

Regulator to buy high-tech eye

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The Australian Securities and Investments Commission has gone shopping for a powerful new computer infrastructure to take over the market surveillance functions run by the Australian Securities Exchange and plans to have the system up and running by the start of the new financial year.

Documentation released on Saturday says ASIC is looking for a single supplier to design, build and deploy its new surveillance capacity in just six months, before the passage of enabling legislation in mid-2010.

The construction of ASIC's new market surveillance system follows Treasurer Wayne Swan's announcement in August that the government would strip the ASX of its surveillance functions and transfer them to the financial regulator as part of a wider consolidation of regulatory arrangements.

While the government is yet to announce whether it will allow new market operators into Australia to compete against the ASX, ASIC's technical documentation reveals the new snooping system will be built with the capacity to add on new market operators if required.

"ASIC requires the contractor to design, build, implement, test, host and support a solution that has future flexibility to accommodate multiple trading platforms/Australian market licencees," the procurement documents say.

So called "dark pool" market operators including Chi-X and Liquidnet have been agitating to be allowed to enter the Australian market to compete against the ASX on the basis the company holds too much market power, to the detriment of investors.

But the ASX has strenuously defended its dominant position and argues it is best placed to provide secure and reliable services at a reasonable price because of its scale.

Just how much ASIC's system will cost taxpayers is unclear.

While most government technology projects have funds allocated to them in the federal budget, the announcement of ASIC's new surveillance role has not pushed the government to say how much it intends to spend on the new system.

The Australian Financial Review revealed in 2006 ASIC was looking for new technology to perform markets surveillance after it approached the market for similar technology. However, the regulator at that time denied it was planning a takeover of the ASX's surveillance duties.

That system was intended to "detect, on a real-time basis, unusual price or volume movements on the Australian equity market, and other aberrant trading activities suggestive of improper conduct, including, but not limited to, continuous disclosure, market manipulation and insider trading", ASIC documents at the time said.

KEY POINTS

- ASIC sees a single supplier building and deploying its new system.
- It will have the capacity to add on new market operators if needed.
- The ASX is defending its position.

The Australian Financial Review

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