



Australian
Competition &
Consumer
Commission

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The Hon Joe Hockey MP
Treasurer
Parliament House
CANBERRA ACT 2600

Sent electronically

Dear Treasurer 

**Council of Financial Regulators: Review of competition in clearing
Australian cash equities**

The Governor of the Reserve Bank of Australia has written to you on behalf of the Council of Financial Regulators regarding findings and recommendations from the Council's review of competition in clearing of Australian cash equities. The work was carried out by Council agencies in collaboration with the ACCC.

The ACCC supports the recommendations put forward by the Council in its conclusions paper. The ACCC expects that competition would ultimately deliver efficient outcomes in the clearing of cash equities. However, competition in clearing may not emerge for some time (if at all) and is unlikely to emerge in settlement. Given this, the ACCC supports the Council's recommended measures to regulate aspects of ASX's operations where necessary in order to deal with a continued monopoly in clearing and/or settlement.

The ACCC is willing to take on the role of arbitrator in this context as recommended by the Council. If ASX remains a vertically integrated monopoly provider of clearing and/or settlement services, it will have incentives to discriminate in favour of its own operations, with a potential detrimental impact on competition. Recourse to arbitration will provide an incentive for ASX to

negotiate equitable and non-discriminatory terms of access to its monopoly services. The ACCC considers that recourse to arbitration will complement the Council's proposed rule-making power.

The ACCC is happy to assist further with the development of any legislative changes in response to the Council's recommendations. The ACCC's experience with the design and implementation of arbitration regimes in other contexts may be particularly relevant in this process.

Yours sincerely



Rod Sims

Chairman

cc:

The Hon Josh Frydenberg MP Assistant Treasurer

Mr Wayne Byres Chairman, Australian Prudential Regulation Authority

Mr Greg Medcraft, Chairman, Australian Securities and Investments Commission

Mr John Fraser, Secretary to the Treasury

Mr Glenn Stevens, Governor, Reserve Bank of Australia

The Hon Bruce Billson MP, Minister for Small Business