

20 December 2019

**Financial Market Infrastructure Regulatory Reforms | A Consultation Paper by the
Council of Financial Regulators**

PUBLIC SUBMISSION

The National Stock Exchange of Australia (NSX) welcomes the opportunity to contribute to the consultation on issues raised by the Council of Financial Regulators in relation to the proposed reforms to the regulatory regime for market operators, benchmark administrators, clearing and settlement facilities and derivative trade repositories.

NSX is a licensed market operator and is the second largest listing exchange in Australia. As a Tier 1 marketplace, the fundamental purpose of NSX is capital formation; that is, bringing together companies which require capital to fund growth, with investors who have capital and are looking for investment opportunities. Through its role as a securities exchange and as an alternative market providing competition to ASX, NSX sees itself as facilitating innovation, diversification of investment, economic growth and job creation in the Australian economy due to its focus on companies with a sub \$100m market capitalisation.

The aims of NSX are facilitated by a diverse and effective base of market participants who act as the essential intermediaries in matching investors with opportunities. NSX makes this submission against a background and ambition of ensuring the existence and longevity of a viable listed company and participant community which is able to cater to the needs of a diverse range of investors and issuers.

NSX's response to the Consultation Paper is attached.

NSX looks forward to continuing discussions with the Council of Financial Regulators regarding the proposed changes and contributing further to the review.

Yours sincerely,

(sent electronically without signature)

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Responses to Proposals and Questions:

Item	Proposal	Feedback
2.3	That licensing and related powers held by the Minister (and currently delegated to ASIC) be transferred to the Regulators.	NSX is supportive of this proposal.
2.4	Specifying circumstances in which a licence may be suspended or cancelled when the licensee has not commenced or has ceased to carry out the activity for which they are licensed	NSX is supportive of this proposal and proposes an extension of 6 months to the period where an entity has not carried out the activity which requires authorisation to 18 months. This period is may be better aligned to market cycles and dynamics.
2.5	Empower ASIC to declare a financial market to be a prescribed financial market.	NSX is supportive of this proposal.
2.6	Allow the Minister to approve increases in voting power in ASX Limited above 15 per cent. Empower ASIC to declare a body to be a widely held market body.	NSX is supportive of this proposal.
3.3	Expand the population covered by a fit and proper standard to encompass: • a broader range of individuals involved in a Licensed Entity • all Licensed Entities, not only AMLs and CSFLs.	NSX is broadly supportive of the proposals, however has concerns regarding the impact of applying the proposed standard across the various scales of Licensed Entities that currently exist.
3.4	ASIC's consent will be required for a person to hold more than 15 per cent voting power in a Licensed Entity.	NSX has concerns regarding the practicalities of applying the proposed consent to a Licensed Entity that are is listed public company.
3.5	ASIC may make rules for CSFLs for the purpose of promoting the fair and effective provision of clearing and settlement facility services.	NSX is supportive of this proposal.
3.6	ASIC (in relation to Licensed Entities) and the RBA (in relation to CSFLs) be able to obtain a report from an independent expert on specified matters. The RBA be able to direct a CSFL to provide information.	NSX is supportive of this proposal.
3.7	The RBA be able to give directions in relation to specific matters where the RBA reasonably considers action is required to support financial stability. The qualifier that compliance is required only when 'reasonably practicable' be: • removed from a CSFL's obligation in the Corporations Act to comply with the FSS • absent from the RBA's new power to direct a CSFL to take action to comply with the FSS. Remove the 21-day time limit on ASIC directions.	NSX is supportive of this proposal, particularly where at present a Licensed Entity has limitations to the extent it can enforce its Rules that are enforced under contract, compared to having the benefit and extent of ASIC's directions powers.