



Australian  
Competition &  
Consumer  
Commission

GPO Box 3131 Canberra ACT 2601  
23 Marcus Clarke Street Canberra ACT  
tel: (02) 6243 1111 fax: (02) 6243 1199  
www.accc.gov.au

# NEWS RELEASE

## ACCC CLEARS PROPOSED ACQUISITION OF ASX BY SINGAPORE EXCHANGE

The Australian Competition and Consumer Commission today announced it will not oppose the proposed acquisition of ASX Limited (ASX) by Singapore Exchange Limited (SGX).

The ACCC reviewed the proposed acquisition under section 50 of the *Trade Practices Act 1974*, which prohibits mergers that would have the effect of substantially lessening competition in a market.

In Australia, SGX does not compete with ASX for trading, clearing or settlement services. ASX and SGX do compete for listing services, but only to a limited extent. The key focus of the ACCC's investigation was whether the proposed acquisition would deter the entry of Chi-X Australia Pty Ltd (CXA) or Chi-East, because of a joint venture agreement which SGX has with Chi-X Global (CXG).

SGX has a 50-50 joint venture with Chi-X Global to establish Chi-East. Chi-East plans to offer an offshore "dark pool" that will list ASX listed securities. Dark pools provide electronic trading in securities where buy and sell orders are not transparent to the market. Investors typically prefer to conduct trading in the dark when they are trading large volume of shares, as pre-trade transparency may result in price movements before the trade is completed. CXG's wholly owned subsidiary CXA plans to establish a lit trading venue in Australia which would compete with ASX. All buy and sell orders are transparent on a "lit pool".

"The ACCC found that the joint venture relationship between SGX and CXG would not alter CXA's incentives to establish a lit trading venue in Australia and noted that SGX has no economic interest in CXG," ACCC chairman Graeme Samuel said.

"Given SGX's 50 per cent ownership in Chi-East, the ACCC considered that the proposed acquisition may alter the economic incentives of Chi-East to compete with the merged entity. However, the ACCC found that the extent to which Chi-East and the ASX would compete in relation to dark pool trading services is limited. Market inquiries indicated that dark pools which are located offshore are unlikely to compete with dark pools located in Australia. Further, there are a number of dark pool providers who would continue to constrain a merged ASX/SGX."

Market inquiries raised some concerns about access by third parties to the ASX's market data, clearing and settlement facilities for the purpose of providing competing platforms for the trading of ASX-listed shares.

ASX is currently the incumbent trading platform for shares traded on the ASX and is also vertically integrated into the provision of clearing and settlement services. The ACCC understands that in order for a third party to compete against ASX for the trading of ASX-listed shares, that third party requires access to clearing and settlement services.

For personal use only

"For the ACCC to oppose a merger, it must substantiate a lessening of competition that results from the proposed acquisition itself. The ACCC found that the proposed acquisition was not the cause of the concerns about access," Mr Samuel said.

After extensive inquiries with a range of market participants, the ACCC concluded that the proposed acquisition was unlikely to result in a substantial lessening of competition.

**Media inquiries**

**Mr Graeme Samuel, chairman, (03) 9290 1812 or mobile/pager 0408 335 555**

**Ms Lin Enright, director, media unit, (02) 6243 1108 or 0414 613 520**

**General inquiries**

**Infocentre: 1300 302 502**

**NR 268/10**

**15 December 2010**

For personal use only