



CCZ Statton Equities

Stockbrokers

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Mr Jim Murphy
Executive Director
The Treasury
Langton Crescent
Parkes ACT 2600
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Dear Mr Murphy

It is our understanding that the Council of Financial Regulators will be making a decision soon on whether to introduce a second clearing facility for Australian cash equities.

As a mid-tier, fiercely independent and Australian owned Stockbroker and Trading Participant of the ASX, CCZ Statton Equities is concerned about the likely costs and workload that we will incur as a result of this change. Recent regulations compelling us to shoulder additional time, effort and significant costs to become Chi X compliant have left us wary of future amendments that also appear to provide no net benefit to any parties involved. While the ASX trading fees did come down, we now face much higher technology and regulatory costs that we have to carry ourselves as we are unable to pass these on to our customers. A simple fact that appears to have been missed in the public debate around market reforms is that we, the intermediaries are price takers. The industry is so competitive that no stockbroker is able to increase their charges to the end client for fear of losing business to their competitors. Stockbroking is a commodity market where the charges are determined by the clients - brokers have simply had to shoulder additional regulatory costs themselves.

Unlike large offshore investment banks, CCZ is owned and funded by its principals and do not have highly remunerated personnel – perhaps dispelling another myth that stockbroking is a path to easy wealth. We employ 20 staff across offices in Sydney and Melbourne. The 2012 financial year was the worst in our 13 year history where we incurred our first ever financial loss. In an effort to avoid redundancies, we imposed voluntary salary cuts. Thankfully our staff agreed to the sacrifice enabling us to continue to operate. Trading volumes in the Australian market are already at low levels and with an uncertain economic climate ahead, we are naturally more concerned than ever about additional unnecessary cost imposts.

We believe that any change to the market structure for clearing needs to be considered very carefully, taking into account the interests of all brokers and their clients. We would argue that the current clearing arrangements operated under the purview of the ASX has been very successful to date. As such, we do not consider that a change will provide us with any benefits and will more likely result in yet further costs (technical and otherwise) by having to clear through multiple parties.

We cannot speak for other mid-tier brokers, but suspect that they would look at this in very much the same way.



I hope that you consider our views as you make a decision on the future of our markets and our business. Please feel free to contact me at any time to discuss the issue further.

Regards,

David Hofman
Director and Principal