

FOREIGN INVESTMENT REVIEW BOARD MINUTE

Minute No.

2 April 2011

File: F2011/01924

Deputy Prime Minister and Treasurer

cc: Assistant Treasurer and Minister for
Financial Services and Superannuation

SINGAPORE EXCHANGE LIMITED — ACQUISITION OF ASX LIMITED

Timing: The statutory deadline is 11 April 2011.

Recommendation:

That you:

- reject the proposed acquisition by Singapore Exchange Limited (SGX) of ASX Limited (ASX) as contrary to Australia's national interest;
 - [This section removed under s. 47C]

[This section removed under s. 22 and s. 33]

Agreed/Not Agreed

...../...../2011

OVERVIEW OF PROPOSAL

- On 25 October, SGX announced a takeover proposal to acquire (at a then 37 per cent premium) all of the shares in ASX paying in a combination of shares in ASX-SGX and cash. Under the proposal, Singapore incorporated ASX-SGX Ltd (ASX-SGX) would be formed and initially owned 64 per cent by SGX shareholders and 34 per cent by ASX shareholders. The group's headquarters would be in Singapore. It would have its primary listing on the SGX and a secondary listing (depository receipts) on the ASX.

- [This section removed under s. 47C]

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[This section removed under s. 47C and s. 47E]

- The ASX facilitates the raising and allocation of national and foreign savings to businesses as users of capital, and risk management activity through trading of its derivative products.
- [This section removed under s. 33, s. 47C and s. 47E]

[This section removed under s. 22, s. 47C and s. 47E]

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– The Board unanimously considers that the proposal is contrary to the national interest.

• [This section removed under s. 47C and s. 47E]

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[This section removed under s. 22 and s. 33]

[This section removed under s. 47C and s. 47E (pages 4-6)]

[This section removed under s. 33, s. 45, s. 47C, s. 47E and s. 47G]

ATTACHMENT A**DETAILS OF THE PROPOSAL****The proposal**

- Pursuant to a Merger Implementation Agreement (MIA) between the SGX and ASX, the SGX would acquire all the issued shares in ASX by way of a scheme of arrangement (the Scheme) which, regulatory/parliamentary approvals aside, would in order to proceed require approval from a minimum of 75 per cent by value and 50 per cent by number of ASX shareholders.
- Under the Scheme, ASX shareholders would be paid a combination of \$22 in cash and 3.473 new SGX shares for each existing ASX share. At the time of the announcement, the combined cash and script consideration valued ASX at \$48 a share
[This section removed under s. 47C]

[This section removed under s. 47C and s. 47E]

[This section removed under s. 45, s. 47C, s. 47E and s. 47G]

Board structure

- The original announcement for the proposed transaction provided for a governance structure whereby ASX-SGX would be governed by a 15 member board comprising four directors drawn from the ASX, including the current Chairman of the ASX, Mr David Gonski, who would become the deputy Chairman. The Chairman of the combined group would be headed up by the Chairman-elect of the SGX, Mr Chew Choon Seng, and the current Managing Director of the SGX, Mr Magnus Bocker, would take up the role of CEO in the new entity.

- [This section removed under s. 47C]

The SGX and

ASX announced on 15 February changes and commitments to the corporate governance structures, whereby there would be 13 directors on the ASX-SGX board, comprised of:

- five Australian citizens, (not necessarily Australian residents), including including Mr Gonski as deputy Chairman;
- five Singaporean citizens, including Mr Seng as Chairman;
- three additional members whom are neither Australian nor Singaporean citizens but will be drawn from the SGX Board, including Mr Bocker, a Swedish citizen; and
- subject to shareholder approval, these arrangements would be maintained for five years.
- in addition, the ASX and all of its licensed subsidiaries, as well as ASX Compliance, would maintain subsidiary boards with a majority of Australian citizen directors and an Australian citizen and resident as Chair, as well as an Australian resident as CEO.

Additional Commitments

- In addition to the governance commitments, the 15 February announcement provided for a range of commitments by the ASX in respect of its existing operations and future developments. These included that:
 - all physical assets required for the operation of the ASX Group businesses, including listing, trade execution, clearing and settlement, and all dedicated data and data recovery centres would continue to be developed and located in Australia, and owned and operated by Australian incorporated companies;
 - companies and products listed and quoted on ASX exchanges would continue to do so, and clearing and settlements of trades conducted on an ASX operated market would also continue to do so;
 - fee structures in Australia would be set independently of those charged by the ASX-SGX Group in Singapore. The commitment in this regard does not provide any assurance that fee structures will not rise, as may occur; and
 - capital expenditure in Australia would be at least \$30 million per annum for the first five years, in keeping with investment levels of recent years.
- The proposed organisational structure for ASX-SGX, showing the key regulated entities separately, is shown at the next page:

[This section removed under s. 47C]

[This section removed under s. 47C]

Comparison of key indices: ASX and SGX

	SGX	ASX
Number of Listings	780	2,192
Floating stock market capitalisation**	US\$208b	US\$936b
Total market capitalisation	US\$400b	US\$1,100b
Annual cash market turnover	US\$158b	US\$1,141b
No. of IPOs^^	42	92
Value of IPOs^^	US\$3.3b	US\$3.4b
Total revenue^	US\$452m	US\$513m

*As of 30 June 2010, US\$billion (unless otherwise specified)

**As of 30 July 2010

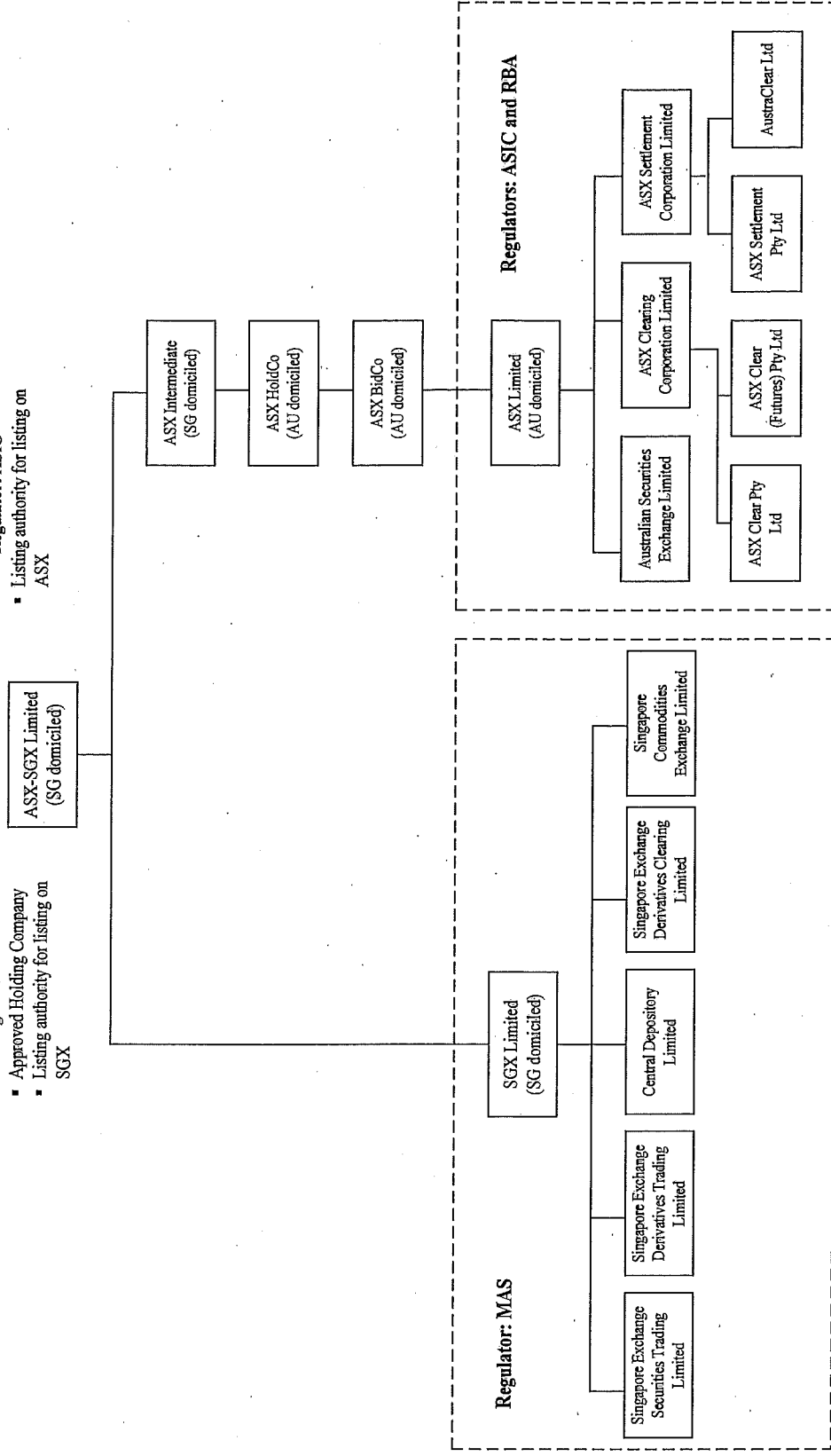
^^For the 2009/10 financial year

^US\$millions

Sources: Austrade; Bloomberg; Company Reports; Standard and Poor's; Thomson Reuters; RBA

- Regulator: MAS**
- Approved Holding Company
 - Listing authority for listing on SGX

- Regulator: ASIC**
- Listing authority for listing on ASX



[This section removed under s. 47C and s. 47E]

[This section removed under s. 33, s. 45, s. 47C, s. 47E and s. 47G (pages 15 and 16)]

ATTACHMENT E**AUSTRALIA'S POLICY OBJECTIVE TO BE FINANCIAL SERVICES CENTRE**

- The Johnson report released in November 2009 highlighted that despite its highly skilled workforce and excellent regulatory regime, Australia's imports and exports of financial services have been low by international standards.
- The report made a number of recommendations to boost Australia's trade in financial services and improve the competitiveness and efficiency of Australia's financial sector. Most of the recommendations covered internal Australian regulatory and taxation frameworks, as well as increasing competition in exchange-traded markets.

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[This section removed under s. 22 and s. 47C]

[This section removed under s. 47C and s. 47E (pages 19-43)]

ATTACHMENT I**FOREIGN INVESTMENT POLICY**

The proposal is subject to the *Foreign Acquisitions and Takeovers Act 1975* (the **FATA**) as a foreign person (SGX) is proposing to acquire a substantial shareholding in an Australian corporation (ASX) valued at more than \$231 million. If you are of the view that SGX would be in a position to determine the control of the ASX and you decided this to be contrary to the national interest, action to either prohibit the proposal or attach ameliorating conditions would be available under the FATA. The concept of national interest is not defined by the FATA and embodies a number of elements, including considerations of national security matters, community interests, economic development, environmental issues and Australia's international obligations.

[This section removed under s. 47C]

Under the foreign investment policy, approval is normally only given for a specific transaction which is expected to be completed in a timely manner. If an approved transaction does not proceed at that time and/or the parties enter into new agreements at a later date, or if a transaction is not completed within 12 months, further approval must be sought for the transaction.

Under the Treasurer's authorisation, the proposal cannot be dealt with by the Department.

[This section removed under s. 47C and s. 47E]