NSX LIMITED

Newcastle
Level 2, 117 Scott Street, Newcastle NSW, 2300
PO BOX 283, Newcastle, NSW, 2300
P: +61 2 4929 6377
F: +61 2 4929 1556
Melbourne
Suite 1.2, 415 Riversdale Road,
Hawthorn East, VIC, 3123
P: +61 3 9001 0300
F: +61 3 9001 0311
Sydney
Level 34, 50 Bridge Street,
Sydney, NSW, 2000
P: +61 2 4921 2450
F: +61 2 4929 1556
www.nsxa.com.au
www.simvse.com.au

Incorporating
NSX Limited
ABN: 33 089 447 058
National Stock Exchange of Australia Limited
ABN: 11 000 902 063
SIM Venture Securities Exchange Limited
ABN: 41 087 708 898

MARKET RELEASE

CEO Address to shareholders - Emlyn Scott

Annual General Meeting Held at 11.00am on Thursday, 17 November 2011.

Thank you Michael and good morning ladies and gentlemen.

While I have only been with NSX for little over a month now I felt it was important to give you some background on who I am, what I have found at NSX, the markets in general and how I see NSX's future.

Prior to starting at NSX I was living in the United Kingdom where I spent the past 13 years. I have been fortunate to experience firsthand the dramatic changes that European equity markets have witnessed in recent years. This included the introduction of equity clearing, central counterparty (CCP) netting, MiFID, new multilateral trading facilities (MTFs) and clearing entrants and the ensuing fierce competition, various predatory and strategic mergers and acquisitions, Lehman's default and interoperability. Many of which will become a part of the Australian marketplace.

I spent the last 9 years at LCH.Clearnet Ltd, the world's largest independent clearing house, in London where I was responsible for the design and implementation of the world's first combined equity and CFD service with Chi-X Europe and other numerous equity clearing services. I worked with markets including the London Stock Exchange, Chi-X Europe, SIX Swiss Exchange, Equiduct and Plus Markets.

I believe I am uniquely placed to navigate NSX through and capitalise on the dramatic changes that we are already beginning to see in Australia. Changes that are likely to become more frequent and more dramatic. I also believe that NSX is in an enviable position to take advantage of this rapidly evolving marketplace.

It is true that not all change is good and it has correctly been pointed out by others that Australia's financial markets are in an fortunate position because we can learn from the successes and problems of overseas as we transition to a more competitive and fragmented market. I am however somewhat alarmed that many of the influential market commentators prefer to lay the blame of certain market issues on current or potential competition and even claim problems where they do not exist, rather than give a more balanced and realistic account.

Contrary to the empirical evidence, statements such as "Increased volatility and flash crashes are an inevitable consequence of fragmentation" are pitched to the media and investing public and lead to misdirection and misunderstanding of the real causes of volatility that we should all be focused on. Is fragmentation responsible for the subprime mortgage crisis, European Sovereign Crisis with the problems in Ireland, Portugal and now Greece, and spreading potentially to Italy and Spain? America with its own debt crisis and Congress that threatened to refuse debt ceiling changes, credit rating downgrades around the globe including the US, Iceland's default, several high profile bank collapses and near collapses including Bear Sterns and Lehman Brothers, Japanese record deficits, oil spiking to nearly $150 a barrel and almost every other commodity reaching record prices, the emergence of China as an economic superpower and beginning to flex its muscles, quantitative easing 1 (QE1) and QE2, Switzerland effectively fixing their exchange rate, and most recently MF Global's collapse and so on? These are the reasons why we are experiencing volatility and flash crashes.

Let's fact check the May 6 2010 "flash Crash". For example, the CFTC-SEC May 6 report found that the Flash Crash was triggered by a 75,000 contract sell program executed by a fundamental trader hedging their existing portfolio. They did not lay the blame of the flash crash on fragmentation, but rather stated that the "interrelatedness of markets" "exacerbated" the problem. It is also worth noting that the initial sell order was a futures order that then was arbitraged into the underlying equities market, not between fragmented equity markets.

A CME press release in response to the SEC CFTC report had a different view, stating that the sell order only "represented 1.3%" of the total E-Mini volume on May 6th and that the orders were entered in relatively small quantities. They focused on the negative "prevailing market sentiment".

Research published by Kirilko, Kyle, Samadi and Tuzun, titled "The Flash Crash: The Impact of High Frequency Trading on an Electronic Market" reported that high frequency trading (HFT) may "amplify price volatility", but nowhere did it conclude that fragmentation either caused or exacerbated the volatility of the flash crash.

I think in the interest of balance we should examine the benefits that Australia's financial markets have already experienced from the recent launch of competition at the trading end via Chi-X. The ASX has:

- Almost halved its trading fee, while Chi-X has undercut this reduced fee by a further 40%
- Introduced new order types and new high frequency and dark pool trading platforms
- Upgraded its existing trading system producing latency levels that are just 1% of a year earlier

Would these, and many other improvements, have occurred without the threat of competition and fragmentation, especially at the speed that they have been introduced?

Contrary to the views of global incumbent exchanges where there has been no competition, including Australia, I do believe that the benefits vastly outweigh the negatives. Competition is the natural order in nearly all Western economies. It ensures efficiency, that innovation is common and rapidly delivered, and that those with the best services at the right prices flourish and those that offer substandard, overpriced or undemanded services don't and should not.

The equity markets are getting more sophisticated by the day. Users of the market are demanding more tailored services. One monopoly exchange cannot possibly offer all things to all people, especially at current excessive prices. It is a physical and business impossibility. And this is being evidenced by the growth of alternative trading methods.

The market is not becoming fragmented for fragmentation's sake. It is fragmenting because alternative trading methods offer particular services at prices that different users find compelling.

For example, retail users like lit markets where prices and information are clearly displayed and are less fee and spread sensitive which incumbent exchanges tailor well too. HFT however like low cost and especially maker taker pricing, with the lowest latency trading systems that execution only venues tend to offer. Buy side fund managers have found the larger trade sizes, restricted access and reduced price impact from their trades of dark pools increasingly attractive. And of course there are also internalisers and various flavours of all the above.

So where does this new found choice leave the market and what does it mean for NSX?

Well, I think we can expect that wherever there is a specific demand for a type of service of a size that makes it economically viable to solve, we should expect that solutions will be offered by the market. So fragmentation is here to stay. The days where you always go to one single market place to fulfill your buying or selling order are numbered. And so it should be, for it is clear that this does not give the market what it wants.

The result will be more choice that better suits the particular trading individual at a better price and of a better quality. As expected the incumbent exchanges will resist the changes this means for their monopolies as competition from all angles and lower prices is the enemy of any incumbent, especially a monopoly incumbent.

Regulators will have to become increasingly knowledgeable and adept at following (and predicting) the trends. They will need to create the regulatory structure that maximises the benefits that competition brings the market while preventing, as much as possible, the undesirable trends...all in a timely manner. An incredibly difficult job to be sure.

This rise in competition and fragmentation will also see the rise in importance of the software providers. It is their job to take all this fragmented information and reaggregate it back into a user friendly source that can be tailored for different brokers and end user needs. Their smart order routing (SOR) technology will play a crucial role going forward in Australia.

Again the anticompetitive intent is illustrated when one monopoly exchange asked “what type of market do we want. Do we want a market for short-term traders or long-term investors?” In other words, long term investors might not like the influences of excessive short term trading.

I think this is a fair enough question if one trade source was responsible for all trading, however, I no longer think long term vs. short term is a mutually exclusive situation. Can we have long term investors trading harmoniously alongside short term traders? Well in the world of one monopoly exchange, no, but in a fragmented world I believe we absolutely can and we are already seeing it happen.

Short term traders such as HFT will tend to migrate to platforms offering the best pricing and lowest latency systems such as the execution only venues, while long term investors will tend to migrate to places like dark pools that offer services better tailored to their needs.

So these questions cause misdirection and legacy thinking designed to slow the advent of progress and competition and keep the market thinking in terms of just one exchange liquidity source.

I also find it ironic that the same incumbent monopoly that questions short term trading has a fee model that benefits the more that short term trading occurs on their core market and is also launching their own low latency execution only venue to tailor to the short term trading community.

For NSX this competition and tailoring of services presents a golden opportunity. Unfortunately it is too early to detail our plans to take advantage of these market wide macro shifts, but we are well aware of the shifts that are occurring. I believe we are in an excellent position to take the initiative and shift our business model to neatly gel with these trends.

But before I elaborate on the areas we are investigating, it is worth taking a step back to quickly examine what I have found in my short time at NSX. It is crucial that one first looks internally to see what we do well and what we don't and then compare that to what the outside market wants us to supply.

NSX has a dedicated and solid team that has grown the business from nothing to its current form over the past 10 years. To date, NSX has been largely unrecognised by the wider investment and broking community, ignored by the media and generally received listings through incredible hard work and more flexible listing rules suitable for smaller companies.

Until now listing and trading have been joined at the hip. In other words, you listed on an exchange and it offered you a secondary market for your stock. Well, that is rapidly changing. Listing and secondary trading are becoming irreversibly split.

And that is a huge opportunity for NSX.

Furthermore, I believe NSX is also at the crucial juncture in size where it can soon present a truly viable listing alternative to the incumbent exchange, especially when we focus the business properly to take advantage of these fragmentation trends.

The long and short of all of this is that I believe you no longer need to have the most liquid secondary market on your own exchange to offer a superior listing solution. The price of a stock benefits from maximum investor interest, which is, and will increasingly be, sourced from multiple transaction venues offering different trading services. Not the old one size fits all solution.

So while other markets talk about welcoming the evolving market structure, while really resisting its progress at every turn, I believe NSX should support it. Change is here, more is coming. We must not only accept it but embrace it.

The future is specialisation, fragmentation, competition, time-to-market and value. NSX will focus on its niche and partner with other parties that offer the best of breed in their niche to create an overwhelmingly attractive value proposition to listing companies.

I would like to conclude by thanking NSX's stable and knowledgeable staff. They will help me navigate NSX's evolution, while maintaining the high quality service that our listed companies, brokers and Advisors have come to expect.

I now hand proceedings back to Michael.

Emlyn Scott
Chief Executive Officer

About NSX Limited

NSX Limited is unique in Australian Financial Markets. Holding two Australian market licences, it operates both the National Stock Exchange of Australia (www.nsxa.com.au) and SIM Venture Securities Exchange (www.simvse.com.au). As an independent market operator, NSX now has more than 110 securities representing more than $2.5 billion in market capitalisation across its two exchanges.

NSX Forward Looking Statements

This market release may contain forward looking statements that reflect the Company's current expectations regarding future events. Forward looking statements involve risks and uncertainties. Actual events could differ materially from those that may be projected herein and depend on a number of factors, foremost of which is the success of NSX in attracting listings, liquidity, brokers and advisers to its markets.