paying down debt and increasing savings, banks reduced their needs for short-term funding. As a consequence, the amount of outstanding tradable paper in the NTI market declined and BBSW/OIS spreads fell substantially to approach pre-GFC levels. When the market again concentrated on the European and US developments offshore and global markets went into turmoil, the NTI market performed relatively well. Although spreads and volatility rose, they did not reach the levels seen during the GFC and the market remained liquid.

Looking to 2011-12, concerns surrounding the European sovereign debt markets are likely to persist, creating bouts of instability in the global markets. However, the NTI market should maintain the strength it has shown over the last year in both liquidity and decreased volatility. Notwithstanding this, the Australian banks will face balance sheet management challenges as global regulatory requirements are rolled out, notably the Basel III liquidity coverage ratio (LCR) and the capital requirements associated with centralised clearing of standardised derivatives contracts. All things considered, the NTI market is likely to be somewhat affected by changes in the Australian banks' management of their funding and liquidity requirements.

FIGURE 1: ANNUAL TURNOVER

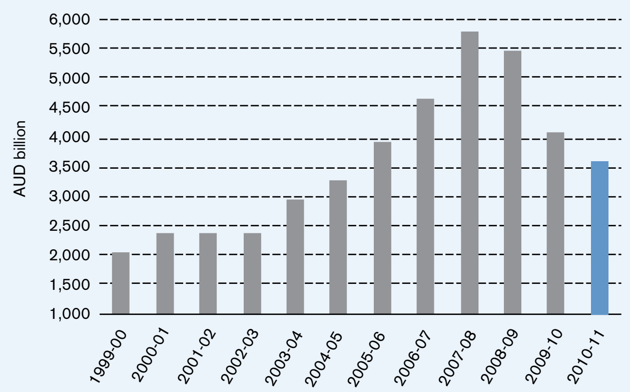


FIGURE 2: TURNOVER BY INSTRUMENT

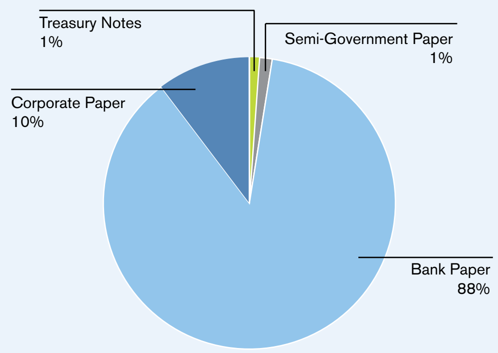
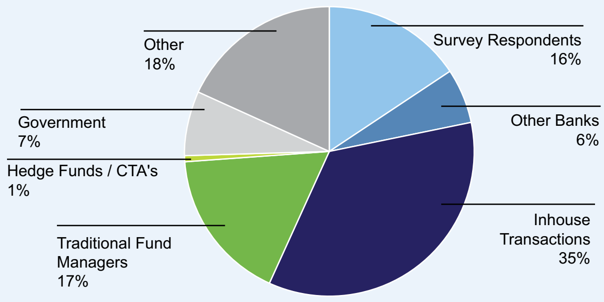


FIGURE 3: TURNOVER BY COUNTERPARTY



NEGOTIABLE AND TRANSFERABLE INSTRUMENTS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
TREASURY NOTES									
2006-07	0	0	0	0	0	0	0	0	0
2007-08	0	0	0	0	0	0	0	0	0
2008-09	1,074	3,216	1,931	4,173	0	6,657	117	5,415	22,584
2009-10	4,576	5,399	1,601	3,659	587	9,877	5,273	7,313	38,285
2010-11	5,854	3,877	2,396	1,314	0	12,247	9,905	5,591	41,184
% change	27.9	(28.2)	49.7	(64.1)	(100.0)	24.0	87.8	(23.5)	7.6
SEMI GOVERNMENT PAPER									
2006-07	17,251	142,807	13,434	7,163	0	27,095	0	36,167	243,917
2007-08	12,886	4,219	20,066	11,720	0	23,034	0	75,473	147,399
2008-09	715	365	1,000	1,140	0	36,470	0	780	40,470
2009-10	6,164	5,052	1,994	5,590	0	68,243	723	758	88,524
2010-11	4,406	971	500	6,474	0	37,116	1,176	512	51,155
% change	(28.5)	(80.8)	(74.9)	15.8	na	(45.6)	62.7	(32.5)	(42.2)
BANK PAPER									
2006-07	414,798	319,586	349,758	592,557	0	135,521	1,195	1,459,010	3,272,425
2007-08	634,129	430,339	861,192	631,004	0	131,478	238,147	1,708,790	4,635,080
2008-09	471,450	260,610	1,887,312	553,504	0	107,574	3,905	1,234,146	4,518,501
2009-10	449,519	223,430	1,347,595	609,678	29,252	167,336	11,701	575,495	3,414,007
2010-11	533,669	202,998	1,243,709	501,197	24,761	200,400	9,946	487,599	3,204,279
% change	18.7	(9.1)	(7.7)	(17.8)	(15.4)	19.8	(15.0)	(15.3)	(6.1)
CORPORATE PAPER									
2006-07	42,620	321,479	46,152	299,844	0	34,609	0	403,926	1,148,628
2007-08	56,936	99,727	104,135	308,764	0	38,851	9,246	470,564	1,088,223
2008-09	48,502	142,135	138,495	266,543	0	20,589	0	342,617	958,881
2009-10	34,791	57,797	94,997	163,412	0	6,503	0	213,696	571,196
2010-11	31,849	16,606	40,075	118,562	0	3,618	0	168,055	378,764
% change	(8.5)	(71.3)	(57.8)	(27.4)	na	(44.4)	na	(21.4)	(33.7)
FOREIGN GOVERNMENT PAPER[a]									
2006-07	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	-	-	-	-	-
2008-09	0	182	169	0	0	0	0	2,629	2,980
2009-10	33	65	0	0	0	0	0	0	98
2010-11	53	413	0	0	0	0	0	36	502
% change	60.6	535.4	na	na	na	na	na	na	412.2
TOTAL									
2006-07	474,669	783,872	409,343	899,564	0	197,224	1,195	1,899,103	4,664,970
2007-08	703,952	534,284	985,394	951,489	0	193,364	247,393	2,254,827	5,870,702
2008-09	521,741	406,509	2,028,907	825,359	0	171,290	4,022	1,585,587	5,543,416
2009-10	495,082	291,744	1,446,188	782,339	29,839	251,959	17,697	797,263	4,112,110
2010-11	575,831	224,865	1,286,680	627,547	24,761	253,380	21,027	661,793	3,675,883
% change	16.3	(22.9)	(11.0)	(19.8)	(17.0)	0.6	18.8	(17.0)	(10.6)

[a] Foreign Government Paper was collected for the first time in 2008-09

TREASURY NOTE LIQUIDITY RATIO (AUD million)

Survey Year	Outstandings[a]	Turnover	Ratio
2006-07	0	0	na
2007-08	0	0	na
2008-09	9,950	22,584	2.3
2009-10	11,467	38,285	3.3
2010-11	14,908	41,184	2.8

[a] Outstandings are calculated as an average of monthly data on Treasury Notes from March to June 2011 as published by AOFM

BANK PAPER LIQUIDITY RATIO (AUD million)

Survey Year	Outstandings[a]	Turnover	Ratio
2006-07	261,518	3,272,425	12.5
2007-08	383,199	4,635,080	12.1
2008-09	365,578	4,518,501	12.4
2009-10	296,284	3,414,007	11.5
2010-11	258,744	3,204,279	12.4

[a] Outstandings are calculated as an average of monthly data on Bank Paper as published by APRA

NEGOTIABLE AND TRANSFERABLE INSTRUMENTS TRADING CONCENTRATION

Market Rank	% Market Share[a]	% Cumulative Share
1	44.5	44.5
2	13.1	57.6
3	11.5	69.1
4	8.4	77.5
5	4.6	82.0
6	3.4	85.4
7	3.3	88.7
8	2.2	90.9

[a] Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share[a]
2006-07	90.0
2007-08	87.6
2008-09	90.1
2009-10	93.0
2010-11	90.9

[a] Market share data excludes Inhouse transactions

Repurchase Agreements

THE AUSTRALIAN REPO MARKET continued to operate efficiently throughout the year, displaying strong liquidity in stock specific and General Collateral lines particularly for Commonwealth and state government securities. A key feature was the market's ability to readily absorb increased volumes on issue. CGS on issue (including indexed bonds and notes) increased by 30% to $191 billion, with Treasury bonds comprising 84% of the total, while state government securities on issue increased 15% to $153 billion.

The majority of lines traded at cheap levels throughout the year, reflecting a well-targeted issuance program by an AOFM in tune with market appetite. Consequently for much of the year individual lines rarely traded "special"; however there was some incidence of this towards the end of the financial year as resurgent strong offshore investor appetite placed demand back into the repo market.

The anomaly reported last year where secured repo (GC) was seen trading at a premium to unsecured cash continued into 2010-11. It remains as the new paradigm with trading books being generally long inventory and some electing to self-fund rather than rely on internal group treasury support which can at times be at higher cost. This engenders potential pressure in a repo market with a short-term horizon relative to increasingly large individual stock positions which, in turn reflect both Basel III LCR considerations and Australia's strong fundamentals in safe-harbor investment decisions.

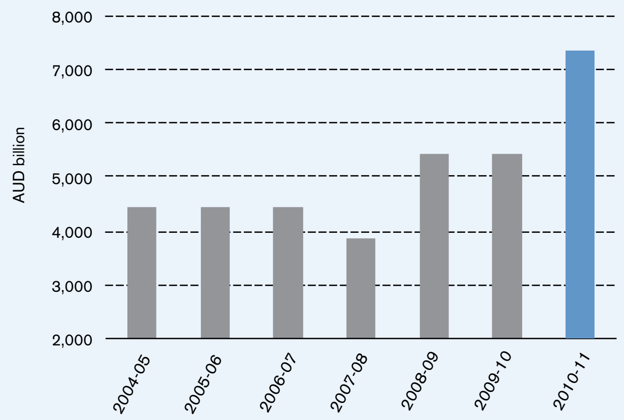
In July 2011 a Reserve Bank of Australia survey of the market value of outstanding repo positions in government related securities put the overall size at approximately $90 billion, which is consistent with AFMR data after adjusting for in-house transactions.

Overall OTC turnover increased 35.9% to $7.4 trillion, with in-house transactions being half the increase. Commonwealth and state government bond repo recorded a commensurate percentage increase in volume and continues to represent approximately 80% of total repo volumes. Corporate and bank bond volumes increased 165%, while the offshore component (supranational and foreign agency bonds) increased 128%, albeit from a low base.

Looking forward to 2011-12, and having regard to the ongoing uncertainty that surrounds the global sovereign debt markets, the safe haven interest in Australia is likely to continue, with large offshore holdings of AUD securities continuing. This should lead to increasing repo demand for trading lines, particularly should Government budgetary policy continue to focus on returning to surplus with consequent reduction in Government debt on issue.

Dominant themes for the Australian markets will be increased preparedness for the proposed Basle III funding and liquidity requirements and increasing regulatory oversight. Importantly, in mid-2012 the Australian market will be adopting the market best practice of margining repos, replacing the current practice of re-pricing.

FIGURE 1: ANNUAL TURNOVER



Only a six year trend is displayed due to a change in the calculation method for turnover.

FIGURE 2: TURNOVER BY INSTRUMENT

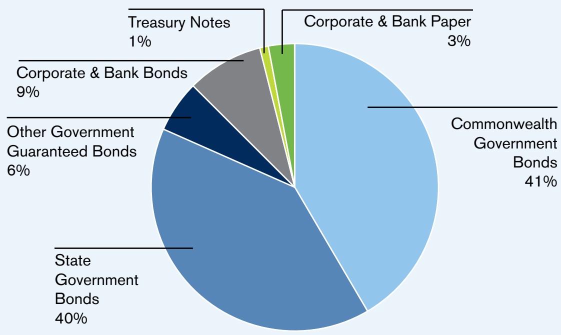
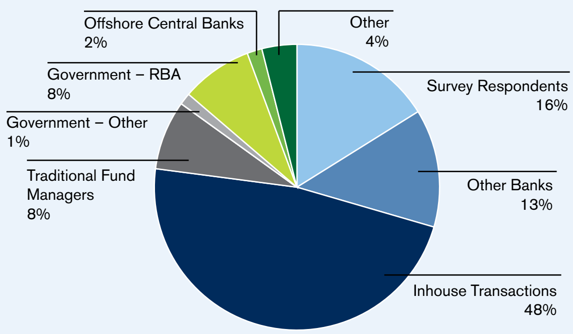


FIGURE 3: TURNOVER BY COUNTERPARTY



REPURCHASE AGREEMENTS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respon-dents	Other Banks	Inhouse Transac-tions	Traditional Fund Managers	Hedge Funds / CTA's	Govern-ment – RBA[a]	Govern-ment – Other	Offshore Central Banks	Other	Total
COMMONWEALTH GOVERNMENT BONDS										
2006-07	398,298	305,884	329,679	267,496	74,827	-	180,527	4,030	195,059	1,755,799
2007-08	292,824	248,894	228,339	264,540	-	-	72,140	56,698	57,452	1,220,887
2008-09	258,732	169,680	878,842	94,896	-	12,780	12,097	41,774	103,825	1,572,624
2009-10	518,025	272,208	849,405	140,948	0	88,544	15,133	66,003	26,813	1,977,080
2010-11	642,364	426,969	1,413,025	231,512	0	121,262	7,929	109,037	107,355	3,059,453
% change	24.0	56.9	66.4	64.3	na	37.0	(47.6)	65.2	300.4	54.7
STATE GOVERNMENT BONDS										
2006-07	222,813	160,369	223,038	332,651	11,881	-	410,032	4,056	71,261	1,436,101
2007-08	291,210	167,245	218,874	277,929	-	-	179,911	2,207	43,701	1,181,076
2008-09	372,469	214,195	1,206,356	169,476	-	111,874	95,515	32,577	70,152	2,272,614
2009-10	419,543	267,539	1,217,107	156,320	0	269,052	90,358	22,101	60,437	2,502,457
2010-11	425,667	378,829	1,411,633	253,063	0	287,464	88,483	5,404	101,100	2,951,642
% change	1.5	41.6	16.0	61.9	na	6.8	(2.1)	(75.5)	67.3	17.9
OTHER GOVERNMENT GUARANTEED BONDS										
2006-07	12,827	16,663	31,499	830	0	-	11,243	0	332	73,394
2007-08	9,575	1,481	16,144	2,461	0	-	2,751	0	10,242	42,654
2008-09	9,169	7,847	73,450	2,779	0	4,041	50	5,087	15,597	118,021
2009-10	41,077	21,841	66,290	22,725	0	11,913	60	8,996	15,986	188,886
2010-11	79,283	96,118	149,646	32,533	0	26,932	471	9,775	35,650	430,409
% change	93.0	340.1	125.7	43.2	na	126.1	685.0	8.7	123.0	127.9
CORPORATE & BANK BONDS										
2006-07	24,691	11,400	40,317	30,549	36,835	-	58,525	0	70,945	273,262
2007-08	15,707	8,996	49,170	28,668	0	-	20,343	2,084	26,728	151,695
2008-09	16,126	18,594	80,384	13,536	0	129,352	200	26,127	3,896	288,215
2009-10	10,776	8,634	100,382	3,890	0	71,977	152	41,704	920	238,435
2010-11	15,047	51,612	381,852	61,106	0	104,545	1,241	492	17,109	633,003
% change	39.6	497.8	280.4	1,470.8	na	45.2	716.4	(98.8)	1,759.7	165.5
TREASURY NOTES										
2006-07	0	0	0	0	0	-	0	0	0	0
2007-08	0	0	0	0	0	-	0	0	0	0
2008-09	0	168	4,040	0	0	3,658	0	0	0	7,866
2009-10	30,705	0	51,241	0	0	6,840	0	0	0	88,786
2010-11	13,852	3,858	36,914	0	0	17,214	0	0	12	71,850
% change	(54.9)	na	(28.0)	na	na	151.7	na	na	na	(19.1)
SEMI GOVERNMENT PROMISSORY NOTES										
2006-07	119,992	316,738	875	2,119	859	-	69,131	0	7,484	517,199
2007-08	47,862	381,275	3,726	2,896	0	-	9,668	0	4,370	449,798
2008-09	6,707	0	52,364	2,843	0	8,959	13	0	16	70,903
2009-10	0	0	0	0	0	0	0	0	0	0
2010-11	0	0	0	0	0	0	0	0	0	0
% change	na	na	na	na	na	na	na	na	na	na
CORPORATE & BANK PAPER[b]										
2006-07	50,778	48,786	48,588	11,452	5,527	-	189,403	0	4,607	359,140
2007-08	53,247	47,284	39,952	3,972	0	-	692,223	0	1,835	838,513
2008-09	73,200	13,407	198,988	3,544	0	393,098	79	11,457	2,239	696,014
2009-10	16,076	64,994	237,616	5,467	0	26,788	0	0	3,412	354,353
2010-11	11,736	26,672	110,264	924	0	15,550	0	0	30,693	195,840
% change	(27.0)	(59.0)	(53.6)	(83.1)	na	(42.0)	na	na	799.6	(44.7)

cont..

REPURCHASE AGREEMENTS ANNUAL TURNOVER SUMMARY (AUD million)...cont'

Survey Year	Survey Respon-dents	Other Banks	Inhouse Transac-tions	Traditional Fund Managers	Hedge Funds / CTA's	Govern-ment – RBA[a]	Govern-ment – Other	Offshore Central Banks	Other	Total
RESIDENTIAL MORTGAGE BACKED SECURITIES[c]										
2006-07	-	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	-	-	-	-	-	-
2008-09	0	0	26,879	0	0	81,766	0	0	0	108,646
2009-10	0	0	29,275	1,087	0	35,685	0	0	0	66,047
2010-11	74	0	0	0	0	19,616	0	0	0	19,690
% change	na	na	(100.0)	(100.0)	na	(45.0)	na	na	na	(70.2)
ASSET BACKED COMMERCIAL PAPER[d]										
2006-07	-	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	-	-	-	-	-	-
2008-09	0	0	2,247	843	0	8,736	0	0	0	11,826
2009-10	0	0	0	2,447	0	0	0	0	0	2,447
2010-11	0	0	0	0	0	1,780	0	0	0	1,780
% change	na	na	na	(100.0)	na	na	na	na	na	(27.3)
TOTAL										
2006-07	829,397	859,840	673,996	645,097	129,930	0	918,861	8,086	349,687	4,414,895
2007-08	710,424	855,175	556,205	580,466	0	0	977,036	60,989	144,327	3,884,622
2008-09	736,404	423,892	2,523,549	287,918	0	754,266	107,955	117,022	195,725	5,146,729
2009-10	1,036,202	635,215	2,551,316	332,884	0	510,799	105,702	138,803	107,569	5,418,491
2010-11	1,188,023	984,057	3,503,335	579,138	0	594,364	98,124	124,708	291,918	7,363,666
% change	14.7	54.9	37.3	74.0	na	16.4	(7.2)	(10.2)	171.4	35.9

Figures for previous year have been revised due to change in the contributed data after publication.
[a] Government - RBA are included with Government Other prior to 2008-09
[b] Corporate & Bank Paper were reported seperately prior to 2008-09
[c] Residential Mortgage Backed Securities was collected for the first time in 2008-09
[d] Asset Backed Commercial Paper was collected for the first time in 2008-09

REPURCHASE AGREEMENTS TRADING CONCENTRATION

Market Rank	% Market Share[a]	% Cumulative Share
1	33.7	33.7
2	11.5	45.2
3	10.2	55.4
4	9.5	64.9
5	9.0	73.9
6	8.3	82.2
7	7.9	90.1
8	5.5	95.7

[a] Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share[a]
2006-07	86.9
2007-08	89.2
2008-09	97.8
2009-10	96.2
2010-11	95.7

[a] Market share data excludes Inhouse transactions

Swaps & Forward Rate Agreements

A NUMBER OF EVENTS impacted the swaps and forward rate agreement markets over the course of 2010-11. Long simmering global uncertainly about European sovereign debt was exacerbated by the US default risk and its potential for sustaining credit downgrades. Compounding their impact was the economic impacts of natural disasters, particularly the March 2011 earthquake in Japan and the fears surrounding radiation fallout from damaged nuclear reactors. On the home-front, the damage caused by floods and cyclones in Queensland added further to uncertainty.

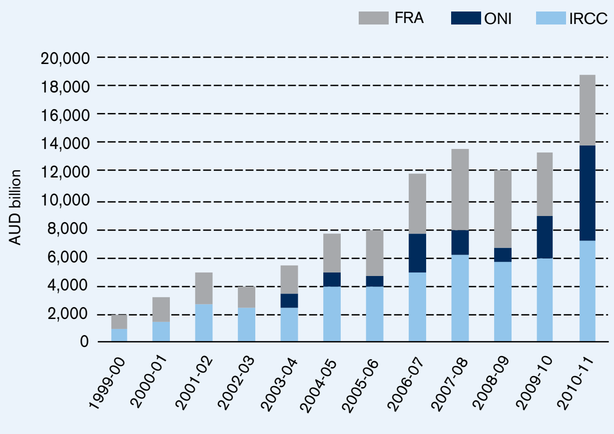
All these negative influences resulted in a year of contraction in market liquidity and high volatility. Pronounced bi-directional movements in Australian interest rates were experienced, in response to changing sentiment as to likely RBA movements in the cash rate. Some commentators looked for a further tightening bias to counter inflationary pressures from the mining and resources boom, whilst others looked to an easing to support a slowdown in growth, particularly in the less-robust retail sector.

Against this backdrop, the markets saw an increase in tight funding trades, curve steepeners and currency plays. Notwithstanding the greater volatility and reduced liquidity, price-makers continued to narrow the spreads to clients in this highly competitive marketplace.

Excluding OIS, AUD basis swaps continue to account for approximately 82% of swaps volumes, while OIS turnover increased 120% year on year to $6.6 trillion, and now represents 35% of aggregate volumes of all OTC interest rate derivatives. FRA volumes increased 9.6% year on year, and represent 26% of aggregate volumes in all interest rate derivatives.

Looking to 2011-12 we expect volumes will remain healthy in a continuingly volatile global environment, and particularly OIS activity notwithstanding that overall spreads may widen again as price-makers refocus on risk premiums and end-users implement diligent hedging strategies.

FIGURE 1: ANNUAL TURNOVER



ONI were not collected pre 2003-04

FIGURE 2: IRCC TURNOVER BY COUNTERPARTY

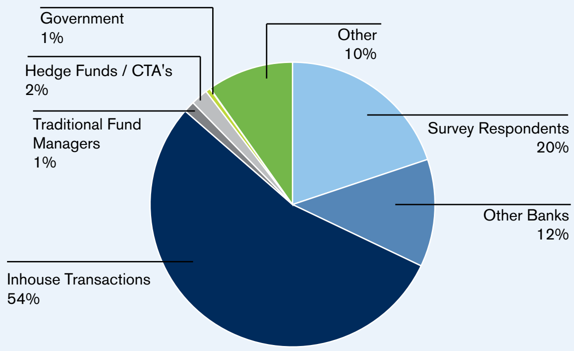
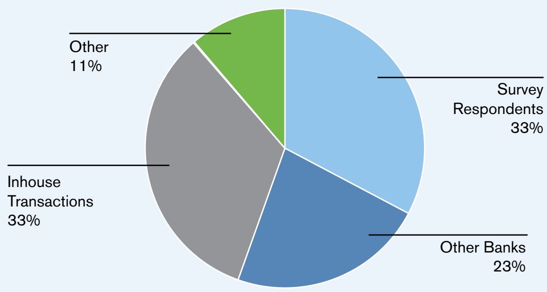


FIGURE 3: FRA TURNOVER BY COUNTERPARTY



INTEREST RATE AND CROSS CURRENCY SWAPS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
FIXED AUD:FLOATING AUD									
2006-07	491,953	870,971	1,087,758	455,252	31,005	12,503	30	472,593	3,422,065
2007-08	688,165	1,206,303	1,724,779	208,743	81,412	22,224	374	800,288	4,732,289
2008-09	602,503	958,675	1,894,305	103,323	21,769	11,622	2,685	545,872	4,140,754
2009-10	760,185	592,417	2,008,685	126,394	9,613	21,806	287	510,427	4,029,816
2010-11	1,024,700	599,326	2,625,144	81,813	134,436	37,318	541	588,577	5,091,855
% change	34.8	1.2	30.7	(35.3)	1,298.5	71.1	88.5	15.3	26.4
FLOATING AUD:FLOATING AUD									
2006-07	48,161	32,332	108,936	26,816	0	1,428	0	41,308	258,980
2007-08	59,518	188,014	259,721	10,975	3	396	0	51,817	570,444
2008-09	55,968	54,374	241,953	835	54	30	0	48,713	401,927
2009-10	90,608	61,713	447,963	245	0	0	0	15,211	615,741
2010-11	94,791	40,275	700,497	601	0	320	0	26,411	862,895
% change	4.6	(34.7)	56.4	145.3	na	na	na	73.6	40.1
FIXED AUD:NON AUD									
2006-07	20,889	30,390	170,813	188,715	2,325	22	0	111,009	524,162
2007-08	359	4,885	40,242	1,147	86	57	0	10,888	57,665
2008-09	9,457	8,913	445,578	23,515	0	0	0	8,679	496,142
2009-10	3,330	15,190	213,605	1,147	2,057	50	334	10,770	246,484
2010-11	9,007	18,436	300,152	2	133	166	2,542	22,036	352,474
% change	170.5	21.4	40.5	(99.8)	(93.5)	232.0	661.1	104.6	43.0
FLOATING AUD:NON AUD									
2006-07	88,265	126,925	458,432	21,825	526	61	0	60,659	756,692
2007-08	67,937	137,877	409,810	14,718	25	0	0	107,884	738,252
2008-09	108,067	152,851	333,753	12,482	476	161	250	78,583	686,623
2009-10	315,552	254,486	391,974	5,786	1,067	246	0	61,774	1,030,885
2010-11	301,772	224,294	299,215	4,663	5,578	427	567	71,221	907,737
% change	(4.4)	(11.9)	(23.7)	(19.4)	422.8	73.6	na	15.3	(11.9)
INFLATION-LINKED SWAPS[a]									
2006-07	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	-	-	-	-	-
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	5,183	923	1,110	3,704	350	217	0	104	11,591
% change	na	na	na	na	na	na	na	na	na
TOTAL									
2006-07	649,268	1,060,617	1,825,940	692,608	33,856	14,014	30	685,598	4,961,899
2007-08	815,979	1,537,080	2,434,551	235,583	81,527	22,678	374	970,878	6,098,650
2008-09	775,995	1,174,813	2,915,588	140,155	22,299	11,813	2,935	681,847	5,725,445
2009-10	1,169,676	923,807	3,062,228	133,572	12,737	22,102	621	598,183	5,922,926
2010-11	1,435,453	883,254	3,926,118	90,783	140,497	38,447	3,650	708,349	7,226,551
% change	22.7	(4.4)	28.2	(32.0)	1,003.1	74.0	487.8	18.4	22.0

[a] Inflation-linked Swaps are surveyed for the first time in 2010-11

INTEREST RATE AND CROSS CURRENCY SWAPS TRADING CONCENTRATION

Market Rank	% Market Share[a]	% Cumulative Share
1	31.7	31.7
2	11.1	42.8
3	10.5	53.3
4	9.2	62.5
5	6.9	69.4
6	6.3	75.8
7	5.4	81.2
8	5.3	86.5

[a] Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share[a]
2006-07	90.9
2007-08	95.1
2008-09	93.1
2009-10	95.4
2010-11	86.5

[a] Market share data excludes Inhouse transactions

OVERNIGHT INDEX SWAPS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
2006-07	261,619	198,947	989,482	774,235	3,450	0	0	432,312	2,660,046
2007-08	315,960	364,417	932,675	51,109	0	5,374	0	176,848	1,846,383
2008-09	298,293	241,318	360,109	18,998	9,650	0	2,415	99,904	1,030,686
2009-10	720,544	529,478	1,493,627	38,579	31,025	4,148	0	183,015	3,000,416
2010-11	1,395,321	1,632,482	3,196,960	102,776	91,634	5,332	0	170,223	6,594,727
% change	93.6	208.3	114.0	166.4	195.4	28.5	na	(7.0)	119.8

OVERNIGHT INDEX SWAPS TRADING CONCENTRATION

Market Rank	% Market Share[a]	% Cumulative Share
1	34.0	34.0
2	19.2	53.2
3	18.0	71.2
4	9.6	80.8
5	7.5	88.3
6	3.3	91.6
7	2.7	94.3
8	2.5	96.8

[a] Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share[a]
2006-07	99.0
2008-09	96.8
2008-09	88.9
2009-10	99.8
2010-11	96.8

[a] Market share data excludes Inhouse transactions

FORWARD RATE AGREEMENTS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks[a]	Other	Total
AUD									
2006-07	779,716	773,848	717,956	67,900	900	2,117	-	563,812	2,906,248
2007-08	1,163,395	1,684,027	1,376,263	53,023	1,600	995	-	382,107	4,661,410
2008-09	785,234	910,586	1,347,103	14,955	2,564	2,660	-	756,620	3,819,722
2009-10	832,698	715,501	2,042,536	3,975	8,000	2,446	0	182,473	3,787,630
2010-11	1,390,206	802,722	1,564,432	2,249	2,510	2,567	0	232,045	3,996,731
% change	67.0	12.2	(23.4)	(43.4)	(68.6)	4.9	na	27.2	5.5
USD									
2006-07	30,051	257,627	31,715	18,603	0	0	0	103,198	441,193
2007-08	18,649	250,783	88,691	13,913	0	0	0	166,486	538,522
2008-09	103,167	441,838	85,061	5,653	0	0	0	312,300	948,018
2009-10	128,923	322,747	52,973	0	0	0	0	108,573	613,216
2010-11	165,739	227,517	70,431	28	0	0	0	91,963	555,679
% change	28.6	(29.5)	33.0	na	na	na	na	(15.3)	(9.4)
NZD									
2006-07	59,631	108,200	284,867	14,575	7,312	0	0	366,477	841,062
2007-08	110,626	216,854	77,242	7,853	0	0	0	27,337	439,912
2008-09	72,361	112,293	288,098	1,227	325	50	0	110,015	584,368
2009-10	21,546	40,983	7,464	221	0	0	0	9,836	80,050
2010-11	42,249	81,093	5,711	0	0	0	0	10,240	139,293
% change	96.1	97.9	(23.5)	(100.0)	na	na	na	4.1	74.0
OTHER									
2006-07	880	13,557	15,291	442	0	0	0	22,674	52,844
2007-08	12,295	90,399	11,121	1,420	0	0	0	77,546	192,782
2008-09	1,113	51,547	6,667	0	0	0	0	12,092	71,420
2009-10	11,864	16,196	2,675	0	0	0	0	7,272	38,008
2010-11	22,458	13,481	2,172	0	0	0	0	221,864	259,975
% change	89.3	(16.8)	(18.8)	na	na	na	na	2,950.9	584.0
SUB TOTAL (NON AUD)									
2006-07	90,562	379,384	331,873	33,620	7,312	0	0	492,349	1,335,099
2007-08	141,570	558,036	177,054	23,186	0	0	0	271,369	1,171,216
2008-09	176,641	605,678	379,827	6,880	325	50	0	434,407	1,603,807
2009-10	162,333	379,926	63,112	221	0	0	0	125,682	731,274
2010-11	230,446	322,091	78,314	28	0	0	0	324,067	954,947
% change	42.0	(15.2)	24.1	(87.3)	na	na	na	157.8	30.6
TOTAL									
2006-07	870,278	1,153,232	1,049,828	101,520	8,212	2,117	0	1,056,161	4,241,347
2007-08	1,304,964	2,242,063	1,553,318	76,209	1,600	995	0	653,477	5,832,626
2008-09	961,875	1,516,264	1,726,930	21,835	2,889	2,710	0	1,191,027	5,423,528
2009-10	995,031	1,095,427	2,105,648	4,196	8,000	2,446	0	308,154	4,518,904
2010-11	1,620,652	1,124,813	1,642,747	2,277	2,510	2,567	0	556,112	4,951,678
% change	62.9	2.7	(22.0)	(45.7)	(68.6)	4.9	na	80.5	9.6

Non AUD turnover was collected in original currency and converted to AUD using an average end of month exchange rates for 2010-11 as reported by Reuters.

FORWARD RATE AGREEMENTS TRADING CONCENTRATION

Market Rank	% Market Share[a]	% Cumulative Share
1	19.6	19.6
2	17.8	37.4
3	12.0	49.4
4	11.8	61.2
5	10.4	71.6
6	5.9	77.5
7	5.8	83.3
8	4.9	88.3

[a] Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share[a]
2006-07	87.7
2007-08	89.1
2008-09	90.2
2009-10	92.5
2010-11	88.3

[a] Market share data excludes Inhouse transactions

Interest Rate Options

THE AUD INTEREST RATE OPTIONS market continues to ebb and flow between two very divergent themes significantly impacting on market activity. A lengthy period of expectations for more RBA tightening, leading to rising yields and falling volatility, was followed by a switch in focus to northern hemisphere sovereign bond crises in the early months of 2011 causing sharply rising volatility and plummeting yields. The effect was exacerbated by early signs of renewed weakness in consumer spending.

On the global stage, the relatively high yields available in Australia encouraged offshore funds to use our market as both a safe haven and a hedge against another financial crisis as was experienced in 2008. In 2008 the RBA cut rates by 300bp rapidly and the perception was that it would react similarly if/when another crisis unfolded. Because the source and timing of any major market crisis is not easy to predict, markets have experienced ebbing and flowing of fear and calm every few months or so as governments try to allay market fears with varying degrees of success. The spike in volatilities around June 2010 (initially on EU sovereign fears) and the trough in March 2011 (where the RBA was expected to tighten gradually) and recent spikes in June-July 2011 (around renewed fears of EU peripheral countries solvency) are examples of this phenomena.

Transactional volumes remain dominated by fund managers, including offshore hedge funds, as they look to position outright in AUD rates and volatilities. Purchasing out-of-the-money strikes to position or hedge for extreme events such as a sovereign default or natural disaster has been a common strategy. Interest from Asian private banks executing yield enhancement strategies has remained, although that segment of the market has to compete with vanilla Australian major bank bond issues which have attractive yields and better liquidity.

The OTC market has seen the introduction of electronic trading platforms where participants benefit from continuous visibility around mid-market levels, particularly for the most popular parts of the volatility surface. This form of execution should continue in the coming year.

FIGURE 1: ANNUAL TURNOVER

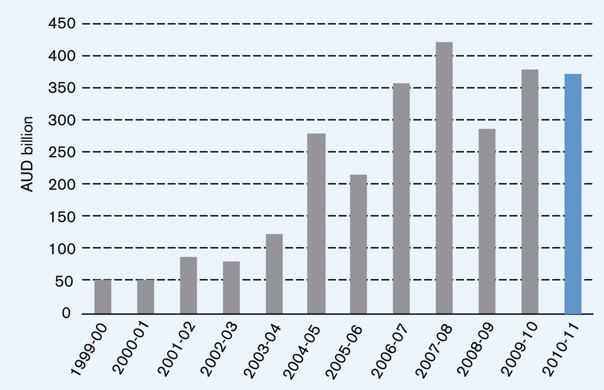


FIGURE 2: TURNOVER BY INSTRUMENT

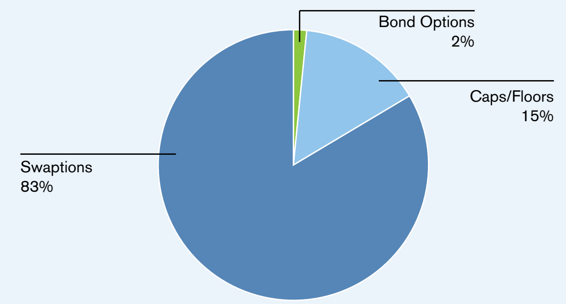
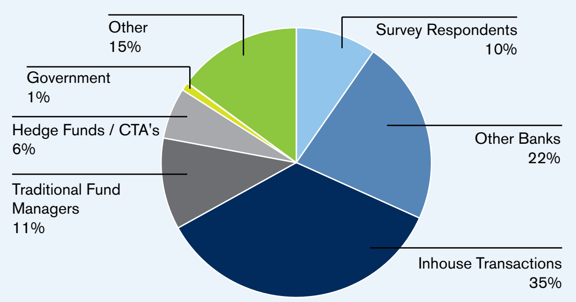


FIGURE 3: TURNOVER BY COUNTERPARTY



INTEREST RATE OPTIONS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other Counter-parties	Total
BOND OPTIONS									
2006-07	0	1,179	0	5,930	40	0	0	4,956	12,105
2007-08	0	2,018	0	2,658	0	0	0	3,629	8,306
2008-09	0	188	0	411	0	0	250	985	1,834
2009-10	0	195	589	2,169	320	12	0	120	3,406
2010-11	0	261	292	3,411	214	550	200	915	5,843
% change	na	33.8	(50.4)	57.3	(33.1)	4,483.3	na	662.5	71.6
CAPS / FLOORS									
2006-07	31,114	1,113	2,649	2,007	24,725	124	0	31,218	92,950
2007-08	5,637	9,086	44,170	38,115	9,350	4	0	18,133	124,495
2008-09	1,536	7,610	26,229	20,387	4,200	4	0	21,717	81,682
2009-10	4,890	8,362	40,328	50,502	8,500	0	0	34,431	147,013
2010-11	981	13,056	7,696	4,285	0	0	0	29,020	55,037
% change	(79.9)	56.1	(80.9)	(91.5)	(100.0)	na	na	(15.7)	(62.6)
SWAPTIONS									
2006-07	9,723	20,093	12,186	91,584	60,717	7,824	0	54,153	256,279
2007-08	26,207	49,648	52,870	79,440	50,360	1,675	3,463	28,585	292,247
2008-09	17,133	51,752	37,594	16,395	11,793	0	6,989	59,648	201,303
2009-10	18,518	31,724	120,604	11,766	9,724	1,100	0	34,699	228,135
2010-11	34,679	68,469	122,245	32,917	22,494	3,085	0	25,171	309,059
% change	87.3	115.8	1.4	179.8	131.3	180.5	na	(27.5)	35.5
TOTAL									
2006-07	40,836	22,385	14,834	99,521	85,482	7,948	0	90,327	361,334
2007-08	31,844	60,752	97,039	120,213	59,710	1,679	3,463	50,347	425,047
2008-09	18,668	59,550	63,822	37,193	15,993	4	7,239	82,351	284,819
2009-10	23,408	40,281	161,522	64,437	18,544	1,112	0	69,250	378,554
2010-11	35,659	81,786	130,233	40,613	22,708	3,635	200	55,106	369,940
% change	52.3	103.0	(19.4)	(37.0)	22.5	227	na	(20.4)	(2.3)

INTEREST RATE OPTIONS TRADING CONCENTRATION

Market Rank	% Market Share[a]	% Cumulative Share
1	31.0	31.0
2	28.1	59.1
3	13.2	72.3
4	7.9	80.2
5	5.9	86.1
6	5.2	91.3
7	4.7	96.0
8	2.8	98.8

[a] Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share[a]
2006-07	99.9
2007-08	99.4
2008-09	99.6
2009-10	99.6
2010-11	98.8

[a] Market share data excludes Inhouse transactions

Credit Derivatives

THE TURMOIL EVIDENCED in the Eurozone during 2009-10 extended into 2010-11, increasing in intensity in the latter months as the markets came to grips with the spectre of a potential Greek default. The medium-term austerity plan adopted by the Greek parliament and the promise by German and French financial institutions to roll over bonds provided some temporary comfort, however eyes then turned to the debt burdens of Portugal, Ireland, Spain and Italy, moving to the United States and the procrastinations around attempts to raise its debt ceiling in order to avoid default. Combined, these have the potential to negatively impact the markets over the year ahead.

Although the cost of credit protection on ADIs rose over the course of 2010-11, reflecting concern around weaknesses in the housing and retail sectors, Australian banks (and the major global banks) are well prepared to weather any future financial storms, by having more equity and capital, lower levels of leverage and longer debt maturity profiles.

As a general statement, liquidity in Australian credit products was sound on the back of a much wider investment banking base, supplemented by significant interest from offshore buyers and local funds managers. There continues to be a lack of supply from the corporate sector, where local bond offerings remained scarce. Australian corporations which may have otherwise tapped local bond markets have been more attracted to the US, where more favorable pricing and longer maturities are attainable.

Looking to 2011-12 local credit markets will be highly focussed on the macroeconomic issues facing the Eurozone and the US given the knock-on effects on the major economies in our region. Concerns with the local housing and retail sectors have the potential to further impact bank spreads. However with high savings rates continuing, the banks are likely to see a lessened reliance on global credit markets for funding, more so if credit growth remains subdued.

FIGURE 1: ANNUAL TURNOVER

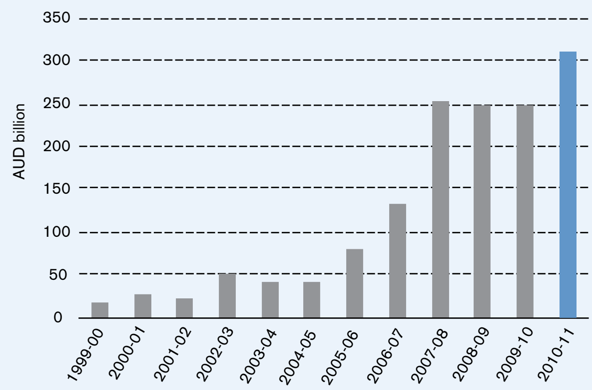


FIGURE 2: TURNOVER BY INSTRUMENT

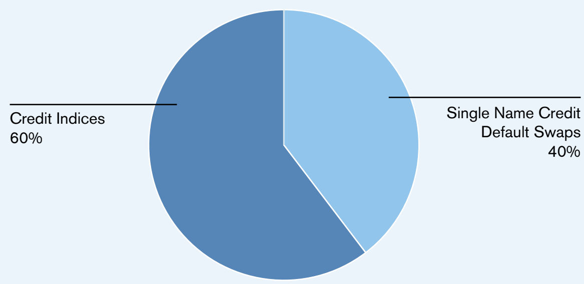
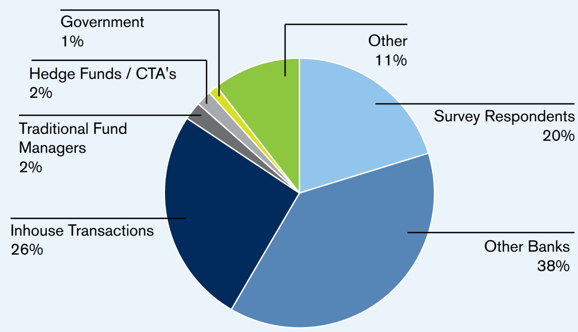


FIGURE 3: TURNOVER BY COUNTERPARTY



GLOBAL CREDIT DERIVATIVES ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
SINGLE NAME CREDIT DEFAULT SWAPS									
2006-07	10,489	19,900	28,189	8,997	2,974	291	30	29,180	100,049
2007-08	8,703	34,131	26,129	6,220	3,998	716	70	67,283	147,249
2008-09	12,194	37,238	40,536	3,336	1,164	656	233	42,829	138,187
2009-10	16,280	25,847	22,064	1,610	2,086	1,368	50	39,305	108,610
2010-11	29,024	43,731	21,238	4,948	4,017	1,872	10	17,524	122,364
% change	78.3	69.2	(3.7)	207.4	92.6	36.8	(80.0)	(55.4)	12.7
TOTAL RATE OF RETURN SWAPS									
2006-07	3	0	120	1	0	0	0	668	791
2007-08	0	2,091	93	150	859	0	0	45	3,238
2008-09	3	15	88	0	0	0	0	0	106
2009-10	17	34	0	34	0	0	0	234	320
2010-11	0	0	0	0	0	0	0	0	0
% change	(100.0)	(100.0)	na	(100.0)	na	na	na	(100.0)	(100.0)
CREDIT INDICES									
2006-07	2,399	2,255	9,180	4,209	385	1,060	0	14,024	33,512
2007-08	6,778	26,295	24,450	6,394	2,691	1,246	0	36,872	104,726
2008-09	7,834	28,058	40,054	2,649	356	425	287	29,153	108,815
2009-10	19,326	31,616	58,359	1,562	3,597	1,548	390	21,474	137,873
2010-11	33,430	74,098	58,813	1,714	1,719	1,641	0	14,855	186,271
% change	73.0	134.4	0.8	9.8	(52.2)	6.0	(100.0)	(30.8)	35.1
SYNTHETIC CORRELATION PRODUCTS[a]									
2006-07	0	54	39	0	0	0	0	63	156
2007-08	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	4	0	0	0	0	4
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
% change	na	na	na	na	na	na	na	na	na
CASH CORRELATION PRODUCTS[b]									
2006-07	0	613	0	0	0	0	0	0	613
2007-08	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
% change	na	na	na	na	na	na	na	na	na
OTHER[c]									
2006-07	0	0	40	0	0	0	0	236	276
2007-08	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
% change	na	na	na	na	na	na	na	na	na
TOTAL									
2006-07	12,891	22,822	37,568	13,207	3,359	1,351	30	44,171	135,398
2007-08	15,481	62,517	50,673	12,764	7,547	1,961	70	104,200	255,213
2008-09	20,032	65,311	80,677	5,989	1,520	1,081	520	71,982	247,112
2009-10	35,624	57,497	80,423	3,206	5,683	2,916	440	61,014	246,803
2010-11	62,454	117,828	80,052	6,663	5,736	3,513	10	32,379	308,635
% change	75.3	104.9	(0.5)	107.8	0.9	20.5	(97.7)	(46.9)	25.1

Figures for 2008-09 have been revised due to change in the contributed data after publication.
[a] Synthetic Correlations Products was collected from 2006-07 to 2008-09
[b] Cash Correlations Products was collected from 2006-07 to 2008-09
[c] Other Products has not been collected since 2009-10

AUSTRALIAN CREDIT DERIVATIVES ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
SINGLE NAME CREDIT DEFAULT SWAPS									
2006-07	8,489	12,619	20,006	5,977	2,964	237	30	26,748	77,070
2007-08	7,962	30,285	19,171	5,142	3,833	684	70	52,364	119,510
2008-09	11,111	29,986	37,870	3,276	1,164	586	233	41,302	125,529
2009-10	14,615	23,036	21,660	1,610	2,083	1,368	50	38,277	102,700
2010-11	26,898	38,489	18,699	4,464	3,457	1,852	10	12,344	106,213
% change	84.0	67.1	(13.7)	177.4	65.9	35.3	(80.0)	(67.8)	3.4
TOTAL RATE OF RETURN SWAPS									
2006-07	0	0	0	1	0	0	0	0	1
2007-08	0	2,091	93	150	859	0	0	45	3,238
2008-09	3	15	88	0	0	0	0	0	106
2009-10	9	17	0	0	0	0	0	234	260
2010-11	0	0	0	0	0	0	0	0	0
% change	(100.0)	(100.0)	na	na	na	na	na	(100.0)	(100.0)
CREDIT INDICES									
2006-07	2,237	1,915	1,913	547	385	1,060	0	4,287	12,344
2007-08	6,247	25,095	14,337	6,304	2,691	1,246	0	34,929	90,848
2008-09	7,090	24,832	20,055	2,606	335	425	287	27,331	82,959
2009-10	17,123	21,816	41,791	1,562	3,597	1,548	390	19,163	106,990
2010-11	26,188	38,633	36,629	1,713	1,695	1,641	0	9,947	116,446
% change	52.9	77.1	(12.4)	9.7	(52.9)	6.0	(100.0)	(48.1)	8.8
SYNTHETIC CORRELATION PRODUCTS[a]									
2006-07	0	0	39	0	0	0	0	63	102
2007-08	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	4	0	0	0	0	4
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
% change	na	na	na	na	na	na	na	na	na
CASH CORRELATION PRODUCTS[b]									
2006-07	0	0	0	0	0	0	0	0	0
2007-08	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
% change	na	na	na	na	na	na	na	na	na
OTHER[c]									
2006-07	0	0	0	0	0	0	0	0	0
2007-08	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
% change	na	na	na	na	na	na	na	na	na
TOTAL									
2006-07	10,725	14,534	21,958	6,525	3,349	1,297	30	31,098	89,517
2007-08	14,209	57,471	33,601	11,596	7,382	1,930	70	87,338	213,596
2008-09	18,204	54,833	58,013	5,885	1,499	1,011	520	68,633	208,599
2009-10	31,747	44,869	63,451	3,172	5,681	2,916	440	57,675	209,950
2010-11	53,087	77,121	55,328	6,178	5,152	3,493	10	22,291	222,659
% change	67.2	71.9	(12.8)	94.8	(9.3)	19.8	(97.7)	(61.4)	6.1

Figures for 2008-09 have been revised due to change in the contributed data after publication.
[a] Synthetic Correlations Products was collected from 2006-07 to 2008-09
[b] Cash Correlations Products was collected from 2006-07 to 2008-09
[c] Other Products was not collected since 2009-10

CREDIT DERIVATIVES TRADING CONCENTRATION

Market Rank	% Market Share[a]	% Cumulative Share
1	64.5	64.5
2	9.5	74.0
3	5.9	79.9
4	5.6	85.5
5	5.1	90.6
6	4.3	94.9
7	2.8	97.7
8	1.9	99.7

[a] Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share[a]
2006-07	90.4
2007-08	91.5
2008-09	94.9
2009-10	98.7
2010-11	99.7

Figures for 2008-09 have been revised due to change in the contributed data after publication.
[a] Market share data excludes Inhouse transactions

Foreign Exchange & Currency Options

THE EUROPEAN SOVEREIGN CRISIS was a persistent driver for FX markets through last year. Rescue packages were needed for Greece in May 2010, Ireland in November 2010 and Portugal in May 2011. More recently, the broad outline of an additional package for Greece has been agreed. Peripheral yield spreads have soared across Europe and ratings agencies have been downgrading long-term sovereign ratings across the region.

With the rolling nature of these events, markets have been subject to significant periods of risk on/risk off trading. Ratings actions and spread widening has seen the Euro underperform against the USD and more significantly on crosses such as EUR/GBP and EUR/CHF. The latter has been the key cross that has borne much of the pain of the rolling European Sovereign crisis, being down 17% on a year ago.

The Federal Reserve's second round of quantitative easing (QEII) was arguably the most important single event of the last year given its impact on FX markets. James Bullard's 'Seven faces of the Peril' paper released late July 2010 started the ball rolling. The annual Jackson Hole symposium significantly added to speculation but it was not until November 2010 that QEII was formally launched. However, FX markets wasted little time in selling the USD. Between the release of the Bullard paper and the Fed announcement of QEII, the USD (as measured by the Fed's trade weighted major currency index) dropped by more than 5%. Over 2010-11, this measure of the USD fell by 9%. In contrast, the AUD was one of the strongest performing currencies over that period, appreciating by 21%, closely followed by the NZD up 19%.

Destruction and loss of life in a string of natural disasters wreaked havoc on economies in the Asia Pacific region. New Zealand recorded a quarter of negative growth in Q3 last year and Australia saw GDP slump by 1.2 percentage points in Q1 2011 as coal exports were washed out. Japan was pushed back into a technical recession by the Tohoku disaster, the implications of which were felt around the world as auto supply chains shuddered to a halt. Arguably, the impact of Tohoku is still being felt in the global auto industry.

The FX markets have proven to be very resilient through this period of intense financial market disruption. While G7 FX coordination took place shortly after the Tohoku disaster, FX markets by and large remained very orderly. The AUD for instance seemed immune to these tragedies, although the Tohoku disaster saw a temporary dip to 0.9706. However, the normally risk-driven currency spent much of the period above 1.00 and much of the last 4 months above 1.05.

Nevertheless, there are threats. Obvious weaknesses in FX markets in particular, and financial markets in general, have been high correlations between asset markets and the intense focus on European sovereign issues. With massive risk on/risk off swings within trading days, intra-day movements have been large, yet implied volatility has remained relatively low. The average 3 month implied FX volatility for the G7 group peaked at 16.85% in May 2010 as Greece agreed to the first package. Since July 2010 the high in this measure of implied volatility was 13%, despite continuing very large intra-day swings in market sentiment.

The combination of sharp swings in market sentiment, significant periods of weekend risk events and ongoing concerns about ratings actions had a depressing impact on spot trading activity, which declined 19% from 2009-10. However strong gains in FX forward and swap turnover (each increasing 22%) more than offset the spot fall resulting in an 8% increase over 2009-10 in the total FX market.

In the coming period FX markets should remain focused on the rolling European sovereign crisis, the US fiscal situation, the outlook for QEIII and the risks of a weaker global economy. These factors, when combined with Asian central banks having raised rates significantly to address higher inflation and food prices, point to a difficult trading environment and this may continue to suppress turnover in the spot FX markets.

FIGURE 1: ANNUAL TURNOVER

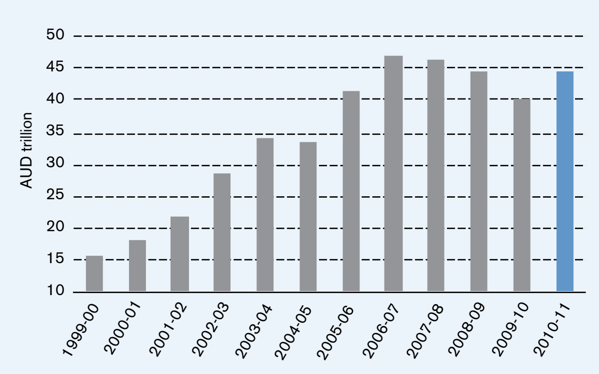


FIGURE 2: TURNOVER BY INSTRUMENT

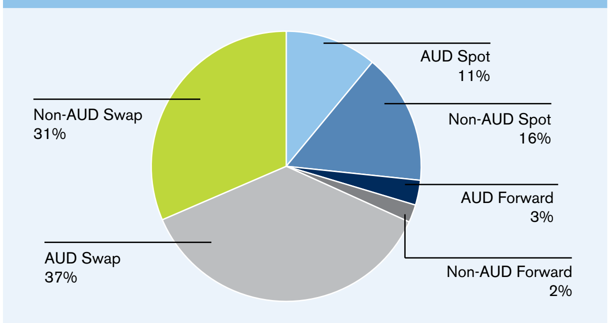
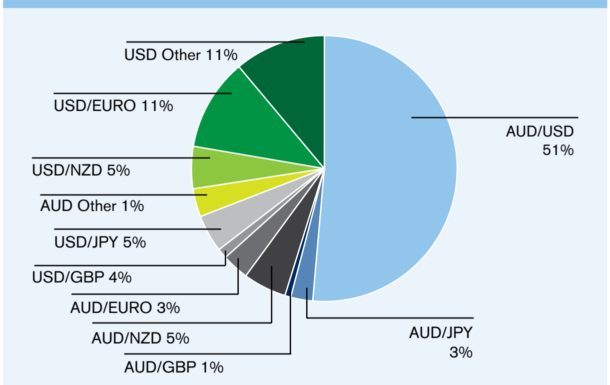


FIGURE 3: CO TURNOVER BY CURRENCY PAIR



FOREIGN EXCHANGE ANNUAL TURNOVER SUMMARY (AUD billion)

Survey Year	With local financial institutions	With overseas financial institutions	With non-financial institutions	Total
AUD SPOT				
2006-07	1,271	2,830	1,248	5,350
2007-08	1,309	2,960	1,454	5,724
2008-09	1,399	2,918	1,460	5,776
2009-10	1,025	2,881	1,311	5,217
2010-11	853	2,851	1,200	4,904
% change	(16.8)	(1.1)	(8.5)	(6.0)
NON AUD SPOT				
2006-07	1,016	5,876	365	7,257
2007-08	982	7,693	587	9,262
2008-09	931	8,119	709	9,759
2009-10	765	7,753	945	9,463
2010-11	860	5,696	421	6,978
% change	12.4	(26.5)	(55.4)	(26.3)
AUD FORWARD				
2006-07	580	946	491	2,017
2007-08	501	517	348	1,366
2008-09	543	565	295	1,402
2009-10	459	466	246	1,172
2010-11	505	522	302	1,328
% change	10.0	11.9	22.7	13.4
NON AUD FORWARD				
2006-07	157	1,495	129	1,781
2007-08	165	1,287	76	1,528
2008-09	153	909	53	1,115
2009-10	135	521	43	700
2010-11	170	697	80	947
% change	25.6	33.6	84.6	35.3
AUD SWAP				
2006-07	5,845	8,287	1,208	15,340
2007-08	5,894	8,307	704	14,906
2008-09	4,961	7,059	601	12,621
2009-10	3,912	8,399	431	12,742
2010-11	3,892	11,953	540	16,384
% change	(0.5)	42.3	25.4	28.6
NON AUD SWAP				
2006-07	3,766	10,482	697	14,945
2007-08	3,582	9,143	326	13,052
2008-09	3,660	9,555	414	13,629
2009-10	2,872	8,901	369	12,142
2010-11	2,695	10,913	421	14,029
% change	(6.2)	22.6	14.2	15.5
TOTAL				
2006-07	12,636	29,917	4,137	46,690
2007-08	12,433	29,908	3,496	45,837
2008-09	11,647	29,125	3,532	44,303
2009-10	9,169	28,922	3,345	41,436
2010-11	8,974	32,630	2,965	44,569
% change	(2.1)	12.8	(11.4)	7.6

FX data is supplied by the RBA.
Figures for previous year have been revised due to change in the contributed data after publication.

CURRENCY OPTIONS ANNUAL TURNOVER SUMMARY (AUD million)

Survey Year	Survey Respondents	Other Banks	Inhouse Transactions	Traditional Fund Managers	Hedge Funds / CTA's	Government	Offshore Central Banks	Other	Total
AUD LEG									
2006-07	104,385	319,779	93,531	19,781	26,729	2,355	0	155,053	721,612
2007-08	72,594	192,174	46,066	17,556	19,244	3,229	81	81,018	431,961
2008-09	62,005	192,823	106,641	16,745	12,251	1,109	0	117,869	509,444
2009-10	55,784	254,152	113,133	4,180	14,091	1,110	653	86,279	529,382
2010-11	53,375	201,643	89,307	18,821	1,921	1,895	19	100,107	467,089
% change	(4.3)	(20.7)	(21.1)	350.3	(86.4)	70.7	(97.1)	16.0	(11.8)
NO AUD LEG[a]									
2006-07	19,806	160,752	76,978	13,723	18,445	588	12	97,862	388,166
2007-08	90,485	81,296	56,835	6,029	13,788	4,813	2,167	57,648	313,060
2008-09	21,775	142,948	79,149	6,570	10,157	3,239	2,707	57,892	324,437
2009-10	10,870	97,245	34,730	2,183	5,535	352	1,079	24,271	176,265
2010-11	22,991	139,044	67,678	6,748	967	93	1,608	17,116	256,245
% change	111.5	43.0	94.9	209.1	(82.5)	(73.6)	49.0	(29.5)	45.4
TOTAL									
2006-07	124,191	480,532	170,508	33,504	45,174	2,943	12	252,915	1,109,778
2007-08	163,078	273,470	102,901	23,585	33,032	8,042	2,248	138,666	745,021
2008-09	83,780	335,770	185,790	23,315	22,408	4,349	2,707	175,762	833,881
2009-10	66,654	351,398	147,863	6,363	19,626	1,462	1,732	110,550	705,647
2010-11	76,366	340,688	156,985	25,569	2,889	1,988	1,627	117,222	723,333
% change	14.6	(3.0)	6.2	301.8	(85.3)	36.0	(6.1)	6.0	2.5

[a] Turnover for currency with no AUD leg was collected in USD and converted to AUD using an average end of month exchange rates for 2010-11 as reported by Reuters

CURRENCY OPTIONS TRADING CONCENTRATION

Market Rank	% Market Share[a]	% Cumulative Share
1	22.7	22.7
2	22.3	45.0
3	18.5	63.5
4	12.0	75.4
5	10.5	85.9
6	9.3	95.2
7	2.9	98.2
8	1.7	99.8

[a] Market share data excludes Inhouse transactions

Top 8 Respondents	% Market Share[a]
2006-07	98.5
2007-08	99.8
2008-09	99.6
2009-10	99.7
2010-11	99.8

[a] Market share data excludes Inhouse transactions

Electricity

TWO FACTORS WHICH had significant impacts on the electricity derivatives market in 2010-11 were the NSW privatisation and the considerable uncertainty around introduction of a carbon scheme. While the up-for-sale retailers and generators were in caretaker mode, hedging activities were significantly lower.

Towards the end of 2010 the introduction of a carbon price became more likely and trading horizons shortened with very few, if any, trades past the end of calendar 2012. From around the beginning of 2011, activity picked up, as participants began incorporating the AFMA Carbon Benchmark Addendum into trades. The addendum was approved by the AFMA Electricity Committee which commends it as an equitable method of offsetting windfall gains and losses arising from the impact of carbon on NEM prices and has gained widespread acceptance.

Significant flooding in many areas of Queensland during late December 2010 and early January 2011 followed by heat wave conditions in late January/early February saw some of the busiest weeks and biggest moves in NEM prices, forcing participants to continuously adjust their positions in reaction to the spot market volatility.

As well, the entry of several new intermediaries, despite uncertainty around carbon, saw a significant increase in turnover for that category (35.4%) as they looked to establish a presence in the market.

Whilst swap activity was flat, big increases were recorded in all options classes – caps, swaptions, collars & Asians and other options. Two factors appear to account for this. First, the market is becoming more sophisticated in its trading and management of risk and second, the uncertainty around carbon pricing has driven participants to hedge this risk using options. The biggest increase in turnover was in the NSW region, stemming from the spot volatility during summer, as well as likely book repositioning following the partial privatisation of generation and retail assets.

Commentary on the d-cyphaTrade ASX electricity futures market can be found in the ASX section of the AFMR.

FIGURE 1: ANNUAL TURNOVER

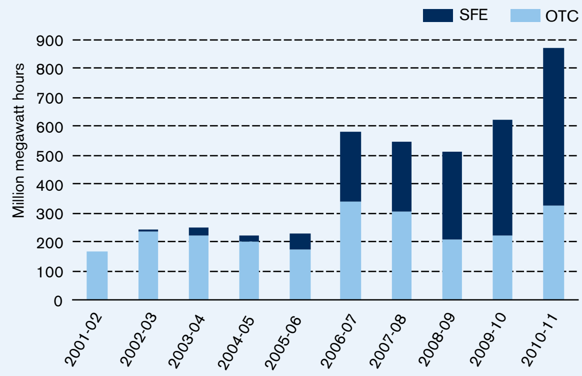


FIGURE 2: STATE ANNUAL TURNOVER

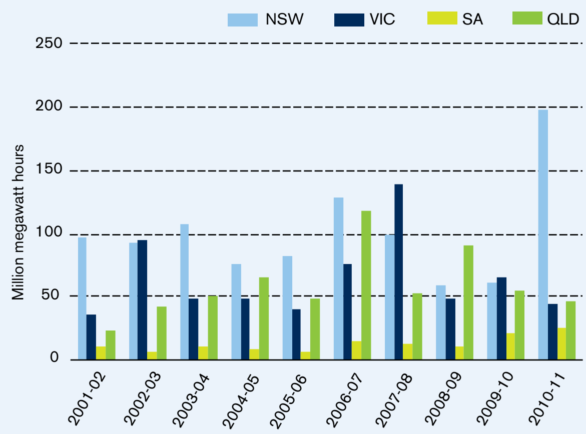
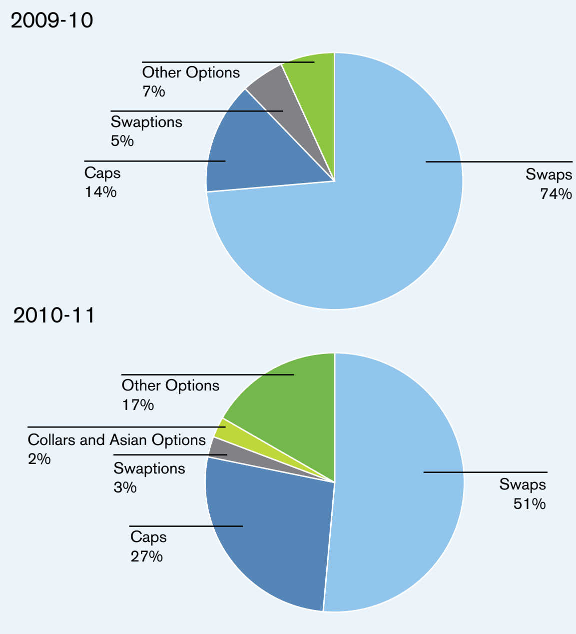


FIGURE 3: 2009-10 & 2010-11 TURNOVER BY INSTRUMENT



ELECTRICITY ANNUAL TURNOVER SUMMARY (megawatt hours)

Survey Year	Generators	Retailers	Intermediaries	Other	Total	≤ 12 months (%)	> 12 months (%)
SWAPS							
2006-07	116,430,911	97,686,486	45,718,862	19,532,516	279,368,775	62.8	37.2
2007-08	77,191,050	74,623,961	36,704,636	14,379,841	202,899,488	44.2	55.8
2008-09	47,994,351	42,406,260	26,495,246	17,745,687	134,641,544	70.3	29.7
2009-10	54,591,445	58,917,668	37,716,340	11,549,882	162,775,334	82.5	17.5
2010-11	55,495,212	45,339,753	53,164,419	7,795,126	161,794,509	86.5	13.5
% change	1.7	(23.0)	41.0	(32.5)	(0.6)		
CAPS							
2006-07	21,556,627	21,107,650	1,908,240	0	44,572,517	63.6	36.4
2007-08	45,109,383	10,519,149	3,130,358	634,800	59,393,690	42.7	57.3
2008-09	15,465,926	25,108,688	937,840	891,060	42,403,513	57.4	42.6
2009-10	15,137,089	12,868,469	1,146,720	2,038,830	31,191,108	78.3	21.7
2010-11	58,743,193	20,277,730	1,432,040	3,697,875	84,150,838	18.9	81.1
% change	288.1	57.6	24.9	81.4	169.8		
SWAPTIONS							
2006-07	6,155,720	2,474,280	3,192,220	0	11,822,220	85.4	14.6
2007-08	4,403,803	445,275	3,442,280	0	8,291,358	66.4	33.6
2008-09	2,692,200	919,800	2,111,604	6,501,960	12,225,564	30.0	70.0
2009-10	3,409,800	1,781,171	951,420	4,817,400	10,959,791	76.7	23.3
2010-11	2,304,520	788,400	0	4,996,920	8,089,840	88.2	11.8
% change	(32.4)	(55.7)	(100.0)	3.7	(26.2)		
COLLARS AND ASIAN OPTIONS							
2006-07	136,800	219,120	130,800	0	486,720	65.2	34.8
2007-08	50,500	238,375	94,625	0	383,500	51.1	48.9
2008-09	1,668,300	3,042,600	548,400	0	5,259,300	59.9	40.1
2009-10	142,200	0	887,400	0	1,029,600	100.0	0.0
2010-11	175,180	7,651,104	195,840	0	8,022,124	100.0	0.0
% change	23.2	na	(77.9)	na	679.1		
OTHER OPTIONS							
2006-07	0	922,320	0	85	922,405	45.0	55.0
2007-08	0	33,049,200	66,240	0	33,115,440	12.4	87.6
2008-09	5,519	0	13,146,000	393,120	13,544,639	2.9	97.1
2009-10	197,460	14,859,720	0	0	15,057,180	5.2	94.8
2010-11	110,040	49,105,800	320,400	3,002,496	52,538,736	6.4	93.6
% change	(44.3)	230.5	na	na	248.9		
TOTAL							
2006-07	144,280,057	122,409,856	50,950,122	19,532,601	337,172,636	63.4	36.6
2007-08	126,754,735	118,875,960	43,438,138	15,014,641	304,083,474	43.2	56.8
2008-09	67,826,295	71,477,347	43,239,090	25,531,827	208,074,560	63.9	36.1
2009-10	73,477,994	88,427,027	40,701,880	18,406,112	221,013,013	78.0	22.0
2010-11	116,828,145	123,162,787	55,112,699	19,492,417	314,596,047	55.4	44.6
% change	59.0	39.3	35.4	5.9	42.3		

d-cyphaTrade ASX ELECTRICITY TRADED VOLUMES (megawatt hours)

Survey Year	Futures	Quarterly Options	Calendar Options	Caps	Total
2006-07	207,129,828	113,550	26,521,920	9,235,200	243,000,498
2007-08	192,879,903	82,800	39,376,680	8,452,392	240,791,775
2008-09	175,289,418	73,725	114,819,480	10,645,128	300,827,751
2009-10	258,787,929	211,425	104,879,280	35,018,496	398,897,130
2010-11	322,631,835	73,200	160,075,200	65,861,904	548,642,139
% change	24.7	(65.4)	52.6	88.1	37.5

Data are supplied by d-cyphaTrade

ELECTRICITY LIQUIDITY RATIO (megawatt hours)

Survey Year	NEM System Demand[a]	Turnover	Ratio
2006-07	193,912,940	580,173,134	3.0
2007-08	195,138,190	544,875,249	2.8
2008-09	197,364,824	508,902,311	2.6
2009-10	195,336,797	619,910,143	3.2
2010-11	192,295,774	863,238,186	4.5

[a] NEM System Demand data is supplied by d-cyphaTrade

ELECTRICITY TRADING CONCENTRATION

Market Rank	% Market Share	% Cumulative Share
1	27.9	27.9
2	19.5	47.4
3	17.1	64.5
4	7.7	72.2
5	7.0	79.2
6	5.6	84.8
7	3.4	88.2
8	2.7	90.9

Top 8 Respondents	% Market Share
2006-07	81.7
2007-08	96.2
2008-09	82.5
2009-10	79.2
2010-11	90.9

Environmental Products

THE ENVIRONMENTAL PRODUCTS market continues to evolve rapidly, with some products still finding their way.

Renewable Energy Certificates (RECs)

On 1 January 2011 the Renewable Energy Target (RET) scheme was split into two new schemes; Small-scale Technology Certificates (STCs or SRECs) and Large-scale Generation Certificates (LGCs or LRECs).

The Renewable Energy Target for STCs was set at 14.8% for 2011, however the target of 28.8 million certificates was reached by 30 June 2011. In order to clear this over-supply the Federal Government has mandated a non-binding 2012 target in excess of 20%. With the market being over-supplied, STCs were trading just above $20 on 30 June 11. This represents nearly a 50% discount to the $40 that the producers could have received through the Clearing House if they were prepared to wait for the supply/demand situation to rectify itself.

The LGC market languished in the mid $30s in early 2011 but has since recovered to be around $40 by end-June 2011. As the larger liable entities tend to have significant projects generating LGCs internally in addition to long-term purchase agreements there are some natural pressures on traded liquidity. Even so, there appears to be enough liquidity in the market to meet the requirements of smaller participants.

The market has yet to achieve its full potential for LGCs in terms of large scale renewables. Conversely, for STCs the certificate rebate and feed-in tariffs has produced a large number of small scale units installed in 2011.

The past year did see a significant increase in turnover of LGCs from eligible producers. It is understood this can be mostly attributed to the volumes created from solar sources whilst they were still LGC eligible and from producers selling volumes into a falling market.

Greenhouse Abatement Certificates (NGACs)

A relatively uneventful year while the market waits to see how this scheme will transition into the Clean Energy Scheme. The market is over-supplied and the NGAC price fell from $7.50 to $3.50 over the course of the year. The market, however, remains deep and liquid and liable entities are having no difficulties in acquiring their surrender requirements.

Gas Electricity Certificates (GECs)

Similar to the NGAC market, GECs have suffered from a lack of trading interest. This can be partly attributed to the future of this market being unknown under a Federal price on carbon (no legislation currently exists to wind it up).

FIGURE 1: RECS ANNUAL TURNOVER

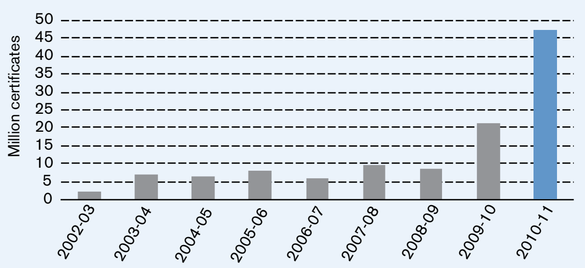


FIGURE 4: RECS TURNOVER BY INSTRUMENT

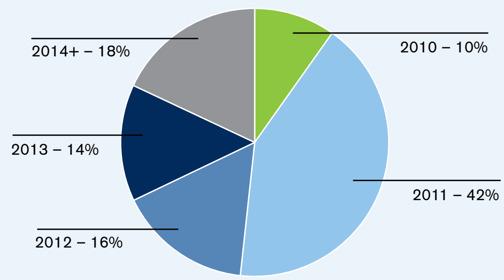


FIGURE 2: NGACS ANNUAL TURNOVER

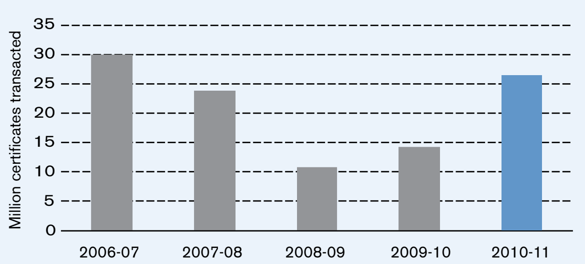


FIGURE 5: NGAC TURNOVER BY INSTRUMENT

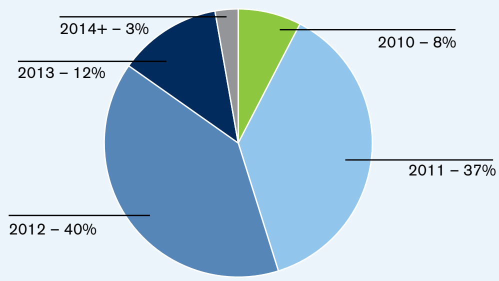


FIGURE 3: GECS ANNUAL TURNOVER

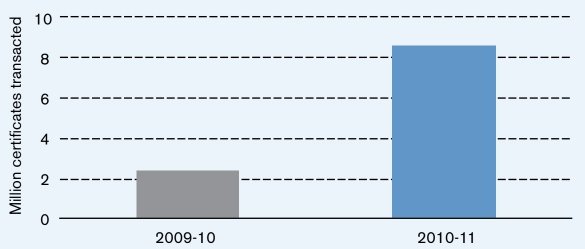
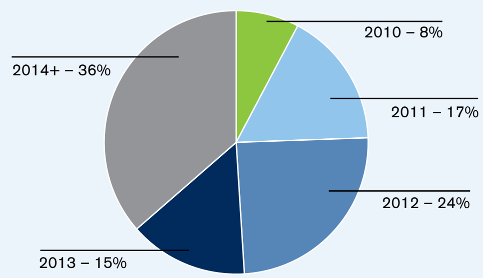


FIGURE 5: GECS TURNOVER BY INSTRUMENT



RENEWABLE ENERGY CERTIFICATES ANNUAL TURNOVER SUMMARY (certificates)

Survey Year	Eligible Producer	Liable Party	Intermediaries	Total
2006-07	3,115,855	2,899,425	31,621	6,046,901
2007-08	5,033,154	4,153,664	480,682	9,667,500
2008-09	5,277,118	2,108,887	1,069,098	8,455,103
2009-10	7,712,653	5,040,791	8,736,038	21,489,481
2010-11	32,562,638	9,916,500	4,869,075	47,348,213
% change	322.2	96.7	(44.3)	120.3

RENEWABLE ENERGY CERTIFICATES ANNUAL TURNOVER SUMMARY 2009-10 (certificates)

Instruments	Eligible Producer	Liable Party	Intermediaries	Total
2010				
Forwards	2,997,479	1,368,500	276,340	4,642,319
Options	0	0	0	0
Sub Total	2,997,479	1,368,500	276,340	4,642,319
2011				
Forwards	14,531,716	3,279,500	2,001,735	19,812,951
Options	18,507	15,000	0	33,507
Sub Total	14,550,223	3,294,500	2,001,735	19,846,458
2012				
Forwards	4,325,190	1,199,500	2,024,500	7,549,190
Options	33,270	77,500	0	110,770
Sub Total	4,358,460	1,277,000	2,024,500	7,659,960
2013				
Forwards	3,952,658	2,133,500	566,500	6,652,658
Options	18,270	0	0	18,270
Sub Total	3,970,928	2,133,500	566,500	6,670,928
2014+				
Forwards	6,650,168	1,843,000	0	8,493,168
Options	35,380	0	0	35,380
Sub Total	6,685,548	1,843,000	0	8,528,548
TOTAL				
Forwards	32,457,211	9,824,000	4,869,075	47,150,286
Options	105,427	92,500	0	197,927
Total	32,562,638	9,916,500	4,869,075	47,348,213

RENEWABLE ENERGY CERTIRICATES TRADING CONCENTRATION

Market Rank	% Market Share	% Cumulative Share
1	48.0	48.0
2	29.4	77.4
3	6.6	84.0
4	5.3	89.3

Top 4 Respondents	% Market Share
2006-07	85.6
2007-08	86.3
2008-09	83.2
2009-10	86.5
2010-11	89.3

NGAC ANNUAL TURNOVER SUMMARY (certificates)

Survey Year	Eligible Producer	Liable Party	Intermediaries	Total
2006-07	10,315,139	15,799,251	3,705,000	29,819,390
2007-08	12,247,098	9,134,836	2,505,000	23,886,934
2008-09	5,275,487	4,878,978	829,827	10,984,292
2009-10	5,606,703	5,467,697	3,117,392	14,191,791
2010-11	23,664,793	2,838,853	30,000	26,533,646
% change	322.1	(48.1)	(99.0)	87.0

NGAC ANNUAL TURNOVER SUMMARY 2009-10 (certificates)

Instruments	Eligible Producer	Liable Party	Intermediaries	Total
2010				
Forwards	1,005,793	985,000	30,000	2,020,793
Options	0	0	0	0
Sub Total	1,005,793	985,000	30,000	2,020,793
2011				
Forwards	8,670,066	1,253,853	0	9,923,919
Options	37,500	0	0	37,500
Sub Total	8,707,566	1,253,853	0	9,961,419
2012				
Forwards	10,298,773	212,500	0	10,511,273
Options	0	0	0	0
Sub Total	10,298,773	212,500	0	10,511,273
2013				
Forwards	2,850,545	312,500	0	3,163,045
Options	62,500	75,000	0	137,500
Sub Total	2,913,045	387,500	0	3,300,545
2014+				
Forwards	739,616	0	0	739,616
Options	0	0	0	0
Sub Total	739,616	0	0	739,616
TOTAL				
Forwards	23,564,793	2,763,853	30,000	26,358,646
Options	100,000	75,000	0	175,000
Total	23,664,793	2,838,853	30,000	26,533,646

NGAC TRADING CONCENTRATION

Market Rank	% Market Share	% Cumulative Share
1	82.2	82.2
2	6.5	88.7
3	3.2	92.0
4	2.6	94.6

Top 4 Respondents	% Market Share
2006-07	91.2
2007-08	89.2
2008-09	83.8
2009-10	92.2
2010-11	94.6

GAS ELECTRICITY CERTIFICATES ANNUAL TURNOVER SUMMARY (certificates)

Survey Year	Eligible Producer	Liable Party	Intermediaries	Total
2009-10	1,027,500	1,013,994	322,500	2,363,994
2010-11	7,404,740	1,134,744	0	8,539,484
% change	620.7	11.9	(100.0)	261.2

GEC were surveyed for the first time in 2009-10

GAS ELECTRICITY CERTIFICATES ANNUAL TURNOVER SUMMARY 2009-10 (certificates)

Instruments	Eligible Producer	Liable Party	Intermediaries	Total
2010				
Forwards	230,000	404,744	0	634,744
Options	25,000	0	0	25,000
Sub Total	255,000	404,744	0	659,744
2011				
Forwards	1,132,620	270,000	0	1,402,620
Options	25,000	0	0	25,000
Sub Total	1,157,620	270,000	0	1,427,620
2012				
Forwards	1,637,632	435,000	0	2,072,632
Options	0	25,000	0	25,000
Sub Total	1,637,632	460,000	0	2,097,632
2013				
Forwards	1,245,108	0	0	1,245,108
Options	0	0	0	0
Sub Total	1,245,108	0	0	1,245,108
2014+				
Forwards	3,109,380	0	0	3,109,380
Options	0	0	0	0
Sub Total	3,109,380	0	0	3,109,380
TOTAL				
Forwards	7,354,740	1,109,744	0	8,464,484
Options	50,000	25,000	0	75,000
Total	7,404,740	1,134,744	0	8,539,484

GAS ELECTRICITY CERTIFICATES TRADING CONCENTRATION

Market Rank	% Market Share	% Cumulative Share
1	83.1	83.1
2	11.6	94.6
3	2.9	97.6
4	2.4	100.0

Top 4 Respondents	% Market Share
2009-10	88.4
2010-11	100.0

GEC were surveyed for the first time in 2009-10

Exchange Traded Market data

Primary Market Activity

NEW CAPITAL RAISINGS FOR CASH (AUD million)

Survey Year	Floats	Privatisations Including Instalments	Rights Issues	Placements	Calls on Contributing Shares	Exercise of Options	Employee Share Schemes	DRP	Prospectus	SPP	Total	% of average market cap
2006-07	19,694	8,679	13,001	19,789	1,770	1,131	3,340	8,994	195	1,311	77,905	5.6
2007-08	11,206	0	12,449	20,922	226	420	3,430	11,563	303	1,328	61,848	4.4
2008-09	1,885	0	28,506	38,235	117	302	1,762	15,010	373	3,775	89,964	7.5
2009-10	11,460	0	23,182	23,120	683	138	2,300	10,186	4	5,474	76,547	5.6
2010-11	29,387	6,198	7,362	8,952	119	251	1,856	7,768	116	1,123	63,132	4.6
% change	156.4	na	(68.2)	(61.3)	(82.6)	81.9	(19.3)	(23.7)	2,835.3	(79.5)	(17.5)	

Data from previous years has been reviewed and some figures have been adjusted.

COMPANIES LISTED ON ASX AT 30 JUNE 2011

Survey Year	Number of Companies with Quoted Securities	Market Capitalisation of all Listed Equities (AUD million)	Domestic Companies with Quoted Equities	Market Capitalisation with Listed Domestic Equities (AUD million)	Market Value of Average Domestic Company (AUD million)
2006-07	1,896	2,063,032	1,814	1,597,794	881
2007-08	2,013	1,486,610	1,930	1,415,056	733
2008-09	1,985	1,204,947	1,903	1,098,451	577
2009-10	1,975	1,325,831	1,893	1,253,711	662
2010-11	2,101	1,445,469	2,008	1,348,534	672
% change	6.4	9.0	6.1	7.6	1.4

Data from previous years has been reviewed and some figures have been adjusted.

Secondary Market Activity

EQUITY TRADING ON ASX

Survey Year	Number of Shares per Annum (million)	Annual Value (AUD million)	Trades per Annum ('000)	Average Daily Trades	Average Daily Value (AUD million)
2006-07	394,644	1,323,777	48,938	194,198	5,253
2007-08	476,900	1,615,847	91,330	360,988	6,347
2008-09	387,802	1,129,460	106,680	420,002	4,447
2009-10	659,424	1,359,304	132,250	522,729	5,373
2010-11	670,096	1,339,140	144,321	570,440	5,293
% change	1.6	(1.5)	9.1	9.1	(1.5)

Data from previous years has been reviewed and some figures have been adjusted.

TURNOVER AS % OF AVERAGE MARKET CAP (AUD billion)

Survey Year	Equity Turnover	Average Market Cap	% liquidity
2006-07	1,324	1,396	95.0
2007-08	1,616	1,421	114.0
2008-09	1,129	1,193	95
2009-10	1,359	1,372	99
2010-11	1,339	1,386	97
% change	(1.5)	1.0	(2.5)

Data from previous years has been reviewed and some figures have been adjusted.

Equity Derivatives

EQUITY DERIVATIVES TURNOVER BY CONTRACT VOLUME ('000)

Survey Year	Call Trades[a]	Put Trades[a]	Total Contracts[a]	SPI 200® Futures	SPI 200® Options
2006-07	12,396	10,864	23,260	7,345	544
2007-08	11,558	11,671	23,229	9,075	491
2008-09	10,905	8,100	19,005	10,360	398
2009-10	11,977	9,677	21,654	9,738	352
2010-11	11,634	11,514	23,148	10,506	379
% change	(2.9)	19.0	6.9	7.9	7.7

Data from previous years has been reviewed and some figures have been adjusted.
[a] Includes Stock Options, Cash Index Options and LEPOs

EQUITY DERIVATIVES TURNOVER BY NOTIONAL VALUE (AUD billion)

Survey Year	Stock Options	Cash Index Options[a]	LEPOs	SPI 200® Futures	SPI 200® Options
2006-07	408.6	71.5	11.8	1,019	77
2007-08	431.7	139.3	12.3	1,309	74
2008-09	235.4	130.5	7.8	1,022	42
2009-10	297.0	197.0	10.4	1,099	40
2010-11	352.0	314.0	14.5	1,206	44
% change	18.5	59.4	39.4	9.7	10.0

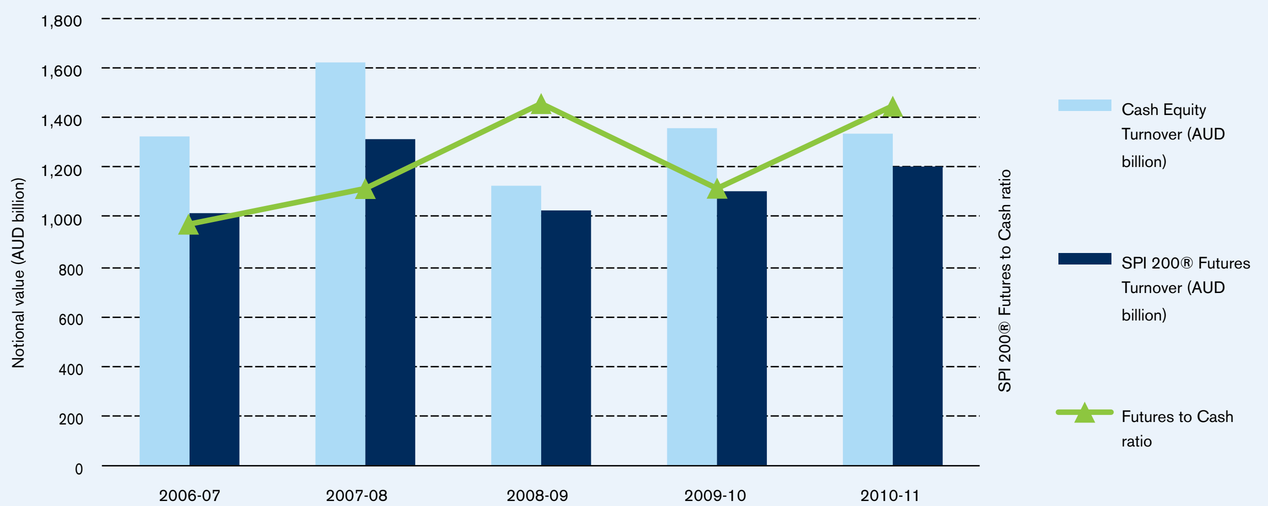
[a] Includes Cash Index LEPOs

WARRANTS

Survey Year	Number of Issues	Trades ('000)	Contract Value (AUD million)
2006-07	3,788	598	9,820
2007-08	4,293	785	11,195
2008-09	2,516	516	5,300
2009-10	2,226	413	5,987
2010-11	2,409	285	2,948
% change	8.2	(31.0)	(50.8)

Data from previous years has been reviewed and some figures have been adjusted.

SPI 200® FUTURES TO CASH EQUITY TURNOVER



Cash Equity and SPI 200® Futures notional value turnover have both averaged increases in excess of 20% for the past six years. SPI 200® Futures turnover is increasing at a faster rate as demonstrated by the increasing Futures to Cash Turnover Ratio.

Interest Rate and Energy Derivatives

FUTURES AND OPTIONS TURNOVER BY CONTRACT VOLUME ('000 contracts)

Survey Year	30 Day IB	90 Day Bills	3 Year Bonds	10 Year Bonds	Electricity	Other	Total Exchange[a]
FUTURES VOLUME							
2006-07	2,942	21,328	32,178	17,060	103.7	7,394	81,006
2007-08	3,377	23,168	31,751	17,553	102.4	9,105	85,056
2008-09	2,105	15,184	22,275	10,813	96.1	10,379	60,852
2009-10	3,691	16,538	30,196	11,274	145.1	9,753	71,597
2010-11	6,195	20,729	38,832	15,230	203.0	10,513	91,702
% change	67.8	25.3	28.6	35.1	39.9	7.8	28.1
OPTIONS VOLUME							
2006-07		722	2,533	108	3.2	547.8	3,914
2007-08		323	1,735	15	4.6	496.4	2,574
2008-09	0	132	1,244	11	13.1	398.9	1,799
2009-10	0	37	2,459	6	12.3	351.7	2,866
2010-11	0	52	4,105	8	18.3	378.7	4,562
% change	na	40.5	66.9	33.3	49.3	7.7	59.2
TOTAL							
2006-07	2,942	22,050	34,711	17,168	106.9	7,948.1	84,920
2007-08	3,377	23,491	33,486	17,568	107.0	9,601.0	87,630
2008-09	2,105	14,316	23,519	10,824	109.2	10,777.8	62,651
2009-10	3,691	16,575	32,655	11,280	157.3	10,104.7	74,463
2010-11	6,195	20,781	42,937	15,238	221.3	10,891.7	96,264
% change	67.8	25.4	31.5	35.1	40.7	7.8	29.3

Data from previous years has been reviewed and some figures have been adjusted. Data does not include NZ dominated contracts.
[a] Where the exchange is that operated by Australian Securities Exchange Ltd

FUTURES AND OPTIONS TURNOVER BY CONTRACT VALUE (AUD billion)

Survey Year	30 Day IB	90 Day Bills	3 Year Bonds	10 Year Bonds	Electricity	Other	Total Exchange[a]
FUTURES VOLUME							
2006-07	8,825	21,328	3,218	1,706	10.5	1,023.5	36,111
2007-08	10,130	23,168	3,175	1,755	10.9	1,313.1	39,552
2008-09	6,315	15,184	2,228	1,081	9.0	1,022.3	25,839
2009-10	11,073	16,538	3,020	1,127	11.6	1,117.4	32,887
2010-11	18,586	20,729	3,883	1,523	13.9	1,224.1	45,959
% change	67.8	25.3	28.6	35.1	19.8	9.5	39.7
OPTIONS VOLUME							
2006-07		722	253	11	1.3	76.7	1,064
2007-08		323	174	1	2.0	73.6	574
2008-09		132	124	1	6.4	40.1	304
2009-10		37	246	1	4.3	39.7	328
2010-11		52	410	1	6.2	43.8	513
% change		40.5	66.7	0.0	44.2	10.3	56.4

cont...

FUTURES AND OPTIONS TURNOVER BY CONTRACT VALUE (AUD billion) cont...

Survey Year	30 Day IB	90 Day Bills	3 Year Bonds	10 Year Bonds	Electricity	Other	Total Exchange[a]
TOTAL							
2006-07	8,825	22,050	3,471	1,717	11.8	1100.2	37,175
2007-08	10,130	23,491	3,349	1,756	12.9	1386.7	40,126
2008-09	6,315	15,316	2,352	1,082	15.4	1062.3	26,143
2009-10	11,073	16,575	3,266	1,128	15.9	1157.1	33,216
2010-11	18,586	20,781	4,293	1,524	20.1	1267.9	46,472
% change	67.8	25.4	31.4	35.1	26.4	9.6	39.9

Data from previous years has been reviewed and some figures have been adjusted.
[a] Where the exchange is that operated by Australian Securities Exchange Ltd

FUTURES AND OPTIONS OPEN INTEREST AT 30 JUNE 2011

Survey Year	30 Day IB	90 Day Bills	3 Year Bonds	10 Year Bonds	Electricity	Other	Total Exchange[a]
2006-07	300,056	1,244,796	658,216	564,088	40,272	601,115	3,408,543
2007-08	168,900	856,279	532,185	445,128	47,496	512,422	2,562,410
2008-09	117,276	807,381	467,678	317,835	52,830	465,080	2,228,080
2009-10	271,465	662,475	577,552	334,255	65,536	446,657	2,357,940
2010-11	463,462	898,667	728,919	409,668	46,360	428,880	2,975,956
% change	70.7	35.7	26.2	22.6	(29.3)	(4.0)	26.2

Data from previous years has been reviewed and some figures have been adjusted.
[a] Where the exchange is that operated by Australian Securities Exchange Ltd

Contracts for Difference (ASX Listed CFD®)

CFD TURNOVER BY CONTRACT VOLUME ('000)

Survey Year	Equity Indices	Equities	Commodities	Currencies	Total Exchange[a]
2007-08	33,081	55,148,564	57,007	305,606	55,544,258
2008-09	91,687	89,303,881	245,890	688,186	90,329,644
2009-10	214,271	151,415,490	67,853	1,250,481	152,948,095
2010-11	276,117	176,181,034	34,487	32,200	176,523,838
% change	28.9	16.4	(49.2)	(97.4)	15.4

[a] Where the exchange is that operated by Australian Securities Exchange Ltd

CFD OPEN INTEREST VALUE AT 30 JUNE 2010 (AUD)

Survey Year	Equity Indices	Equities	Commodities	Currencies	Total Exchange[a]
2007-08	5,593,938	57,258,454	1,876,410	2,679,463	67,408,265
2008-09	25,253,351	38,431,463	5,605,113	963,000	70,252,927
2009-10	38,525,314	75,606,284	3,009,661	1,506,126	118,647,385
2010-11	14,901,523	70,870,457	1,332,150	0	87,104,130
% change	(61.3)	(6.3)	(55.7)	(100.0)	(26.6)

[a] Where the exchange is that operated by Australian Securities Exchange Ltd

ASX GROUP

Methodology

The Australian Financial Markets Report (AFMR) is produced by aggregating and analysing data submitted by the over-the-counter (OTC) market participant organisations as determined by the relevant AFMA Market Committees.

Integrity Checks

Before publishing survey results, comprehensive analyses are undertaken to ensure data integrity, including checking for:

- variations from prior years in participant data (where available) and aggregated data
- comparative variations in trends of participant data consistency in aggregated data for individual markets through to summary results
- consistency with other data sources.

Data Source

The bulk of the data is related to OTC markets. As no central repository of such data exists, an extensive survey of OTC market participants is conducted.

Thirty-eight participants submitted 139 data surveys. Data relating to exchange-traded financial products was provided by the Australian Securities Exchange (ASX) and foreign exchange (FX) data was again supplied by the Reserve Bank of Australia.

Sources of Data Utilised

Financial Market	Data Source
Over-the-Counter (except Foreign Exchange)	Survey respondents
Equities and Futures	Australian Securities Exchange
Foreign Exchange	Reserve Bank of Australia

Survey Respondents and Coverage

The 2011 survey covers the period 1 July 2010 to 30 June 2011.

Two important points should be noted regarding the survey coverage. The first relates to the types of transactions included and the second to respondent selection.

First, the survey reports transactions:

- dealt, risk managed and settled by offices in Australia (Australian booking entity)
- dealt and risk managed by offices in Australia but settled by offices offshore (offshore booking entity)
- dealt by offices offshore but risk managed and settled by offices in Australia (Australian booking entity)
- dealt and settled by offices in Australia but risk managed by offices offshore (Australian booking entity).

The survey excludes transactions:

- dealt and settled by offices offshore but risk managed by offices in Australia (offshore booking entity)
- dealt and risk managed by offices offshore but settled by offices in Australia (Australian booking entity)
- dealt, risk managed and settled by offices offshore (offshore booking entity).

Second, to provide the best possible picture of the state of Australian OTC markets, the survey aims to capture the vast majority of activity in each market. This is achieved in two related ways:

1. Participants in each survey were determined by the relevant AFMA Market Committee, thus ensuring all major participants in that market were included. Appendix B is a summary of respondents.

2. Provided at least one party to any transaction is a survey respondent, it will be captured. Although transactions between non respondents are not captured, their magnitude is considered not to be significant given the process of respondent selection. The market concentration data presented in each section also supports this assumption. Transactions between survey respondents are aggregated separately and double counting is thus avoided.

Survey Respondents

OVER-THE-COUNTER MARKETS

Respondents (23)	Government Debt Securities (16)	Non-Gov. Debt Securities (12)	Negotiable & Transferable Instruments (16)	Repurchase Agreements (10)	Swaps (16)	Forward Rate Agreements (14)	Interest Rate Options (9)	Credit Derivatives (19)	Currency Options (9)
ANZ Banking Group Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bank of America Merrill Lynch Australia	✓				✓	✓			
Bank of Queensland			✓						
Barclays Capital	✓				✓				
Bendigo and Adelaide Bank Ltd			✓						
BNP Paribas	✓		✓		✓	✓		✓	
Citi Global Markets Australia (CGMA) and CitiBank NA Sydney	✓	✓	✓	✓	✓	✓	✓		
Commonwealth Bank of Australia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Deutsche Bank AG Australia	✓	✓	✓	✓	✓	✓	✓	✓	✓
HSBC Bank Australia Limited	✓	✓			✓	✓	✓		✓
ING Bank (Australia)			✓						
JP Morgan Chase Bank, NA	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lloyds TSB Bank plc, Australia Branch			✓		✓	✓			
Macquarie Group Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓
National Australian Bank Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nomura Australia	✓								
Rabobank			✓						
RBS Group (Australia) Pty Limited	✓	✓	✓	✓	✓	✓			
Royal Bank of Canada	✓	✓			✓	✓			
State Street Bank and Trust Company									✓
Suncorp Metway			✓						
UBS AG, Australia Branch	✓	✓		✓	✓			✓	
Westpac Banking Corporation	✓	✓	✓	✓	✓	✓	✓	✓	✓

ENERGY MARKETS

Respondents (17)	Electricity (17)	Environmental Products (11)
AGL Energy Limited	✓	✓
Alinta Energy	✓	
ANZ Banking Group Limited	✓	✓
Arcadia Energy Trading Group Pty Ltd	✓	
CS Energy Limited	✓	✓
Ergon Energy	✓	
ERM Power Retail Pty Ltd	✓	✓
Hydro Tasmania	✓	✓
Infratil Energy Australia Pty Ltd	✓	
InterGen (Australia)	✓	
Loy Yang Marketing Management Company	✓	
Macquarie Generation	✓	✓
Origin Energy	✓	✓
Snowy Hydro	✓	✓
Stanwell Corporation	✓	✓
Tarong Energy Corporation	✓	✓
Westpac Banking Corporation	✓	✓

Survey Design

The surveys for each OTC market covered a range of activity attributes. Data was collected on turnover, number of transactions, outstandings, maturity and brokered activity by instrument type and counterparty.

Counterparty types, instruments and other survey attributes are defined below.

COUNTERPARTY DEFINITIONS

Counterparty Type	Survey Definitions
Survey Respondents	Those organisations identified in Appendix B.
Other Banks	Non survey respondents who are Authorised Deposit-Taking Institutions classified as banks (Australian Owned, Foreign Subsidiary or Branches of Foreign Banks licensed under the Commonwealth Banking Act 1959) and regulated by APRA.
In-house	Internal trading desks and internal divisions, both onshore and offshore.
Funds Managers – Traditional	Life Offices, other Insurance Companies, Superannuation Funds and other Nominee and Trust Structures.
Funds Managers – Hedge Funds/CTAs	Hedge Funds and Commodity Trading Advisors.
Government	Commonwealth and State Governments, Reserve Bank of Australia and Central Borrowing Authorities, including semi-government bodies and the Australian Office of Financial Management
Offshore Central Banks	Foreign Central Banks and OECD foreign government sponsored authorities and instrumentalities.
Offshore Counterparties	Organisations located in a country other than Australia, including branches and subsidiaries of survey respondent organisations.
Brokers	Market participants which do not take positions but bring together two counterparties to a transaction.
Retailers	Entities whose predominant business is selling electricity.
Generators	Entities whose predominant business is producing electricity.
Eligible Producers	Entities able to create Renewable Energy Certificates (RECs), NSW Greenhouse Abatement Certificates (NGACs) or Gas Electricity Certificates (GECs) from accredited forms of activity under the applicable scheme rules.
Liable Parties	Entities required to surrender RECs/NGACs/GECs to the appropriate regulatory body.
Intermediaries	Entities undertaking Electricity/RECs/NGACs/GECs transactions that are not Retailers, Generators, Eligible Producers or Liable Parties.
Other Counterparties	Counterparties not identified in the above categories.
Brokers	Market participants which do not take positions but bring together two counterparties to a transaction.
Retailers	Entities whose predominant business is selling electricity.
Generators	Entities whose predominant business is producing electricity.
Eligible Producers	Entities able to create Renewable Energy Certificates (RECs), NSW Greenhouse Abatement Certificates (NGACs) or Gas Electricity Certificates (GECs) from accredited forms of activity under the applicable scheme rules.
Liable Parties	Entities required to surrender RECs/NGACs/GECs to the appropriate regulatory body.
Intermediaries	Entities undertaking Electricity/RECs/NGACs/GECs transactions that are not Retailers, Generators, Eligible Producers or Liable Parties.
Other Counterparties	Counterparties not identified in the above categories.

DEFINITIONS OF INSTRUMENTS

Instrument	Definition
Government Debt Securities	
Commonwealth Government Bonds	Interest bearing bonds that are debt obligations of the Commonwealth Government.
State Government Bonds	Interest bearing State Government bonds (e.g. NSW TCorp) that are issued by States and Territories.
Foreign Government Bonds	Interest bearing bonds (denominated in any currency) that are issued by foreign sovereigns, supranationals or government agencies.
Non-Government Debt Securities	
Corporate Securities	Interest bearing obligations issued by a corporation.
Bank Securities	Interest bearing obligations (Negotiable certificates of deposit and Transferable certificates of deposit) issued by an Authorised Deposit-Taking Institution (Australian Owned Banks, Foreign Subsidiary or Branches of Foreign Banks licensed under the Commonwealth Banking Act 1959 and regulated by APRA).
Bank Securities Commonwealth Guaranteed	Interest bearing bonds issued by an Authorised Deposit-Taking Institution with the support of a Commonwealth government guarantee.
Mortgage Backed Securities	Residential Mortgage Backed Securities (RMBS) and Commercial Mortgage Backed Securities (CMBS). Australian RMBS are securitised prime and non-prime residential mortgages. CMBS reference a commercial mortgage loan pool.
Other Asset Backed Securities (ABS)	Securities collateralised by assets other than mortgage loans, for example, receivables derived from motor vehicle loans, credit cards, personal loans and royalties.
Offshore AUD Issues	Australian Eurobonds that are sold offshore and denominated in Australian currency (e.g. 'Uridashi' issuance).
Foreign Non Government Issues	Kangaroo bonds (or notes) that are issued in the Australian domestic market by foreign non-government borrowers.
Negotiable and Transferable Instruments	
Treasury Notes	Notes issued by the Commonwealth of Australia.
Semi-Government Paper	State Government, Defence Housing Authority, Civil Aviation Authority, Federal Airports Corporation and other government instrumentalities' paper.
Bank Paper	Bank accepted bills and negotiable certificates of deposits of banks licensed under the Banking Act.
Corporate Paper	Commercial bills and promissory notes.
Foreign Government Paper	Paper issued by foreign sovereigns, supranationals or government agencies in any currency.
Reciprocal Purchase Agreements	
Commonwealth Government Bonds	Bonds where interest is paid at a predetermined and unchanging rate for a specified period. Interest bearing bonds that are debt obligations of the Commonwealth Government.
State Government Bonds	State-Government bonds (e.g. NSW TCorp) that are issued by States and Territories.
Other Government Bonds	Foreign Government bonds (e.g. supranationals).
Corporate and Bank Bonds	Long-term instruments including bonds and Floating Rate Notes.
Treasury Notes	Includes notes issued by the Reserve Bank of Australia.
Semi-Government Promissory Notes	Includes State Government instruments and Defence Housing Authority, Civil Aviation Authority, Federal Airports Corporation and other government instrumentalities' paper.
Corporate and Bank Paper	Short-term money market instruments including bank bills, certificates of deposits and promissory notes.
Residential Mortgage Backed Securities	Residential Mortgage Backed Securities with maturities of greater than one year.
Asset Backed Commercial Paper	Asset Backed Commercial Paper with maturities of less than one year.
Swaps	
Fixed AUD : Floating AUD	One party makes fixed AUD interest payments and the other floating AUD.
Floating AUD: Floating AUD (basis swaps)	Both parties make floating AUD interest payment.
Fixed AUD : Non-AUD	One party makes fixed AUD interest payments and the other fixed or floating non-AUD.
Floating AUD: Non-AUD	One party pays floating AUD interest payments and the other fixed or floating non-AUD.
Inflation-linked Swaps	One party make payments linked to the inflation rate and the other pays fixed.
Forward Rate Agreements	
Forward rate agreements (FRA) types include: AUD (in AUD), USD (in USD), JPY (in JPY), GBP (in GBP), EURO (in EUR), NZ (in NZD) and other (in USD).	
Interest Rate Options	
Bond Options	Where the buyer has the right to buy (call option) or to sell (put option) a given bond at a specified rate on or before a specified future date.
Swaptions	Where the buyer has the right to enter into a swap on a future date at a predetermined fixed rate.
Caps	A series of options which places a ceiling on the level of interest on a floating rate borrowing. On prescribed reference dates, the seller will compensate the buyer if the settlement index is greater than the strike rate.
Floors	A series of options which protects the buyer from a fall in interest rates below a specified rate. On prescribed reference dates, the seller will compensate the buyer if the settlement index is less than the strike rate.

Instrument	Definition
Credit Derivatives	
Single Name Credit Default Swaps	One party pays a premium to transfer the credit risk of a single defined reference entity to a second party in return for a contingent payment should a defined credit event take place.
Total Rate-of-Return (TROR) Swaps	One party pays the positive credit and market performance on an underlying asset in return for receipt of a funding payment plus any negative credit and market performance on an underlying asset.
Credit Indices	Reference a portfolio of single name credit default swaps where the risk is additive rather than non-linear or correlated. It includes credit default swap indices.
Currency Options	
Currency pairs include: AUD/USD, AUD/JPY, AUD/GBP, AUD/NZD, AUD/EUR, all in AUD; and USD/JPY, USD/GBP, USD/NZD, USD/EUR and other all in USD.	
Foreign Exchange	
Local Financial Institutions	All financial institutions located in Australia including banks, currency funds, hedge funds and the Reserve Bank of Australia.
Overseas Financial Institutions	Foreign financial institutions.
Non-Financial Institutions	Institutions not identified above.
Electricity	
Swaps	The exchange of the difference between a fixed price per megawatt hour (MWh) of electric energy and a variable price that is referenced to the pool price, as determined by the market operator, in a stated reference node.
Caps	A series of options which places a ceiling on the pool price for electricity. The seller compensates the buyer, on the prescribed reference dates, if the pool price is greater than the strike rate.
Swaptions (receiver's/payer's)	The buyer of a call (put) swaption has the right, but not the obligation, to buy (sell) a swap on a future date at a predetermined fixed price. The fixed price of the swap is the strike price of the swaption.
Collars and Asian Options	A series of options with a floating strike price which is determined according to the unweighted arithmetic mean of the relevant price for each calculation period between 0000 and 2400 in the calendar month that is the calendar month in which the last calculation period with respect to the settlement date falls.
Other options	All other options not included in the above definitions.
Environmental Products	
Forwards	The exchange of a specific quantity of RECs, NGACs or GECs at a fixed price at pre-nominated delivery date.
Options	Includes put and call options, swaptions, caps, floors and collars.

DEFINITIONS OF SURVEY ATTRIBUTES

Survey Term	Survey Definition
Turnover	All sales and purchases, including both primary and secondary market, aggregated.
Outstandings	The amount of an instrument calculated by adding the absolute value of short and long positions as at 31 May 2011. In the Repurchase Agreements (Repo) Market, Outstandings is the gross value of all unexpired repurchase agreements, excluding any forward repo transactions. Short and long positions are not netted. The value is calculated as the 'face value' of the underlying stocks.
Maturity	The remaining time until the final payment under the transaction. For options it is the expiry or exercise date.

DATA ACCURACY CONVENTIONS

The data in the market turnover summaries on pages 2 and 3 are rounded to the nearest AUD billion. Up to nine decimal places are carried forward in calculations. Thus, year-on-year percentage changes in the summary tables may not exactly match other table percentage changes due to rounding.

In addition, for all tables, percentage change and total calculations are based on the actual survey data collected rather than the aggregate numbers presented in the tables. Slight variations may occur due to rounding adjustments.

AFMA

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's exchange traded and OTC financial markets and provides leadership in advancing the interests of all market participants. These markets are an essential element of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

THE DYNAMIC FINANCIAL markets in Australia reflect many years of innovation and development, and are among the fastest growing and most sophisticated in Asia. Australia's financial markets collectively turned over approximately $128 trillion in 2011. The major markets in the Australian financial system include the capital markets (shares and bonds), money market and derivatives markets. There are also other markets in the financial system that facilitate the trading of specific financial products such as electricity derivatives.

AFMA represents over 140 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.

Promoting Market Efficiency

Market Governance

AFMA's key mandate is to promote best practice in financial markets so they can continue to maximise their contribution to the economic health of Australia. One of the key tasks we perform to achieve this objective is to ensure the sound management of Australia's $78 trillion off-exchange or over-the-counter (OTC) markets.We achieve this by promoting effective self-regulation of the OTC markets through efficient and ethical market practices, conventions and standard documentation.

Financial Operations

AFMA's market governance role is complemented by the development of widely-accepted industry standards for transactional processing. This ensures that operational aspects of financial transactions, in particular confirmation, settlement, reconciliation and risk management processes are globally recognised best practice.

Promoting Market Integrity

AFMA recognises the importance of efficient regulation to inspire investor confidence in our markets, and in this regard plays a leading role in providing industry input to the government and regulators on public policy matters relevant to the financial markets. We seek to ensure that government regulation of the financial sector is firm enough to inspire investor confidence yet flexible enough to allow the markets to grow to their full potential. Official regulation is under-pinned by AFMA's conventions and other standards which promote best practice.

Promoting Market Professionalism

AFMA encourages high standards of professional conduct in financial markets by delivering professional development and accreditation programs to improve individual expertise in OTC and exchange-traded markets. AFMA accords accreditation, recognised by the markets regulator ASIC, to individuals who achieve the required levels of competence.

AFMA's Mission

To advance the interests of our members, AFMA's mission is to:

- Lead and sustain effective self regulation of the over-the-counter financial markets
- Represent market participants in exchange-traded markets to ensure market processes and their regulation are effective and efficient
- Encourage high standards of professional conduct in financial markets
- Deliver professional development and accreditation programs to improve individual expertise
- Develop new markets for financial products and encourage existing markets to reach their full potential
- Promote Australia as a significant global centre for financial services, including operations service centres
- Promote government policies and business conditions that support a strong financial sector
- Maximise opportunities for members to grow their business and contribute to the economic well being of Australia

Australian Financial Markets Association

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ISSN 1444 7215

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