

Submission 201324

10 May 2013

## **ASFA SUBMISSION: CONSULTATION PAPER 202, DARK LIQUIDITY AND HIGH FREQUENCY TRADING: PROPOSALS**

The Association of Superannuation Funds of Australia (ASFA) welcomes the Proposals set out in the Consultation Paper and broadly supports efforts that promote capital market efficiency and quality.

Historically ASFA members outsourced investment related activities to asset managers, custodians and asset consultants. More recently, the operating models of several larger Registrable Superannuation Entities (RSEs) have changed and many investment related functions have been insourced, thereby bringing the RSE closer to the actual assets and the trading and valuation activities associated with these assets.

ASFA's view is that the new regulations surrounding Dark Pools are welcome. Operators will have to pay attention to minimum size thresholds where dark liquidity exceeds a percentage that is deemed detrimental to prices. The proposal to reduce the tick size for lower value stock will take away some incentive to trade in Dark Pools as the spread will not be as large as before on lit exchanges.

### **Recommendations**

- Dark Pools, ASFA recommends that
  - ASIC amend the Market Integrity Rules to implement a minimum size threshold for dark orders for a security or group of securities.
  - ASIC should consider a pilot on reduced tick sizes for constrained equity market products.
- HFT: ASFA recommends that
  - ASIC makes new and amended Market Integrity Rules to address excessive messaging, market noise and manipulative trading.