Country Report for Australia and Outline of the Securities Market

15 October 2012

Executive Summary

This report is divided into three sections covering economic developments and the outlook, the performance of financial markets and other factors affecting prospects for financial markets in Australia. The report covers developments over the 2011-12 financial year period, unless otherwise stated.

The Economy

The output of the Australian economy is well above levels achieved prior to the global financial crisis and has been supported by overall increases in domestic demand, particularly from high levels of business investment growth. Overall, Australia's economic outlook remains positive, with the economy forecast to grow around trend over the next two years, the unemployment rate expected to remain low and inflation likely to remain well contained.

The Financial Markets

Activity in Australia's financial markets has generally contracted over the year, as global financial markets reacted to persisting fiscal and economic problems in the euro area. In the equities market, increasing investor risk aversion and the sustained decline in equity prices negatively impacted on trading volume. This was balanced by increased trading in the debt securities market, largely driven by the international demand for highly rated Australian sovereign bonds. Whilst contracting over the year, the equity and debt capital markets continued to provide funding to Australian businesses. In the debt capital market, issuance was boosted by the new covered bond market and the resurgence of the retail bond market.

Industry Prospects

Prospects for the industry will be affected by a number of key policy and market developments that are currently at the forefront. This includes domestic reforms to the regulation of over-the-counter (OTC) derivatives that mirror international developments on central counterparty clearing; continuing reforms to the exchange market to support a multi-market operator environment; reforms to the regulation of retail financial markets and products, particularly in relation to the provision of financial advice; an increased focus on industry standard development; and new market opportunities including an emissions trading market and a retail government bond market.

1. The Economy

1.1. Economic Growth

The Australian economy continues to grow strongly, with gross domestic product (GDP) up 3.4 per cent, compared to a growth rate of 1.9 per cent the previous year. The stronger than expected growth in the economy was underpinned by robust household consumption, record levels of business investment attributable to the ongoing boom in the resources export sector, and the continued strength of the economies of Australia's key trading partners, particularly in the Asian region.

Table 1

Economic Conditions and Outlook

Fiscal year – 12 months to end-June	2008-09	2009-10	2010-11	2011-12	2012-13#
Economic growth (GDP, %)	1.4	2.3	1.9	3.4	3.8
Household consumption growth (%)	0.1	2.5	3.1	3.7	3.5
Business investment growth (%)	2.3	(5.1)	6.1	22.1	14.5
Balance of payments					
Current a/c deficit (% of GDP)	3.0	4.3	2.3	2.8	5.3
AUD/USD (year-end)	0.8114	0.8523	1.0739	1.0191	n/a
Inflation (yearly growth, %)					
- Consumer price index	1.5	3.1	3.6	1.2	3.0
- Underlying rate of CPI	2.5	2.9	2.5	1.9	n/a
Employment growth (yearly growth, %)	0.3	2.9	2.0	0.4	1.8
Unemployment rate (June, %)	5.9	5.2	5.0	5.3	4.5
Wage price index (yearly growth, %)	3.8	3.1	3.8	3.7	4.3

Forecast average year outcome for each item; from the Commonwealth (Federal) Government Economic Outlook.

The robust economic activity over the year was notwithstanding heightened volatility in global financial markets as a result of fiscal and banking problems in the euro area. The direct exposure of Australian banks to the euro area remains comparatively small, and banks are in a better position now, relative to the pre-2007 financial crisis period, to deal with potential disruptions to wholesale funding markets. Australian banks have substantially strengthened their capital, funding and liquidity positions over the past few years. The ability of Australian banks to increase their debt issuance within the period of global market volatility earlier this year, in mostly unsecured form, is evidence of the strength of the financial system.

The strong growth of the Asian region continues to provide stimulus to the Australian economy. The strong performance of Australia's major trading partners in the region has supported high commodity prices and boosted the export market for Australian commodities, notably iron ore and coal. Whilst the strength of the resources sector has supported economic growth over the past year, the strong level of output masks some unevenness in the economy. While some sectors are performing well due to spill-over effects from the resources boom and increased domestic demand, other sectors exposed to international competition are reporting weaker conditions due to the strength of the Australian dollar. In other sectors, such as manufacturing, the weaker performance over the year is reflective of broader long-term structural changes in the economy.

The Australian Government has forecasted a GDP growth rate of 3.6 per cent for 2012-13. More recent economic forecasting by the Reserve Bank of Australia projects economic growth at a more conservative rate of 2.5 – 3.5 per cent for both 2012-13 and 2013-14. This is consistent with expected global economic growth to be at average levels for the remainder of 2012. The more conservative economic outlook is also responsive to recent downward revisions to growth forecasts for many economies in recent months, and takes into account the dampening effects for the Asian region from below trend growth in Europe and the United States. The continued strong growth of the Australian economy will be supported by the expansion of a number of non-resource sectors, including health care and social assistance and professional scientific and technical services, which have displayed strong growth over the year.

Graph 1

Source: Reserve Bank of Australia

There are downside risks to this forecast, particularly in relation to persistent economic and financial problems in the euro area. The forecast is based on an assumption that financial market volatility will remain high, but severe economic and financial disruptions will be avoided. Any adverse shock to global demand will dampen the outlook for Australia's commodity exports. However, the recent improvement in global market sentiment in response to the announcement by

European authorities of a sovereign bond purchase program and plans for a more closely integrated regional financial regulatory structure reduces this downside risk. In addition, growth in Australia's major trading partners, predominantly in Asia, is forecasted to be almost a percentage point above global growth in 2012 and 2013 (see **Graph 1**). As well, key domestic economic fundamentals remain favourable, including the low rate of unemployment and strong fiscal position.

1.2. Political Developments

Since the last election of federal Parliament in August 2010 when neither of the major parties won a sufficient number of seats to form government, a minority government led by the Australian Labor Party has presented a unique political environment for Australia. The need for the Labor Government to make policy decisions through a coalition including a minor party and several independent Members of Parliament creates additional complexity to the policy making process. The next election of federal Parliament is scheduled to be held no later than 30 November 2013.

A major policy issue has been the imposition of a price on carbon, which was introduced in July 2012. A carbon (emissions) trading market has been the subject of political debate for a number of years. The Government's carbon trading scheme has now been finalised, with the current fixed carbon price to be transitioned to a floating price under an emissions trading scheme in 2015.

Several other key policy issues include ongoing business tax reform; the continued implementation of reforms to enable equities market exchange competition; new reforms affecting the provision of financial advice to retail clients; and significant consultations on reforms to financial market infrastructure, including around the regulation of clearing and settlement facilities and central clearing counterparties.

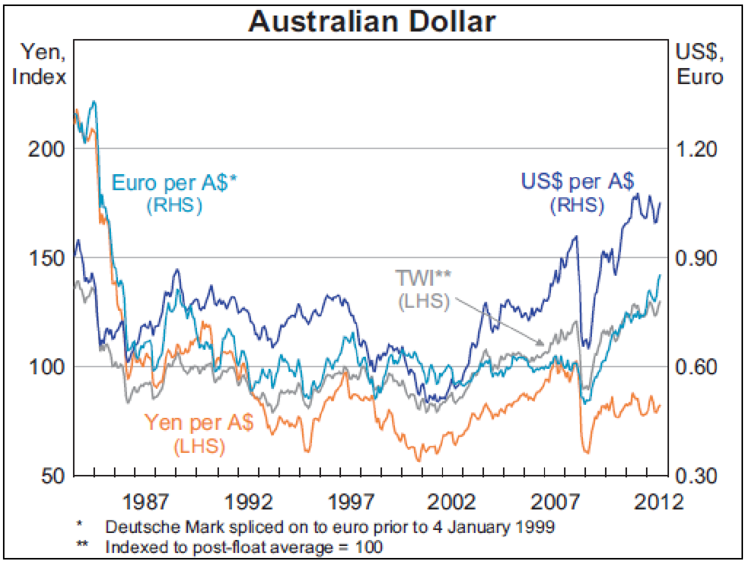
1.3. Exchange Rates

The Australian dollar, which has been trending down over the year, has been trading at historically high rates over the past few years (see **Graph 2**). The Australian dollar reached a new post-float high against the US dollar at a rate of 1.1081 in July 2011. Since then, the Australian dollar has traded within a wide range, and has moderated somewhat to be down about 7 per cent.

Against other major currencies, the Australian dollar has depreciated 2 per cent against the Sterling; 7 per cent against the Renminbi; and 6 per cent against the Yen. On the contrary, the Australian dollar has appreciated 10 per cent against the Euro. On a trade-weighted basis, the Australian dollar is down 2 per cent.

The strength of the Australian dollar has persisted despite a general deterioration in global economic outlook and a fall in key commodity prices over the year. The strong currency has been supported by high international demand for highly rated Australian dollar denominated securities, particularly Australian sovereign bonds.

Graph 2



Source: Reserve Bank of Australia

1.4. Consumption and Investment

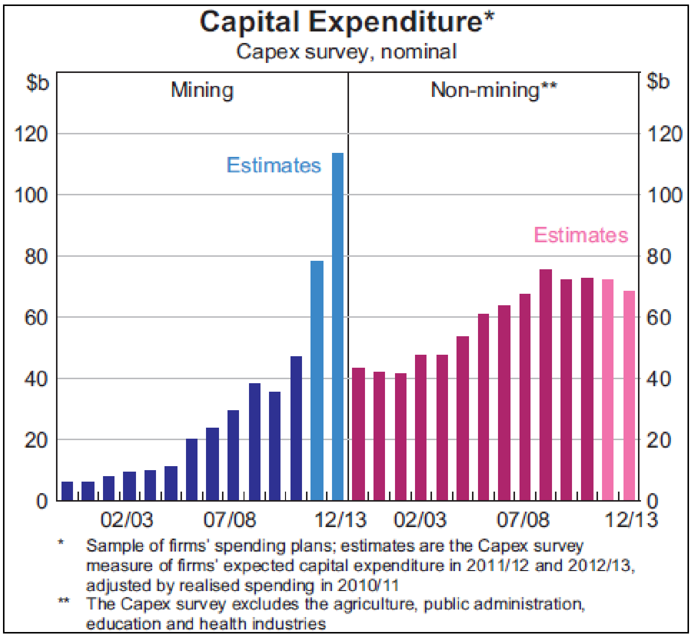
Private household consumption is estimated to have grown by 3.7 per cent in 2011-12, up from 3.1 per cent the previous year. This is the strongest household consumption growth since the global economic downturn in 2008, and follows several years of weak activity. Buoyant consumption activity was underpinned by discounting in the retail sector, driven by increased competition, and ongoing growth in household disposable income. A fall in mortgage interest rates, due to easing monetary policies, and modest inflation rates have contributed to an overall increase in household disposable incomes. This has enabled increased consumption to occur while maintaining household savings rates well above the levels recorded in the 1990s and early 2000s.

Household consumption growth is forecast to remain robust at 3.5 per cent in 2012-13, supported by conservatively geared households, a low unemployment rate and continued strength in disposable incomes.

Business investment is estimated to have grown 22.1 per cent, up from 6.1 per cent the previous year and a contraction of 5.1 per cent in 2009-10. Business investment growth was led by the resources sector; in particular, mining investments increased by over 70 per cent through the year.

Business investment growth is forecast to moderate to a still robust rate of 14.5 per cent in 2012-13. Over this period, the resources sector is expected to invest a record $120 billion and new business investment as a proportion of GDP is expected to reach the highest levels on record. This level of activity masks variable conditions across sectors, with the mining and transport industries signalling strong investment intentions, and the construction, manufacturing and retail industries signalling weaker investment intentions (see **Graph 3**).

Graph 3



Source: Reserve Bank of Australia

Business investment growth will be supported by continued business credit growth and low intermediated interest rates. Interest rates on small and large business loans are around 55 and 90 basis points below their post-1996 averages respectively.

Overall, domestic demand is expected to be supported by robust business investment growth over the next two years. The expected increases to disposable income from a strong labour market will also contribute to overall domestic demand.

1.5. Inflation

The Consumer Price Index (CPI) has recorded headline inflation over the year of 1.2 per cent, down from 3.6 per cent the previous year. Underlying inflation of 1.9 per cent is the lowest rate since the late 1990s, and is below the Reserve Bank of Australia's target band of 2 – 3 per cent. The decrease in prices of tradable commodities due to the strong Australian currency, as well as a dip in the prices of non-tradable commodities including fruit and vegetables, has contributed to the moderation of inflation over the year.

Headline inflation is projected to increase by 3 per cent in 2012-13, and underlying inflation is expected to reach the top half of the inflation target range over the year to mid-2013. Heightened inflationary pressure has recently been generated by price rises of tradable commodities, as the strength of the Australian dollar has waned, and the introduction of the carbon price in July 2012.

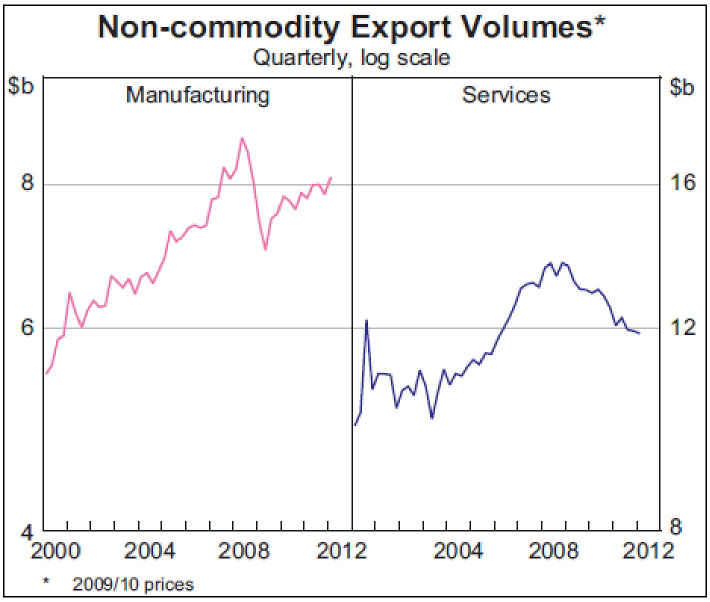
1.6. Government Finance, Balance of Payments and the Labour Market

The Australian Government budget deficit is forecasted to shift from 3 per cent of GDP to a budget surplus of 0.1 per cent in 2012-13. The strong fiscal position of the Australian Government is underscored by a conservative net debt position of 9.6 per cent, which compares to a forecasted average net debt position for major advanced economies of around 93 per cent. The return to Budget surplus is estimated to subtract around 0.8 to1.5 per cent from growth in real GDP in 2012-13, which will need to be picked up by private demand.

Over the year, exports have grown strongly at 7.4 per cent (by value). A fall in the export of services over the year, due to the high exchange rate, was offset by the recovery of coal exports following weather related disruptions to production in early 2011. Manufacturing exports also performed strongly over the year (see **Graph 4**).

The value of imports grew at an even stronger rate, at 14.5 per cent over the year. The strength of import growth is largely due to an increase in capital imports, of over 31 per cent, that has underpinned investment growth in the resources sector. The strength of imports has pushed the current account deficit up slightly by 2.8 per cent of GDP, compared with 2.3 per cent the previous year.

Graph 4



Source: Reserve Bank of Australia

Australia's terms of trade peaked in September 2011, but fell in conjunction with a drop in commodity prices due to a softening outlook for global demand. The RBA Index of Commodity Prices is down by nearly 15 per cent over the year to September 2012. Further declines in the terms of trade are expected over coming years, reflecting increased productive capacity for bulk commodities in Australia and elsewhere. Nevertheless, the terms of trade is expected to remain at historically high levels within the near term, supported by continued growth of emerging market economies in the Asian region.

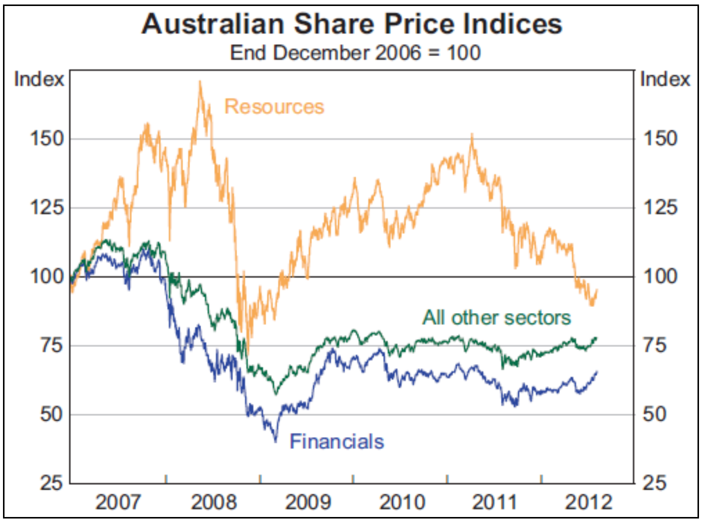
Employment grew by 0.4 per cent over 2011-12, compared with 2 per cent the previous year. Reflecting output differentials in different sectors of the economy, employment growth was strong in resource-related industries and weak in manufacturing, hospitality and building construction. In the mining industry, employment grew by more than 25 per cent over the year, and overall, by over 50 per cent since late 2008. Certain services industries, including business services and household services, have also contributed to employment growth. The slight narrowing of employment growth mirrored a rise in the unemployment rate from 5 to 5.3 per cent, which is still low by historical standards. Over the past 30 years, there have been only 4 years in which the unemployment rate has averaged below 5.25 per cent. Consistent with surveys indicating moderate hiring intentions, employment growth is forecast to increase by 1.8 per cent in 2012-13.

2. Outline of the Securities Markets

2.1. Price Trends of Equities

Equity prices on the Australian Securities Exchange (ASX) trended downwards over the year, in line with the performance of other major markets, as the situation in Europe and concerns over global growth prospects weighed on investor sentiment. The S&P/ASX All Ordinaries was down 11.3 per cent, compared to 13.2 per cent in Hong Kong, 7.8 per cent in Singapore and 6.3 per cent in the United Kingdom. In contrast, equity prices in the United States rose 3.1 per cent. Losses on the Australian share market have generally been greater than on overseas markets due to the high domestic weighting of the resource sector, which has been responsive to more pessimistic expectations around global demand (see **Graph 5**). Volatility, as measured by the S&P/ASX 200 VIX averaged 23.3, up from 18.6 the previous year.

Graph 5



Source: Reserve Bank of Australia

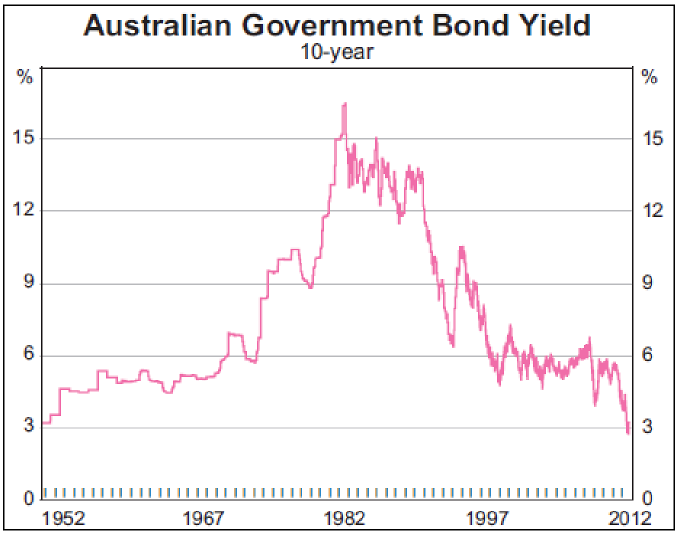
In the near to medium term, equity price outcomes will be balanced by a number of countervailing factors. On the one hand, Australian corporates have deleveraged since the onset of the financial crisis and their balance sheets remain healthy and conservatively geared. The more conservative management of risk, as well as the below average price-earnings ratio for Australian shares, should be favourable towards equity prices. On the other hand, analysts have recently scaled back their earnings expectations. Together with the weaker global economic data, these factors are continuing to put downward pressure on equity prices.

2.2. Trends in Interest Rates

Over 2011-12, the Reserve Bank of Australia reduced the cash rate on four occasions by 25 basis points each. The Reserve Bank recently decided to further reduce the cash rate by 25 basis points in October, which brings the cash rate to 3.25 per cent.

In the short term money market, the spread between the Bank Bill Swap Reference Rate (BBSW) and Overnight Index Swaps (OIS), which is often viewed as a measure of Australian bank funding pressures, widened substantially in August 2011. This was not a direct result of funding pressures, but rather was reflective of moves and volatility in OIS due to market flows and anticipation the Reserve Bank would ease monetary policy in response to the poor global outlook and broader market turmoil. Following the volatile August period, the spread between BBSW and OIS have narrowed to its more normal 25 to 35 basis point band, attesting to the general strength and liquidity of the short term debt market. The money market, despite periods of financial market volatility over the year, remained relatively stable over this time.

Graph 6



Source: Reserve Bank of Australia

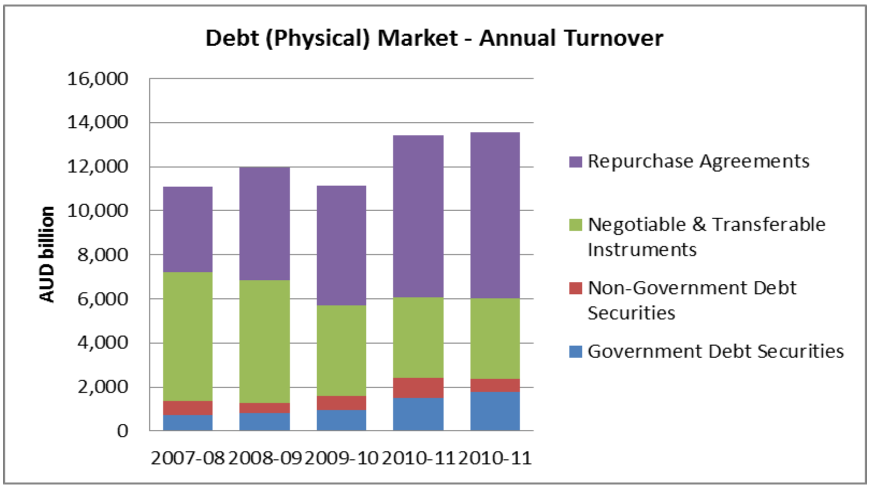
In the bond market, yields for Australian sovereign bonds, Commonwealth Government Securities (CGS), have fallen to their lowest levels in more than 50 years (see **Graph 6**). The yield for 10 year CGS dropped from 5.2 to 3 per cent, and from 4.8 to 2.3 per cent for 3 year CGS. Over the year, the AAA status of the Australian Government began to emerge as a key factor in driving offshore demand. With the ongoing crisis in Europe and consequent sovereign downgrades, strong demand for a limited supply of highly rated assets drove yields down at a faster rate than would otherwise be expected from purely domestic economic conditions.

At end-March, about 77 per cent of the stock of Commonwealth Government Securities on issue was held by non-residents. This shift in investor base has not been reflected in other Australian dollar denominated debt, and so there has been a resultant widening of yield differential between CGS and other Australian debt securities.

2.3. Activity Levels in the Markets for Stocks and Bonds

The volume of cash equities trading on the ASX has been relatively subdued over the year, with total turnover of $1.2 billion down 11.5 per cent from the previous year. While the daily average number of trades of 655 000 was up 14.9 per cent over the previous year, a 23 per cent reduction in the average trade size underscored the overall weaker level of activity. The weak trading environment can be attributed to macro factors and in a shift in asset allocation from equities towards fixed income and cash. Greater risk aversion by retail investors saw a contraction in household direct holdings of equities from 18 per cent in 2007 to 8.5 per cent in March 2012.

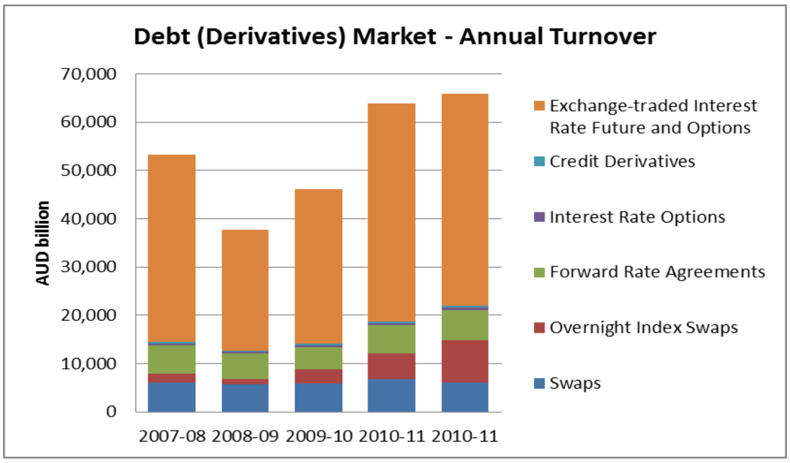
Graph 7



Source: Australian Financial Markets Association

On the other hand, in the debt securities market (cash and derivatives), turnover increased 3.1 per cent with $79.6 trillion transacted over the year. The strong trading activity over the year was underpinned by strong volumes in the over-the-counter (OTC) government securities market (see **graph 7**). Strong offshore demand for Commonwealth government debt securities saw a total market turnover of $974 billion; up by 41.2 per cent from the previous year. The liquidity ratio in Commonwealth government debt securities market, measuring turnover as a proportion of value outstanding, consequently rose from 4.3 to 4.7. In contrast, turnover in the OTC non-government debt securities market was down 35 per cent over the year, with falls in trading of corporate securities and bank securities accounting for over three-quarters of the total drop.

Graph 8



Source: Australian Financial Markets Association

The exchange-traded market for interest rate futures and options, with a market turnover of $43.9 billion, contracted slightly by 2.9 per cent over the year (see **graph 8**). Other debt market derivatives traded in the OTC market recorded high levels of turnover growth; trading of OIS was up 63.8 per cent, interest rate options by 47.3 per cent, and credit derivatives by 29.7 per cent.

2.4. Activity Levels in Equity and Debt Capital Markets

Although down 42.6 per cent from the previous year, listed markets continued to provide capital to Australian businesses including 99 initial public offerings (IPOs) with total capital raisings, including scrip-for-scrip, of $50.6 billion. The substantially weaker primary market activity is attributable to a fall in mergers and acquisitions activity and low equity prices.

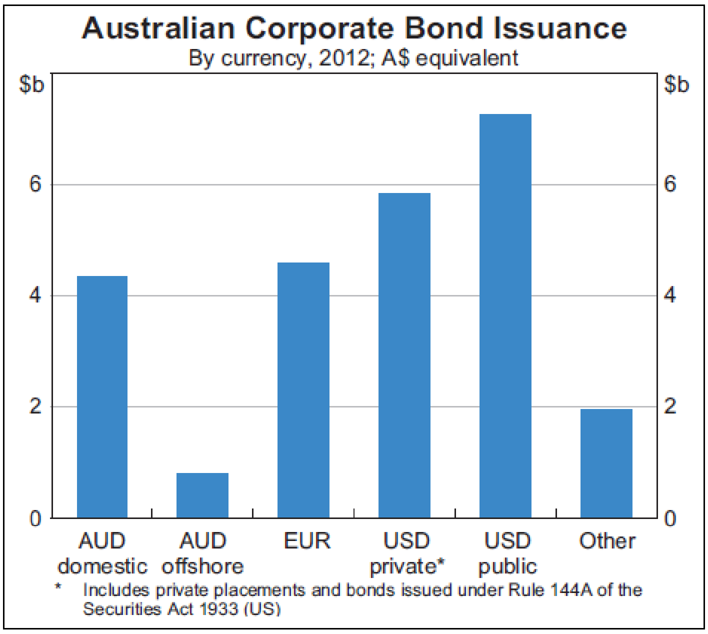
Total capital raised through 99 IPOs, compared with 160 the previous year, was $10.2 billion. The majority of domestic floats were in the mining sector, with over 40 companies joining the materials sector. The largest listing was Centro Retail Australia, a real estate investment trust which had a market capitalisation in December 2011 of $2.3 billion.

Secondary capital raisings, totalling $40.4 billion, were dominated by the financial sector. As at end-June, a total of 2074 companies listed on the ASX provided a market capitalisation of $1.3 billion, down 12.1 per cent from the previous year.

In the debt capital market, the year was characterised by continued issuance by both the federal (Commonwealth) and state governments. The federal Government issued $114 billion of debt securities over the year, down slightly from $119 billion issued the previous year. This brings the total amount on issue at end June 2012 to $445 billion. The Australian Government is projecting net issuance of only $9 billion Treasury Bonds in 2012-13 as the fiscal balance heads back to surplus. This decline in supply will potentially raise issues for the market, particularly within the context of regulatory changes mandating increased bank holding of liquid assets.

In the non-government debt capital market, continued market volatility resulted in issuance being dominated by high quality borrowers, with top tier corporates and the 4 major banks leading issuance. For example, the 4 major banks accounted for 70 per cent of total issuance by the financial sector, up from 50 per cent from the previous year. The financial sector dominated issuance, accounting for over 80 per cent of non-government debt issuance totalling $39.5 billion. Issuance in the financial sector was boosted by changes to the law that enabled banks to issue covered bonds for the first time in late 2011. In the first half of 2012, approximately $12 billion was raised through the covered bond market. In the corporate sector, highly rated issuers have accessed offshore markets at an increasing rate over the past year (see **Graph 9**).

Graph 9



Source: Reserve Bank of Australia

Of the $194.6 billion corporate debt issuance outstanding as at June 2012, over 76 per cent was issued offshore. Offshore markets, such as the US private placement market, have a larger investor base and tend to accept longer tenors than the domestic market. The debt capital market has also been supported by increased issuance of retail bonds, with $9.7 billion issued in 2011-12 compared to $1.1 billion the previous year. The retail investor portfolio has traditionally been equities heavy, and the resurgence of the retail bond market is reflective of government efforts over the past few years to remove the equities bias in retail investment.

Table 2

Australian Non-government Bonds Outstanding

	Outstanding ($ billion)		Share (percent)	
	Jul 08	Jul 12	Jul 08	Jul 11
Financials	855.7	835.0	65	65
Asset-backed	218.9	111.0	17	9
Corporates	137.5	194.6	10	15
Kangaroo	109.1	140.8	8	11
Total	1321.2	1281.4	100	100

Source: Reserve Bank of Australia. Data include short and long term debt issues.

3. Prospects for the Securities Industry

A wide range of regulatory and taxation factors will help to shape the evolution of financial markets over coming years. This section of the report briefly identifies some of the more significant developments in this regard.

3.1. OTC Derivatives Market Reform

The OTC derivatives market is going through a period of major structural reform which will have far reaching consequences for the way it works and evolves into the future. Since the 2008 crisis, regulators have proposed a number of initiatives aimed at making the market safer. Key regulatory influences on the global market are the Dodd-Frank Act in the US and the European Market Infrastructures Regulation (EMIR) in Europe, coupled with changing Basel Committee capital rules for the treatment of OTC derivatives.

In Australia over the last year there has also been intense work done by the Government that resulted in the development of a framework for implementing Australia’s G20 OTC derivatives commitments. This framework recognises the need for a flexible regime that can cope with the rapid evolution of market infrastructure occurring around the globe and enables market participants to adopt appropriate risk management and business decisions based on cost and liquidity. The Government intends to make amendments to the law to give itself regulation making powers to prescribe a class of derivatives as subject to one or more mandatory obligations for the purposes of: trade reporting; central clearing; and trade execution. The consequences for the industry from the rapid structural change driven by regulation are potentially far reaching.

3.2. Exchange Market Reform

Since August 2010, when ASIC assumed responsibility for direct supervision of Australia’s equities and futures markets, previously a function of the ASX, the industry has been working with the Regulator to bed down market integrity rules that would apply to a multi-operator market environment. The transfer of market supervision has been necessary to allow competition in the form of additional equity market operators. The bulk of the market integrity rules were finalised over the past year, including on extreme price movements, best execution, pre-trade transparency, post-trade transparency and general obligations for market operators and market participants. Importantly, the Government has implemented industry cost recovery for ASIC’s supervision of real-time trading on Australia’s licensed markets, which has increased the cost of market supervision by over fourfold. The growing regulatory and operating costs in recent years, in combination with the contraction in market activity and intense competition, has created significant margin pressures for the broking industry.

In line with developments internationally, ASIC is now considering the appropriate regulation of high frequency trading and the regulation of trading in the unlit market. In its consultations with ASIC, AFMA has cautioned the Regulator to base any regulatory proposal on a proper needs analysis that identifies the area of market failure that needs to be addressed by new regulation.

3.3. Regulation of Retail Financial Markets

Over the year, the Government has introduced a package of reforms on improving the quality of financial advice and expanding the availability of more affordable forms of advice. The key reforms include a ban on conflicted remuneration structures, including commissions and volume payments, as well as a requirement for advisers to obtain client agreement to ongoing advice fees every two years.

These reforms could potentially have affected remuneration structures in the broking industry and the capital and equity raising markets. AFMA was an active participant in the Government consultation and worked hard to ensure that remuneration structures in the wholesale markets will not be encompassed by the reforms, and that "execution only" activities where there is no advice provided by a broker to a retail client in relation to the acquisition or disposal of a product will also not be included.

3.4. Industry Standards Development

AFMA's experience over many years is that industry standards can provide important benefits to users of financial markets including greater operational efficiency, cost savings and better regulation. For instance, well-crafted best practice guidance by the industry can give better outcomes for users of financial market users than would the imposition of formal rules by a regulator.

The range of AFMA standards has widened over recent years, with initiatives being undertaken on a number of fronts to meet the expectations of members and regulators. Over the year, AFMA has developed two new industry standards:

- Best Practice Guidelines for Handling Confidential and Price-sensitive Information and Market Soundings; and
- Principles for the Approval of New Structured Products.

These industry standards complement the extensive range of market conventions that AFMA develops on front and back office trading processes and procedures for Australia's OTC markets.

3.5. Developing New Markets

Over the year, the Government's plan to establish a broad-based emissions trading scheme in Australia was finalised. In July 2012, a fixed carbon price (tax) was introduced, which will be transitioned to an emissions trading scheme in

2015. A cap-and-trade scheme will involve the setting of a carbon limit by the Government, and the issuance to polluters of tradable permits up to the limit. The Government has recently announced that the Australian trading scheme will be linked with the European Union's Emissions Trading Scheme, the largest in the world. Such international linkage will improve price certainty and market-depth.

Over the year, the Government has also made changes to the law to permit retail investors to trade Commonwealth Government Securities (CGS) directly on an exchange-traded market. In Australia, the secondary CGS market has been limited to wholesale investors. This initiative is part of the Government's broader agenda of developing a liquid corporate bond market, as retail trading of CGS is expected to give investors a more visible pricing benchmark for corporate bonds. Retail trading has not yet commenced, with the market integrity rules regulating such trading yet to be finalised.

3.6. International Engagement

The growing influence of international standards and principles as well as the extra-territorial reach of new legislation in the US and Europe has heightened the importance of international engagement on policy issues affecting the Australian market. Over the year, AFMA represented the Australian financial services industry on key international regulatory matters, including the US Foreign Account Tax Compliance Act, the US "Volcker rule" and Dodd-Frank Act, the European Market Infrastructures Regulation, and the IOSCO consideration of high frequency trading.

*****