

JPX-JFSA Joint Conference
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CAPITAL MARKETS CRC



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www.cmcr.com

CMCRC – Who are we?

- One of Australia's 40 national research centres
- Funded equally by the Federal Government (\$28m), Universities and Industry
- Industry partners
 - **Exchanges:** Nasdaq-OMX, NYSE-Euronext, Australian Securities Exchange, Chi-X, Singapore Exchange
 - **Regulators:** ASIC (Australia), FCA (UK), SFCHK(Hong Kong), OSC (Canada)

Technology Solutions

Our research has delivered a number of technological solutions and products for industry:

- Reuters Tick History Service
- SMARTS Market Surveillance (Finance)
- HiBiS and I+Plus (Health)
- AcAS (Accounting and Audit Surveillance)
- Computable News (ingestion of Unstructured to improve decision making)
- MQ Dashboard (Market Quality Assessment)

The Mandate of Securities Regulators

World Regulators

- SEC (US): “protect investors, maintain **fair**, orderly, and **efficient** markets, and facilitate capital formation”
- FSA (UK): “promote **efficient**, orderly and fair markets”
- OSC (Canada) – “To provide protection to investors from unfair, improper, or fraudulent practices and to foster **fair** and **efficient** capital markets and confidence in capital markets.
- FSA (Japan) – the establishment of **fair** and transparent financial markets
- SESC To ensure **integrity** of capital markets and protect investors.
- CRSC – ...safeguarding the **fairness**, openness and equitableness of the capital market....

Local Regulators

- ASIC (Australia): “a fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers”
- MAS – “To promote fair, efficient and transparent markets...”
- Thai SEC - to supervise and develop the Thai capital market to ensure efficiency, fairness, transparency and integrity.
- SC Malaysia – to promote fair, efficient, secure and transparent securities and derivatives markets,

IOSCO

- The three core objectives of securities regulation are:
 - The protection of investors;
 - Ensuring that markets are fair, efficient and transparent;
 - The reduction of systemic risk.

Optimal market design – the ‘Market Quality Framework’

MARKET ELEMENTS & STRUCTURE	MARKET QUALITY (FINANCE)	MARKET ADVANTAGE COMPARISON
<ul style="list-style-type: none">▪ Technology▪ Regulation▪ Information▪ Participants▪ Instruments	<p>EFFICIENCY</p> <ul style="list-style-type: none">▪ Transaction costs▪ Price discovery <p>INTEGRITY</p> <ul style="list-style-type: none">▪ Insider trading▪ Market manipulation▪ Broker/client conflict	<p>Competitive Advantage is defined as having the appropriate combination of market elements that maximise efficiency and integrity</p>

“ In the Context of accepted regulatory mandates a market design change should enhance (and certainly not detract from) either *Efficiency* or *Integrity*. ”



**AUSTRALIAN
SECURITIES EXCHANGE**

**MESSAGE TRAFFIC TAX
EFFECT ON HFT**

Japanese Equity Market



**EFFICIENCY AND INTEGRITY RELATIVE
TO OTHER MARKETS IN ASIA/WORLD**