

Attachment to CP 202: Proposed amendments to ASIC market integrity rules



ASIC

Australian Securities & Investments Commission

Proposed amendments to ASIC market integrity rules: Dark liquidity and high- frequency trading

March 2013

These draft market integrity rules reflect the proposals in Consultation Paper 202 *Dark liquidity and high-frequency trading: Proposals* (CP 202). For a copy of CP 202, see www.asic.gov.au/cp.

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A Proposed amendments to ASIC Market Integrity Rules (ASX)

This attachment presents ASIC's proposed amendments to the ASIC Market Integrity Rules (ASX) as a marked-up version of the relevant sections of the existing ASIC Market Integrity Rules (ASX). We have reproduced in this attachment only those market integrity rules to which changes are proposed and associated rules.

For more information, including the related ASIC advisory, go to www.asic.gov.au/markets.

Chapter 3: Client relationships

Part 3.2 Trading as Principal

3.2.4 Brokerage and commission

(1) When a Market Participant enters into a Market Transaction as Principal ~~on its own behalf~~ with a person (the “Client”), the Market Participant must not charge the Client brokerage, commission or any other fee in respect of the Market Transaction, except in the following circumstances:

- (a) where the Client is a Prescribed Person of the Market Participant;
- (b) where the Client is a Wholesale Client who has consented to the Market Participant charging brokerage, commission or the other fee (and that consent has not been withdrawn); or
- (c) where otherwise permitted by the Corporations Act.

(2) The Market Participant must keep a written record of any consent given by a Wholesale Client under paragraph (1)(b), and send a copy of the record to that Wholesale Client as soon as practicable.

Maximum penalty: \$100,000

Note: See proposal D3(e) in CP 202

Part 3.4 Reporting to Clients

3.4.1 Confirmations—Forms and timing

(1) Subject to Rule 3.4.3, a Market Participant must give a confirmation to a person (the “Client”) in respect of each Market Transaction entered into on the Client’s instructions or on the Client’s Managed Discretionary Account.

(2) The Market Participant must send to, or cause to be sent to, the Client a confirmation:

- (a) in writing;
- (b) electronically; or
- (c) in another form permitted by ASIC,

as soon as practicable after the Market Participant enters into the Market Transaction.

(3) The confirmation must meet the following requirements:

- (a) the confirmation must include all of the information required to be included in a confirmation under Division 3 of Part 7.9 of the Corporations Act;

- (b) the confirmation must include a statement that the confirmation is issued subject to:
 - (i) the directions, decisions and requirements of the Market Operator, these Rules, the Market Operating Rules, the Clearing Rules and where relevant, the Settlement Rules;
 - (ii) the customs and usages of the Market; and
 - (iii) the correction of errors and omissions,unless the Market Participant has obtained and retained an acknowledgment from the Client that the conditions set out in subparagraphs (i), (ii) and (iii) apply to the issue of confirmations to that Client;
- (c) if the Market Transaction is to be cleared by another party which is a Clearing Participant, the confirmation must include the name of the Market Participant which executed the trade and the Clearing Participant which clears it;
- (d) the confirmation must state the time by which all documents and information which the Market Participant or Clearing Participant will require to settle the Market Transaction must be provided by the Client:
 - (i) in the case of a sale of Cash Market Products, the date by which the Client must provide all documents and security holder information (including, if applicable, the relevant holder identification number or personal identification number and/or shareholder reference number) required by the relevant Clearing Participant to meet its Clearing Obligations; and
 - (ii) if applicable, the date by which the Client must provide the consideration specified in the confirmation; and
 - (iii) if applicable, the date by which the net consideration to the Client falls due;
- (e) the confirmation must state the amount of money which the Client must pay, or which the Client will receive, on settlement of the Market Transaction and, if the Client is required to pay an amount of money, the time by which that money must be paid;
- (f) where the Market Transaction involved a Crossing, the confirmation must include a statement to that effect and identify by code the execution venue where the Crossing occurred;
- (g) the confirmation must include any disclosure required under Rule 3.2.3; and
- (h) if the confirmation is a confirmation in respect of:
 - (i) a Conditional Sale of a Cash Market Product and the corresponding confirmation in respect of the conditional purchase of the relevant Cash Market Product; or
 - (ii) the entry into of an Options Market Contract over a Cash Market Product which is, at the time, traded on a conditional basis,the confirmation must be endorsed as conditional and state the condition and the effect of non-fulfilment of the condition.

(4) ASIC may determine and publish on its website a notification of the execution venue codes referred to in paragraph (3)(f).

Maximum penalty: \$100,000

[Note: See proposal C4\(a\) in CP 202](#)

3.4.3 Confirmations—clients other than Retail Clients

(1) A Market Participant is not required to comply with [paragraphs 3.4.1\(a\)–\(e\) or 3.4.1\(h\)](#) in respect of a client that is not a Retail Client, provided the Market Participant has notified the client before entering a Trading Message on the client’s behalf that Market Transactions effected for the client are subject to:

- (a) the directions, decisions and requirements of the Market Operator, these Rules, the Market Operating Rules, the Clearing Rules and where relevant, the Settlement Rules;
- (b) the customs and usages of the Market; and
- (c) the correction of errors and omissions.

(2) A Market Participant must keep a record of the notification.

[\(3\) A Market Participant does not need to give the information in paragraphs 3.4.1\(3\)\(f\) and \(g\) to a client that is not a Retail Client until three months have passed from the commencement of subrule \(1\).](#)

Maximum penalty: \$100,000

[Note: See proposals C4\(a\) and C4\(b\) in CP 202](#)

Chapter 5: Trading

Part 5.1A Small Order resting times

5.1A.1 Time for compliance

A Participant does not need to comply with this Part until six months have passed from the commencement of this Part.

5.1A.2 Small Orders must not be cancelled or amended

(1) A Market Participant must not cancel or amend a Small Order within 500 milliseconds of submission of a Small Order to the Trading Platform.

(2) For the purposes of subrule (1), a “Small Order” is an instruction to purchase or sell an Equity Market Product where the total value of the Equity Market Products the subject of the instruction is \$500 or less.

Maximum penalty: \$1,000,000

5.1A.3 Policies to comply with Small Order Resting times

A Market Participant must establish, document and implement policies and procedures to ensure that it complies with Rule 5.1A.2.

Maximum penalty: \$1,000,000

5.1A.4 Compliance with policies and procedures

A Market Participant must comply with the policies and procedures required under Rule 5.1A.3.

Maximum penalty: \$1,000,000

Note: See proposal E1 in CP 202

Part 5.1 Client order priority

5.1.3 Fairness and priority in dealing

A Market Participant must deal fairly and in due turn with:

- (a) clients' orders; and
- (b) a client order and an order on its Own Account.

Maximum penalty: \$1,000,000

5.1.4 Relevant factors

(1) In considering whether Rule 5.1.3 has been complied with, the following factors are relevant:

- (a) the Market Participant acts in accordance with its instructions;
- (b) orders that do not involve the exercise of discretion by the Market Participant in relation to the time or price or quantity of the order are entered in a Trading Platform in the sequence in which they are received, and otherwise as expeditiously as practicable;
- (c) orders of a client (which is not a Prescribed Person) that involve the exercise of discretion by the Market Participant in relation to the time or price or quantity of the order are given preference, within the meaning of subrule (2), over orders on the Market Participant's Own Account, unless the client otherwise consents;
- (d) if the sequence of entry of orders into a Trading Platform is not clearly established by the time the orders were received, and one of the orders is for the Market Participant's Own Account, the Market Participant gives preference to the order of a client over any order for the Market Participant's Own Account;
- (e) if the Market Participant has acted in accordance with its procedures to ensure that a person initiating, transmitting or executing an order who is aware of instructions of a client (which is not a Prescribed Person) to deal in the relevant Products that has not been entered in a Trading Platform does not use that information to the disadvantage of that client;
- (f) the Market Participant buys or sells for a Wholesale Client; ~~and~~
- (g) allocation of Market Transactions occurs in accordance with Rule 5.1.5;
- (h) orders of a client (which is not a Prescribed Person) that are at the same price as a Market Participant's order on its Own Account are given preference; and
- ~~(i) a Market Participant's orders on its Own Account are not interposed between Orders of its clients that would otherwise have Crossed.~~

(2) In paragraph (1)(c), a reference to a Market Participant giving preference to an order of a client over an order on the Market Participant's Own Account, means that from the time of receipt of the order until it is fully executed, the Market Participant does not enter into, on its Own Account, a Market Transaction for the same Products on the same terms, having regard to subrule (3), unless:

- (a) the Products are allocated to the client in accordance with paragraph 5.1.6(c); or
- (b) the Products are allocated to the client pursuant to an allocation policy previously disclosed to the client, to which the client consents, under which the Market Participant may buy or sell (and be allocated) the same Products on its Own Account.

(3) For the purposes of subrule (2), a limit order which cannot be executed owing to price differences is not on the same terms.

Maximum penalty: \$1,000,000

Note: See proposals D3(c) and D3(d) in CP 202

Part 5.6 Automated Order Processing—Filters, conduct, and infrastructure

5.6.1 Responsible use of system for Automated Order Processing

(1) A Trading Participant which uses its system for Automated Order Processing must at all times:

- (a) have appropriate automated filters, in relation to Automated Order Processing; and
- (b) ensure that such use does not interfere with:
 - (i) the efficiency and integrity of the Market; ~~or~~
 - (ii) the proper functioning of any Trading Platform; or
 - (iii) the efficiency and integrity of any Crossing System operated by the Trading Participant.

(2) A Trading Participant does not have to ensure its filters do not interfere with the efficiency and integrity of any Crossing System operated by the Trading Participant under subparagraph (1)(b)(iii) until six months have passed from the commencement of subparagraph 1(b)(iii).

Maximum penalty: \$1,000,000

Note: See proposal C9(a) in CP 202

5.6.3 Automated Order Processing system requirements

(1) A Trading Participant which uses its system for Automated Order Processing must ensure that the system has in place:

- (a) organisational and technical resources, including having appropriate automated filters, filter parameters and processes to record any changes to the filters or filter parameters, to enable Trading Messages to be submitted into the Trading Platform without interfering with the efficiency and integrity of the Market or the proper functioning of the Trading Platform;
- (b) trading management arrangements, including having appropriate automated filters, filter parameters and processes to record any changes to the filters or filter parameters to enable the ready determination of the origin of all orders and trading messages;
- (c) security arrangements to monitor for and prevent unauthorised persons having access to a gateway or an Open Interface Device or to a computer or other device connected to an Open Interface Device, and to ensure that the Automated Order Processing system does not interfere with the efficiency and integrity of the Market or the proper functioning of the Trading Platform;

- (d) controls, including automated controls, that enable immediate suspension, limitation or prohibition of the conduct of all Automated Order Processing or Automated Order Processing in respect of:
 - (i) one or more Authorised Persons or clients;
 - (ii) Automated Client Order Processing; or
 - (iii) one or more Products; and
- (e) controls that enable immediate:
 - (i) suspension of, limitation of, or prohibition on, the entry into the Market of Trading Messages in a series of related Trading Messages where the Trading Participant has identified that Trading Messages in the series have entered the Market and have interfered with or are likely to interfere with the efficiency or integrity of the Market; ~~and~~
 - (ii) cancellation of Trading Messages in a series that have already entered the Market where the entry of further messages in the series has been suspended, limited or prohibited under subparagraph (i);
 - (iii) suspension of, limitation of, or prohibition on, the entry into any Crossing System operated by the Trading Participant of Orders in a series of related Orders where the Trading Participant has identified that Orders in the series have entered the Crossing System operated by the Trading Participant and have interfered with or are likely to interfere with the efficiency or integrity of the Crossing System; and
 - ~~(iv)~~ cancellation of Orders in a series that have already entered a Crossing System operated by the Trading Participant where the entry of further Orders in the series has been suspended, limited or prohibited under subparagraph (iii).

(2) A Trading Participant that uses its system for Automated Order Processing must have direct control over all automated filters and the filter parameters for those filters.

Maximum penalty: \$1,000,000

Note: See proposal C9(a) in CP 202

Part 5.7 Manipulative trading

5.7.2 Circumstances of Order

In considering the circumstances of the Order, the Market Participant must have regard to the following matters:

- (a) whether the Order or execution of the Order would be inconsistent with the history of or recent trading in that Product;
- (b) whether the Order or execution of the Order would ~~materially~~ alter the market for, or the price of, the Product;

- (c) the time the Order is entered or any instructions concerning the time of entry of the Order;
- (d) whether the person on whose behalf the Order is placed, or another person who the Market Participant knows to be a Related Party of that person, may have an interest in creating a false or misleading appearance of active trading in any Product or with respect to the market for, or the price of, any Product;
- (e) whether the Order is accompanied by settlement, delivery or security arrangements which are unusual;
- (f) where the Order appears to be part of a series of Orders, whether when put together with other Orders which appear to make up the series, the Order or the series is unusual having regard to the matters referred to in this Rule 5.7.2;
- (g) whether there appears to be a legitimate commercial reason for that person placing the Order, unrelated to an intention to create a false or misleading appearance of active trading in or with respect to the market for, or price of, any Product; ~~and~~
- (h) whether the transaction, bid or offer the execution of which is proposed will involve no change of beneficial ownership;
- (i) the frequency with which Orders are placed by a person;
- (j) the volume of Products the subject of each Order placed by a person; and
- ~~(h)~~(k) the extent to which a person amends or cancels an instruction to purchase or sell a Product relative to the number of Transactions executed for that person.

Maximum penalty: \$1,000,000

Note: See proposal E3 in CP 202

B Proposed amendments to ASIC Market Integrity Rules (Chi-X)

This attachment presents ASIC's proposed amendments to the ASIC Market Integrity Rules (Chi-X) as a marked-up version of the relevant sections of the existing ASIC Market Integrity Rules (Chi-X). We have reproduced in this attachment only those market integrity rules to which changes are proposed and associated rules.

For more information, including the related ASIC advisory, go to www.asic.gov.au/markets.

Chapter 3: Client relationships

Part 3.2 Trading as Principal

3.2.4 Brokerage and commission

(1) When a Market Participant enters into a Market Transaction as Principal ~~on its own behalf~~ with a person (the “**Client**”), the Market Participant must not charge the Client brokerage, commission or any other fee in respect of the Market Transaction, except in the following circumstances:

- (a) where the Client is a Prescribed Person of the Market Participant;
- (b) where the Client is a Wholesale Client who has consented to the Market Participant charging brokerage, commission or the other fee (and that consent has not been withdrawn); or
- (c) where otherwise permitted by the Corporations Act.

Note: See proposal D3(e) of CP 202

Part 3.4 Reporting to Clients

3.4.1 Confirmations—Form and timing

(1) Subject to Rule 3.4.3, a Market Participant must give a confirmation to a person (the “**Client**”) in respect of each Market Transaction entered into on the Client’s instructions or on the Client’s Managed Discretionary Account.

(2) The Market Participant must send to, or cause to be sent to, the Client a confirmation:

- (a) in writing;
- (b) electronically; or
- (c) in another form permitted by ASIC,

as soon as practicable after the Market Participant enters into the Market Transaction.

(3) The confirmation must meet the following requirements:

- (a) the confirmation must include all of the information required to be included in a confirmation under Division 3 of Part 7.9 of the Corporations Act;
- (b) the confirmation must include a statement that the confirmation is issued subject to:
 - (i) the directions, decisions and requirements of the Market Operator, these Rules, the Market Operating Rules, the Clearing Rules and where relevant, the Settlement Rules;
 - (ii) the customs and usages of the Chi-X Market; and
 - (iii) the correction of errors and omissions,

unless the Market Participant has obtained and retained an acknowledgment from the Client that the conditions set out in subparagraphs (i), (ii) and (iii) apply to the issue of confirmations to that Client;

- (c) if the Market Transaction is to be cleared by another party which is a Clearing Participant, the confirmation must include the name of the Market Participant which executed the trade and the Clearing Participant which clears it;
- (d) the confirmation must state the time by which all documents and information which the Market Participant or Clearing Participant will require to settle the Market Transaction must be provided by the Client:
 - (i) in the case of a sale of Equity Market Products, the date by which the Client must provide all documents and security holder information (including, if applicable, the relevant holder identification number or personal identification number and/or shareholder reference number) required by the relevant Clearing Participant to meet its Clearing Obligations; and
 - (ii) if applicable, the date by which the Client must provide the consideration specified in the confirmation; and
 - (iii) if applicable, the date by which the net consideration to the Client falls due;
- (e) the confirmation must state the amount of money which the Client must pay, or which the Client will receive, on settlement of the Market Transaction and, if the Client is required to pay an amount of money, the time by which that money must be paid;
- (f) where the Market Transaction involved a Crossing, the confirmation must include a statement to that effect [and identify by code the execution venue where the Crossing occurred](#);
- (g) the confirmation must include any disclosure required under Rule 3.2.3; and
- (h) if the confirmation is a confirmation in respect of a Conditional Sale of an Equity Market Product and the corresponding confirmation in respect of the conditional purchase of the relevant Equity Market Product, the confirmation must be endorsed as conditional and state the condition and the effect of non-fulfilment of the condition.

[\(4\) ASIC may determine and publish on its website a notification of the execution venue codes referred to in paragraph \(3\)\(f\).](#)

Maximum penalty: \$100,000

[Note: See proposal C4\(a\) of CP 202](#)

3.4.3 Confirmations—clients other than Retail Clients

(1) A Market Participant is not required to comply with [paragraphs 3.4.1\(3\)\(a\)–\(e\) or paragraph 3.4.1\(3\)\(h\)](#) in respect of a client that is not a Retail Client, provided the Market Participant has notified the client before entering a Trading Message on the client's behalf that Market Transactions effected for the client are subject to:

- (a) the directions, decisions and requirements of the Market Operator, these Rules, the Market Operating Rules, the Clearing Rules and where relevant, the Settlement Rules;
- (b) the customs and usages of the Chi-X Market; and
- (c) the correction of errors and omissions.

(2) A Market Participant must keep a record of the notification.

(3) A Market Participant does not need to give the information in paragraphs 3.4.1(3)(f) and (g) to a client that is not a Retail Client until three months have passed from the commencement of subrule (1).

Maximum penalty: \$100,000

Note: See proposals C4(a) and C4(b) of CP 202

Chapter 5: Trading

Part 5.1A Small Order resting times

5.1A.1 Time for compliance

A Participant does not need to comply with this Part until six months have passed from the commencement of this Part.

5.1A.2 Small Orders must not be cancelled or amended

(1) A Market Participant must not cancel or amend a Small Order within 500 milliseconds of submission of a Small Order to the Trading Platform.

(2) For the purposes of subrule (1) a “Small Order” is an instruction to purchase or sell an Equity Market Product where the total value of the Equity Market Products the subject of the instruction is \$500 or less.

Maximum penalty: \$1,000,000

5.1A.3 Policies to comply with Small Order Resting times

A Market Participant must establish, document and implement policies and procedures to ensure that it complies with Rule 5.1A.2.

Maximum penalty: \$1,000,000

5.1A.4 Compliance with policies and procedures

A Market Participant must comply with the policies and procedures required under Rule 5.1A.3.

Maximum penalty: \$1,000,000

Note: See proposal E1 of CP 202

Part 5.1 Client order priority

5.1.3 Fairness and priority in dealing

A Market Participant must deal fairly and in due turn with:

- (a) clients' orders; and
- (b) a client order and an order on its Own Account.

Maximum penalty: \$1,000,000

5.1.4 Relevant factors

(1) In considering whether Rule 5.1.3 has been complied with, the following factors are relevant:

- (a) the Market Participant acts in accordance with its instructions;
- (b) orders that do not involve the exercise of discretion by the Market Participant in relation to the time or price or quantity of the order are entered in a Trading Platform in the sequence in which they are received, and otherwise as expeditiously as practicable;
- (c) orders of a client (which is not a Prescribed Person) that involve the exercise of discretion by the Market Participant in relation to the time or price or quantity of the order are given preference, within the meaning of subrule (2), over orders on the Market Participant's Own Account, unless the client otherwise consents;
- (d) if the sequence of entry of orders into a Trading Platform is not clearly established by the time the orders were received, and one of the orders is for the Market Participant's Own Account, the Market Participant gives preference to the order of a client over any order for the Market Participant's Own Account;
- (e) if the Market Participant has acted in accordance with its procedures to ensure that a person initiating, transmitting or executing an order who is aware of instructions of a client (which is not a Prescribed Person) to deal in the relevant Equity Market Products that has not been entered in a Trading Platform does not use that information to the disadvantage of that client;
- (f) the Market Participant buys or sells for a Wholesale Client; ~~and~~
- (g) allocation of Market Transactions occurs in accordance with Rule 5.1.5;
- (h) orders of a client (which is not a Prescribed Person) that are at the same price as a Market Participant's order on its Own Account are given preference; and
- ~~(i) a Market Participant's orders on its Own Account are not interposed between Orders of its clients that would otherwise have Crossed.~~

(2) In paragraph (1)(c), a reference to a Market Participant giving preference to an order of a client over an order on the Market Participant's Own Account, means that from the time of receipt of the order until it is fully executed, the Market Participant does not enter into, on its Own Account, a Market Transaction for the same Equity Market Products on the same terms, having regard to subrule (3), unless:

- (a) the Equity Market Products are allocated to the client in accordance with paragraph 5.1.6(c); or
- (b) the Equity Market Products are allocated to the client pursuant to an allocation policy previously disclosed to the client, to which the client consents, under which the Market Participant may buy or sell (and be allocated) the same Equity Market Products on its Own Account.

(3) For the purposes of subrule (2), a limit order which cannot be executed owing to price differences is not on the same terms.

Note: See proposals D3(c) and D3(d) of CP 202

Part 5.6 Automated Order Processing—Filters, conduct, and infrastructure

5.6.1 Responsible use of system for Automated Order Processing

(1) A Market Participant which uses its system for Automated Order Processing must at all times:

- (a) have appropriate automated filters, in relation to Automated Order Processing; and
- (b) ensure that such use does not interfere with:

(i) the efficiency and integrity of the Chi-X Market; ~~or~~

(ii) the proper functioning of any Trading Platform; or

~~(iii) the efficiency and integrity of any Crossing System operated by the Market Participant.~~

(2) A Market Participant does not have to ensure its filters do not interfere with the efficiency and integrity of any Crossing System operated by the Market Participant under subparagraph (1)(b)(iii) until six months have passed from the commencement of subparagraph 1(b)(iii).

Maximum penalty: \$1,000,000

Note: See proposal C9(a) of CP 202

5.6.3 Automated Order Processing system requirements

(1) A Market Participant which uses its system for Automated Order Processing must ensure that the system has in place:

- (a) organisational and technical resources, including having appropriate automated filters, filter parameters and processes to record any changes to the filters or filter parameters, to enable Trading Messages to be submitted into the Trading Platform without interfering with the efficiency and integrity of the Chi-X Market or the proper functioning of the Trading Platform;
- (b) trading management arrangements, including having appropriate automated filters, filter parameters and processes to record any changes to the filters or filter parameters to enable the ready determination of the origin of all orders and trading messages;
- (c) security arrangements to monitor for and prevent unauthorised persons having access to a gateway or an Open Interface Device or to a computer or other device connected to an Open Interface Device, and to ensure that the Automated Order Processing system does

not interfere with the efficiency and integrity of the Market or the proper functioning of the Trading Platform;

- (d) controls, including automated controls, that enable immediate suspension, limitation or prohibition of the conduct of all Automated Order Processing or Automated Order Processing in respect of:
 - (i) one or more Authorised Persons or clients;
 - (ii) Automated Client Order Processing; or
 - (iii) one or more Equity Market Products; and
- (e) controls that enable immediate:
 - (i) suspension of, limitation of, or prohibition on, the entry into the Market of Trading Messages in a series of related Trading Messages where the Market Participant has identified that Trading Messages in the series have entered the Chi- X Market and have interfered with or are likely to interfere with the efficiency or integrity of the Chi-X Market; ~~and~~
 - (ii) cancellation of Trading Messages in a series that have already entered the Chi-X Market where the entry of further messages in the series has been suspended, limited or prohibited under subparagraph (i);
 - (iii) suspension of, limitation of, or prohibition on, the entry into any Crossing System operated by the Market Participant of Orders in a series of related Orders where the Market Participant has identified that Orders in the series have entered the Crossing System operated by the Market Participant and have interfered with or are likely to interfere with the efficiency or integrity of the Crossing System; and
 - (iv) cancellation of Orders in a series that have already entered a Crossing System operated by the Market Participant where the entry of further Orders in the series has been suspended, limited or prohibited under subparagraph (iii).

(2) A Market Participant that uses its system for Automated Order Processing must have direct control over all automated filters and the filter parameters for those filters.

Maximum penalty: \$1,000,000

Note: See proposal C9(a) of CP 202

Part 5.7 Manipulative trading

5.7.2 Circumstances of Order

In considering the circumstances of the Order, the Market Participant must have regard to the following matters:

- (a) whether the Order or execution of the Order would be inconsistent with the history of or recent trading in that Product;

- (b) whether the Order or execution of the Order would ~~materially~~ alter the market for, or the price of, the Product;
- (c) the time the Order is entered or any instructions concerning the time of entry of the Order;
- (d) whether the person on whose behalf the Order is placed, or another person who the Market Participant knows to be a Related Party of that person, may have an interest in creating a false or misleading appearance of active trading in any Product or with respect to the market for, or the price of, any Product;
- (e) whether the Order is accompanied by settlement, delivery or security arrangements which are unusual;
- (f) where the Order appears to be part of a series of Orders, whether when put together with other Orders which appear to make up the series, the Order or the series is unusual having regard to the matters referred to in this Rule 5.7.2;
- (g) whether there appears to be a legitimate commercial reason for that person placing the Order, unrelated to an intention to create a false or misleading appearance of active trading in or with respect to the market for, or price of, any Product; ~~and~~
- (h) whether the transaction, bid or offer the execution of which is proposed will involve no change of beneficial ownership;
- (i) the frequency with which Orders are placed by a person;
- (j) the volume of Products the subject of each Order placed by a person;
- ~~(k)~~(k) the extent to which a person amends or cancels an instruction to purchase or sell a Product relative to the number of Transactions executed for that person.

Maximum penalty: \$1,000,000

Note: See proposal E3 of CP 202

C Proposed amendments to ASIC Market Integrity Rules (Competition)

This attachment presents ASIC's proposed amendments to the ASIC Market Integrity Rules (Competition) as a marked-up version of the relevant sections of the existing ASIC Market Integrity Rules (Competition). We have reproduced in this attachment only those market integrity rules to which changes are proposed and associated rules.

For more information, including the related ASIC advisory, go to www.asic.gov.au/markets.

Chapter 1: Introduction

Part 1.4 Interpretation

1.4.3 Definitions

Crossing System means any automated service provided by a Participant ~~to its clients~~ which matches or executes Client Orders with Orders of:

- (a) the Participant;
- (b) other clients of the Participant, or
- (c) any other person whose Orders access the automated service,

otherwise than on an Order Book.

Note: Definition used in proposals C1–C9 of CP 202

ASX 51–300 means the Equity Market Products listed in the S&P/ASX 300, excluding the Equity Market Products listed in the S&P/ASX 50.

S&P/ASX 50 means the stock market index known as the ‘S&P/ASX 50’.

S&P/ASX 300 means the stock market index known as the ‘S&P/ASX 300’.

Note: See proposal B1 of CP 202

Chapter 4: Pre-trade transparency

Part 4.1A Application

4.1A.1 Application of Chapter

(1) This Chapter applies to:

- (a) Equity Market Operators and CGS Market Operators;
- (b) Equity Market Participants and CGS Market Participants; and
- (c) Orders and Transactions in Equity Market Products and CGS Depository Interests, [except where otherwise specified.](#)

(2) In this Chapter, **Relevant Products** means Equity Market Products and CGS Depository Interests.

Note: There is no penalty for this Rule.

Part 4.1 Orders must be pre-trade transparent

[Note: The following alternate versions of Rule 4.1.5 \(Competition\) present the two options for a minimum threshold where a trigger discussed in proposal B1 indicates dark liquidity has impaired price formation—see generally proposal B1 of CP 202](#)

4.1.5 Partly Disclosed Orders

(1) In these Rules, **Partly Disclosed Order** means an Order on an Order Book in relation to which:

- (a) the Operating Rules of the Market require the Pre-Trade Information referred to in the Table in Rule 4.1.4 (in the case of Equity Market Products) or Rule 4.1.4A (in the case of CGS Depository Interests) to be made available, with the exception of:
 - (i) item 4 (*volume*) but not item 6 (*price*); or
 - (ii) item 6 (*price*) but not item 4 (*volume*); and
- [\(b\) the consideration for the Order is ~~greater than: \\$0.~~](#)
 - [\(i\) \\$50,000 or more for Equity Market Products included in the S&P/ASX 50 and notified by ASIC under these Rules in accordance with subrule \(2\);](#)
 - [\(ii\) \\$20,000 or more for Equity Market Products included in the ASX 51–300 and notified by ASIC under these Rules in accordance with subrule \(2\); and](#)
 - [\(iii\) \\$20,000 or more for all other Equity Market Products notified by ASIC under these Rules in accordance with subrule \(2\).](#)

(2) For the purposes of subrule (1):

~~(a)~~ a Partly Disclosed Order includes an Order on an Order Book which the Operating Rules of a Market:

(i) require to be of a minimum volume or value; and

~~(ii)~~ permit to be divided into separate parts so that part of the Order is Disclosed and part of the Order is Hidden, until such time as the part of the Order that is Disclosed is executed, following which the Hidden parts of the Order (or the residual amount of the Order if less than the minimum volume or value) are in turn Disclosed until the total Order has been executed; and

~~(b)~~ the notification by ASIC referred to in paragraph (1)(b) will be published on its website and will take effect from 40 business days following the date of the notification.

~~(3)~~ This Rule applies after 40 business days have passed since the making of the Rule.

Note: There is no penalty for this Rule.

Note: See Option B1.1 of CP 202

4.1.5 Partly Disclosed Orders

(1) In these Rules, *Partly Disclosed Order* means an Order on an Order Book in relation to which:

(a) the Operating Rules of the Market require the Pre-Trade Information referred to in the Table in Rule 4.1.4 (in the case of Equity Market Products) or Rule 4.1.4A (in the case of CGS Depository Interests) to be made available, with the exception of:

(i) item 4 (*volume*) but not item 6 (*price*); or

(ii) item 6 (*price*) but not item 4 (*volume*); and

~~(b)~~ the consideration for the Order is ~~greater than \$0~~:

~~(i)~~ \$50,000 or more for Tier 1 Equity Market Products;

~~(ii)~~ \$20,000 or more for Tier 2 and Tier 3 Equity Market Products.

(2) For the purposes of subrule (1), a Partly Disclosed Order includes an Order on an Order Book which the Operating Rules of a Market:

(a) require to be of a minimum volume or value; and

~~(b)~~ permit to be divided into separate parts so that part of the Order is Disclosed and part of the Order is Hidden, until such time as the part of the Order that is Disclosed is executed, following which the Hidden parts of the Order (or the residual amount of the Order if less than the minimum volume or value) are in turn Disclosed until the total Order has been executed.

~~(3)~~ For the purposes of paragraph (1)(b):

~~(a)~~ *Tier 1 Equity Market Products* means those Equity Market Products notified by ASIC under these Rules and in accordance with subrule (4);

(b) *Tier 2 Equity Market Products* means those Equity Market Products notified by ASIC under these Rules and in accordance with subrule (4); and

(c) *Tier 3 Equity Market Products* means all Equity Market Products that are not Tier 1 or Tier 2 Equity Market Products.

(4) For the purposes of subrule (3), the notification given by ASIC:

(a) will be published on its website; and

(b) takes effect from 40 business days following the date of the notification.

(5) This Rule applies after 40 business days have passed since the making of the Rule.

Note: There is no penalty for this Rule.

Note: See Option B1.2 of CP 202

4.1.6 Application to partly filled Orders

(1) Where an exception referred to in subrule 4.1.1(2) or 4.1.2(2) applies to an Order for an Equity Market Product and that Order is executed in part, the exception ~~ceases~~continues to apply ~~unless to~~ the remainder of the Order for the purposes of the exception would have been entitled to the exception if it were a separate Order.

(2) This Rule applies after 40 business days have passed since the making of the Rule.

Note: There is no penalty for this Rule.

Note: See proposal B1(c) of CP 202

4.1.6A No aggregation of Orders

(1) A Participant must not aggregate the value of Orders to meet the dollar value thresholds in subrules 4.1.5 and 4.2.3.

(2) This Rule applies after 40 business days have passed since the making of the Rule.

Maximum Penalty \$ 1,000,000

Note: See proposal B1(c) of CP 202

Part 4.2 Pre-Trade Information—Exceptions

Note: The following alternate versions of Rule 4.2.3 (Competition) present the two options for a minimum threshold where a trigger discussed in proposal B1 indicates dark liquidity has impaired price formation—see generally proposal B1 of CP 202

4.2.3 Exceptions—Trades with Price Improvement

(1) In these Rules, a Transaction is a *Trade with Price Improvement* where:

- (a) the Transaction is executed at a price per Relevant Product which is:
 - (i) higher than the Best Available Bid and lower than the Best Available Offer for the Relevant Product by one or more Price Steps; or
 - (ii) at the Best Mid-Point;
- (b) if the Transaction is entered into other than by matching of Orders on an Order Book, the Participant acts:
 - (i) on behalf of both buying and selling clients to that Transaction; or
 - (ii) on behalf of a buying or selling client on one side of that Transaction and as Principal on the other side; and
- (c) the consideration for the transaction is ~~greater than \$0~~:
 - (i) \$50,000 or more for Equity Market Products in the S&P/ASX 50 and notified by ASIC under these Rules in accordance with subrule (2);
 - (ii) \$20,000 or more for Equity Market Products included in the ASX 51–300 and notified by ASIC under these Rules in accordance with subrule (2); and
 - (iii) \$20,000 or more for all other Equity Market Products and notified by ASIC under these Rules in accordance with subrule (2).

(2) For the purposes of this Rule, the Best Mid-Point is not limited to standard Price Steps for the Equity Market Product.

(3) For the purposes of paragraph (1)(d), the notification by ASIC will be published on its website and will take effect from 40 business days following the date of the notification

(4) This Rule applies after 40 business days have passed since the making of the Rule.

Note: There is no penalty for this Rule.

Note: See [Option B1.1 of CP 202](#)

4.2.3 Exception—Trades with Price Improvement

- (1) In these Rules, a Transaction is a *Trade with Price Improvement* where:
- (a) the Transaction is executed at a price per Relevant Product which is:
 - (i) higher than the Best Available Bid and lower than the Best Available Offer for the Relevant Product by one or more Price Steps; or
 - (ii) at the Best Mid-Point;
 - (b) if the Transaction is entered into other than by matching of Orders on an Order Book, the Participant acts:
 - (i) on behalf of both buying and selling clients to that Transaction; or
 - (ii) on behalf of a buying or selling client on one side of that Transaction and as Principal on the other side; and

- (c) the consideration for the Transaction is ~~greater than \$0~~:
- (i) \$50,000 or more for Tier 1 Equity Market Products;
 - ~~(ii) \$20,000 or more for Tier 2 and Tier 3 Equity Market Products.~~
- (2) For the purposes of this Rule, the Best Mid-Point is not limited to standard Price Steps for the Relevant Product.
- (3) For the purposes of paragraph (1)(c):
- (a) Tier 1 Equity Market Products means those Equity Market Products notified by ASIC under these Rules and in accordance with subrule (4);
 - (b) Tier 2 Equity Market Products means those Equity Market Products notified by ASIC under these Rules and in accordance with subrule (4); and
 - (c) Tier 3 Equity Market Products means all Equity Market Products that are not Tier 1 or 2 Equity Market Products.
- (4) For the purposes of subrule (3), the notification given by ASIC:
- (a) will be published on its website; and
 - (b) takes effect from 40 business days following the date of the notification.
- (5) This Rule applies after 40 business days have passed since the making of the Rule.

Note: There is no penalty for this Rule.

Note: See Option B1.2 of CP 202

Part 4.3 Reporting requirements for Crossing Systems

4.3.1 Reporting requirements for Crossing Systems—Crossing System Initial Report

- (1) A Participant that operates, or proposes to operate, a Crossing System must lodge with ASIC a report (the *Crossing System Initial Report*) which describes:
- (a) the date on which the Crossing System began operating, or will begin to operate, in this jurisdiction;
 - (b) access to the Crossing System, including the criteria for determining persons who are eligible to use the Crossing System and whether the Crossing System transmits Orders to other Crossing Systems, or receives Orders from other Crossing Systems;
 - (c) how Orders are prioritised and matched, and Transactions are executed, on the Crossing System;
 - (d) how the price for Transactions on the Crossing System is determined;
 - (e) the fees, commissions, rebates or other charges paid by or to the Participant and users of the Crossing System;

- (f) whether the Participant that operates the Crossing System deals as Principal with clients on the Crossing System and if so, the arrangements the Participant has in place for the management of conflicts of interest that may arise between the Participant and those clients;
 - (g) the name of the Market or Markets to which:
 - (i) Transactions executed on the Crossing System are reported; and
 - (ii) Orders matched on the Crossing System are transmitted for execution;
 - (h) where more than one Market is named under paragraph (g), the circumstances in which each Market is used for the purposes set out in paragraph (g); and
 - (i) whether Orders on the Crossing System are purged at the end of the day or remain on the Crossing System until matching or execution on the Crossing System next resumes, and if the Orders are not purged, the period of time they remain on the Crossing System.
- (2) The Participant must lodge the Crossing System Initial Report with ASIC:
- (a) within 20 business days from the date this Rule commences; or
 - (b) no later than 20 business days before the day the Participant begins to operate the Crossing System,

whichever occurs later.

Maximum penalty: \$100,000

[Note: See proposal C3 in CP 202](#)

4.3.2 Reporting requirements for Crossing Systems—Crossing System Monthly Report

[\(1\)](#) A Participant that operates a Crossing System during a calendar month must, within 20 business days of the end of the calendar month:

- (a) prepare a report (the *Crossing System Monthly Report*) for that calendar month setting out:
 - (i) any changes to the information provided in the Crossing System Initial Report;
 - (ii) for each day during the calendar month on which Orders were received or Transactions were matched or executed on the Crossing System, Crossing System Reporting Information for each relevant Equity Market Product for that day; and
- (b) provide the Crossing System Monthly Report to ASIC.

[\(2\)](#) A Participant that operates a Crossing System during a calendar month must, within 20 business days of the end of the calendar month:

- (a) [prepare a report \(the *Crossing System Monthly Public Report*\) for that calendar month setting out the information described in column 4 of the Crossing System Reporting Information Table at Rule 4.3.3; and](#)

(b) make the Crossing System Monthly Public Report available:

- (i) on a website that is publicly accessible; and
- (ii) free of charge.

(3) A Participant must keep its Crossing System Monthly Public Reports available on the terms set out in paragraph (2)(b) for a period of two years from the date each Crossing System Monthly Public Report is first made available.

Maximum penalty: \$100,000

Note: See proposal C1(h) of CP 202

4.3.3 Crossing System Reporting Information

In these Rules, *Crossing System Reporting Information* means the information set out in column 3 of the following Table.

Item	Data requirement	Crossing System Reporting Information	<u>Crossing System Monthly Public Reporting Information</u>
1	Crossing System ID	A code identifying the Crossing System	
2	Date	The date to which the information set out in items 3 to 19 of this Table relates	
3	Product identification	The symbol, assigned in accordance with Rule 6.2.3, that identifies the Relevant Product to which the information set out in items 4 to 19 of this Table relates	
4	Buy Orders received—Volume	The total number of units of that Relevant Product in all Buy Orders for that received by the Crossing System on that date	
5	Sell Orders received—Volume	The total number of units of that Relevant Product in all Sell Orders for that Relevant Product received by the Crossing System on that date	
6	Buy Orders received—Value	The total dollar value of all Buy Orders for that Relevant Product received by the Crossing System on that date	

Item	Data requirement	Crossing System Reporting Information	Crossing System Monthly Public Reporting Information
7	Sell Orders received—Value	The total dollar value of all Sell Orders for that Relevant Product received by the Crossing System on that date	
8	Buy Orders received—Number	The total number of Buy Orders for that Relevant Product received by the Crossing System on that date	
9	Sell Orders received—Number	The total number of Sell Orders for that Relevant Product received by the Crossing System on that date	
10	Trades executed—Volume	The total number of units of that Relevant Product in all Transactions in that Equity Market Product matched by or executed through the Crossing System on that date	For each Financial Product traded on the Crossing System, the total number of units of each Financial Product matched by or executed through the Crossing System for the calendar month
11	Trades executed—Value	The total dollar value of units of that Relevant Product in all Transactions in that Equity Market Product matched by or executed through the Crossing System on that date	For each Financial Product traded on the Crossing system the total dollar value of units of each Financial Product in all Transactions matched by or executed through the Crossing System for the calendar month
12	Trades executed—Number	The total number of Transactions in that Relevant Product matched by or executed through the Crossing System on that date	The total number of Transactions in each Financial Product matched by or executed through the Crossing System for the calendar month
13	Orders cancelled—Volume	The total number of units of that Relevant Product in Orders for that Relevant Product cancelled at the request of the client on that date	
14	Orders cancelled—Value	The total dollar value of Orders for that Relevant Product cancelled at the request of the client on that date	
15	Orders cancelled—Number	The total number of Orders for that Relevant Product cancelled at the request of the client on that date	

Item	Data requirement	Crossing System Reporting Information	Crossing System Monthly Public Reporting Information
16	Principal trades— Volume	The total number of units of that Relevant Product in all Transactions in that Relevant Product executed on that date, where the Participant that operates the Crossing System was either buyer or seller	The total number of units of each Financial Product in all Transactions in that Financial Product executed for the calendar month-, where the Participant that operates the Crossing System traded as Principal
17	Principal trades— Value	The total dollar value of Transactions in that Relevant Product executed on that date, where the Participant that operates the Crossing System was either buyer or seller	The total dollar value of Transactions in each Financial Product executed for the calendar month-, where the Participant that operates the Crossing System traded as Principal
18	Principal trades— Number	The total number of Transactions in that Relevant Product executed on that date, where the Participant that operates the Crossing System was either buyer or seller	The total number of Transactions in each Financial Product executed for the calendar month, where the Participant that operates the Crossing System traded as Principal
19	Median trade value	The median dollar value of Transactions in that Relevant Product matched by or executed through the Crossing System on that date	The median dollar value of Transactions in each Financial Product matched by or executed through the Crossing System for the calendar month

Note: There is no penalty for this Rule.

Note: [See proposal C1\(h\) of CP 202](#)

Chapter 4A: Crossing Systems

Part 4A.1 Application

4A.1.1 Application of Chapter

This Chapter applies to:

- (a) Equity Market Participants; and
- (b) Orders and Transactions in Financial Products,

as specified in each Rule.

Note: There is no penalty for this Rule.

Part 4A.2 Disclosure requirements for Crossing Systems

4A.2.1 Disclosure requirements for Crossing Systems—Information on a website

(1) Subject to subrule (5), a Participant that operates a Crossing System must make available the information (the **Publicly Available Crossing System Information**) set out in subrule (2):

- (a) on a website that is publicly accessible; and
- (b) free of charge.

Maximum penalty: \$100,000

(2) For the purposes of subrule (1), **Publicly Available Crossing System Information** means the information set out in column 3 of the following Table.

<u>Item</u>	<u>Type of information</u>	<u>Publicly Available Crossing System Information</u>
<u>1</u>	<u>Operator</u>	<u>The code identifying the Crossing System</u>
<u>2</u>	<u>Start Date</u>	<u>The date the Crossing System began to operate in this jurisdiction.</u>
<u>3</u>	<u>Products</u>	<u>The types of Financial Products traded on the Crossing System</u>
<u>4</u>	<u>Order Types</u>	<u>A brief description of the order types available to those who have access to the Crossing System, including a brief description of the characteristics of each order type</u>
<u>5</u>	<u>Access Criteria</u>	<u>The criteria used to determine eligibility to use the Crossing System</u>

<u>Item</u>	<u>Type of information</u>	<u>Publicly Available Crossing System Information</u>
6	<u>Aggregation and other Crossing Systems</u>	<u>If Orders in the Crossing System may be executed or matched with Orders from other Crossing Systems:</u> <u>(a) the code identifying the other Crossing System or Systems;</u> <u>and</u> <u>(b) whether Orders are transmitted to those other Crossing Systems, received from those other Crossing Systems, or both</u>
7	<u>Fees</u>	<u>The fees imposed for Orders to gain access to the Crossing System and an indication whether those fees differ from (e.g. by being in addition to) the Participant's standard fees</u>

(3) A Participant must, within one business day of implementing changes to the operation of the Crossing System described in the Publicly Available Crossing System Information, update the website where the Publicly Available Crossing System Information is made available, to reflect those changes.

(4) A Participant must give ASIC a copy of:

- (a) the Publicly Available Crossing System Information published under subrule (1); and
- (b) each update to the Publicly Available Crossing System Information published under subrule (3),

within one business day of making that information available on the website under this Rule.

(5) ASIC may determine and publish on its website a notification of the execution venue codes referred to in subrule (2).

(6) A Participant does not need to comply with this Rule until one calendar month has passed from the commencement of this Rule.

Maximum penalty: \$100,000

Note: See proposals C1(a)–(g) and C1(i) in CP 202

4A.2.2 Disclosure requirements for Crossing Systems—Information for users

(1) A Participant that operates a Crossing System must:

- (a) prior to accepting an Order from a Client for the first time after this rule takes effect, provide the Client with a copy of the Publicly Available Crossing System Information or inform the Client of the website address where that information is available; and
- (b) for all Clients who are informed under paragraph (a), inform those Clients each time an update to the Publicly Available Crossing System Information is published under subrule 4A.2.1(3), prior to accepting an Order from that Client after the information has been updated.

(2) A Participant that operates a Crossing System must:

- (a) prior to accepting an Order from a Client for the first time;
- (b) prior to allowing an Order from a Crossing System operated by another Participant to enter its Crossing System for the first time; and
- (c) prior to accepting an Order after the Non-Public Crossing System Information has been updated under subrule (4).

provide the Client or the other Crossing System operator with a document containing the information set out in subrule (6) (the *Non-Public Crossing System Information*).

(3) If a Participant receives Non-Public Crossing System Information from the operator of another Crossing System (*other Crossing System*) under subrule (2)(a) or (c), the Participant must provide the Non-Public Crossing System Information received by it from the operator of the other Crossing System to all Clients whose Orders may be sent to the other Crossing System, prior to allowing orders from those Clients to enter the other Crossing System for the first time, to the extent that information is relevant to those Clients.

(4) A Participant must, within one business day of implementing changes to the operation of the Crossing System described in the Non-Public Crossing System Information, update the Non-Public Crossing System Information to reflect those changes.

(5) A Participant must give ASIC a copy of:

- (a) the Non-Public Crossing System Information provided under subrule (2); and
 - (b) each update to the Non-Public Crossing System Information provided under subrule (4),
- within one business day of providing that information under the relevant subrule.

(6) For the purposes of subrule (2), *Non-Public Crossing System Information* means the information set out in column 3 of the following Table.

<u>Item</u>	<u>Type of information</u>	<u>Non-Public Crossing System Information</u>
<u>1</u>	<u>User obligations</u>	<u>A description of the obligations imposed on users of the Crossing System by the operator of the Crossing System</u>
<u>2</u>	<u>Risks</u>	<u>A description of the execution risk for Transactions executed on the Crossing System, and a comparison of those risks with execution risks of Transactions executed on a Market, including, but not limited to, settlement risk</u>

Item	Type of information	Non-Public Crossing System Information
3	Operations	<p>A description of the operation of the Crossing System, including but not limited to:</p> <ul style="list-style-type: none"> (a) <u>how Orders are managed, including how prices are determined and cancellations are managed;</u> (b) <u>details of any different treatment or arrangements for certain users or order types;</u> (c) <u>the level of anonymity given to Orders, including whether indications of interest are allowed and the types of information contained in the indication of interest (e.g. security identifier, side, size, price);</u> (d) <u>whether Orders of related bodies corporate of the operator enter the system, and if so, how conflicts arising because Orders of related bodies corporate enter the Crossing System are managed;</u> (e) <u>how any other conflicts of interest that may arise are managed;</u> (f) <u>if there are liquidity providers or market makers whose Orders access the Crossing System, the commitments (if any) they may have and any benefits they receive; and</u> (g) <u>the circumstances in which Principal Orders may interact with other Orders in the Crossing System, the nature of the Principal Orders (for example, proprietary desk, facilitation, or market-maker).</u>

(7) A Participant does not have to comply with this Rule until six months have passed from the commencement of this Rule.

Maximum penalty: \$100,000

Note: See proposals C2 and C5(b) of CP 202

4A.2.3 Notification of Crossing System outages

(1) If technical or other system issues materially affect the efficiency of or proper functioning of a Crossing System operated by a Participant, that Participant must provide the following information, in writing, to ASIC and all users with Orders in the Crossing System:

- (a) a description of the effect of the technical or system issues;
- (b) how the the technical or system issues are being managed by the Participant;
- (c) any alternative arrangements for users' Orders that have been put in place by the Participant while the technical or systems issues persist; and
- (d) when the the technical or system issues have been resolved,

as soon as practicable and at least within 60 minutes after the system issue arises, or the issue is resolved, as applicable.

(2) A Participant does not have to comply with subrule (1) until six months have passed from the commencement of subrule (1).

Maximum penalty: \$100,000

Note: See proposal C9(b) of CP 000

Part 4A.3 Fair treatment and opting out by users of Crossing Systems

4A. 3.1 Fair treatment of all users of a Crossing System

(1) A Participant that operates a Crossing System must ensure that the Crossing System is operated by a common set of procedures that balance the interests of all users of the Crossing System and do not unfairly discriminate between users of the Crossing System.

(2) Subrule (1) does not prevent a Participant that operates a Crossing System from providing less favourable treatment for its own use of the Crossing System, or less favourable treatment for use of the Crossing System by its related bodies corporate.

(3) A Participant does not have to comply with subrule (1) until three months have passed from the commencement of subrule (1).

Maximum penalty: \$100,000

Note: See proposal C5(a) of CP 202

4A.3.2 Opting out of Crossing Systems

(1) A Participant that operates a Crossing System must permit a Client or other user of the Crossing System to opt out of having its Orders sent to the Participant's Crossing System (including any other Crossing System that may be accessible through the Participant's Crossing System) at no cost, and the Participant must not impose on a user that opts out any additional operational or administrative requirements as a consequence of opting out of the Crossing System.

(2) A Participant does not have to comply with subrule (1) until three months have passed from the commencement of subrule (1).

Maximum penalty: \$100,000

Note: See proposal C6 of CP 202

Part 4A.4 Crossing Systems—Monitoring and suspicious activity reporting

4A.4.1 Monitoring activities in a Crossing System

(1) A Participant that operates a Crossing System must:

(a) monitor Orders in and Transactions executed in its Crossing System to identify breaches of any user's obligations as described in subrule 4A.2.2(6);

(b) monitor Orders in and Transactions executed in its Crossing System to identify any breaches of the operating procedures of the Crossing System; and

(c) take action to ensure breaches identified under paragraphs (a) and (b) do not recur.

(2) A Participant must notify ASIC, in writing, of all significant breaches identified by the Participant during the course of monitoring undertaken under Rule 4A.4.1 as soon as practicable after identification of the relevant breach.

(3) A Participant must keep records:

(a) that demonstrate the monitoring activities it undertakes under Rule 4A.4.1, and

(b) of all breaches identified under Rule 4A.4.1,

for a period of seven years.

(4) A Participant does not have to comply with this Rule until six months have passed from the commencement of this Rule).

Maximum penalty: \$100,000,000

Note: See proposal C7(a) of CP 202.

4A.4.2 Crossing System suspicious activity reporting

(1) Subject to subrules (2) and (3), if a Participant that operates a Crossing System has reasonable grounds to suspect that:

(a) a person (*the Insider*) has placed an order into or entered into a Transaction on the Crossing System operated by the Participant in relation to a Financial Product while in possession of inside information (within the meaning of section 1042A of the Act), whether or not the Participant is aware of:

(i) the identity of the Insider; or

(ii) all of the details of the order or transaction; or

(b) a transaction or an order transmitted to the Crossing System operated by the Participant has or is likely to have the effect of:

(i) creating an artificial price for trading in Financial Products on a Financial Market operated in this jurisdiction;

(ii) maintaining at a level that is artificial (whether or not it was previously artificial) a price for trading in Financial Products on a Financial Market operated in this jurisdiction;

(iii) creating, or causing the creation of, a false or misleading appearance of active trading in Financial Products on a Financial Market operated in this jurisdiction; or

(iv) creating, or causing the creation of, a false or misleading appearance with respect to the market for, or the price for trading in, Financial Products on a Financial Market operated in this jurisdiction,

whether or not the Participant is aware of:

- (a) the intention of any party to the Transaction or Order; or
- (b) all of the details of the Transaction or Order,

the Participant must, as soon as practicable, notify ASIC in writing of the details of the Transaction or Order (to the extent known to the Participant) and the reasons it suspects the matter set out in paragraphs (a) and/or (b).

(2) A Participant is not required to notify ASIC under subrule (1) if the Participant has reported the information that would otherwise be required to be contained in the notification to ASIC under subrule (1) to the Australian Transaction Reports and Analysis Centre under section 41 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* or under section 16 of the *Financial Transaction Reports Act 1988*.

(3) A Participant is not required to comply with subrule (1) until six months have passed from the commencement of subrule (1).

Maximum penalty: \$20,000

Note: See proposal C7(b) of CP 202

4A.4.3 Confidentiality

A Participant who notifies ASIC under subrule 4A.4.2(1) must not disclose that the notification was made, or the information contained in the notification, to any person other than:

- (a) for the purposes of seeking legal advice; or
- (b) as required by law.

Maximum penalty: \$20,000

Note: See proposal C7(b) of CP 202

Part 4A.5 Crossing System record keeping

4A.5.1 Time for compliance

A Participant does not need to comply with this Part until six months have passed from the commencement of this Part.

4A.5.2 Crossing System Order record requirements

(1) A Participant that operates a Crossing System must maintain written records that set out the following information for each Order that enters the Crossing System operated by the Participant:

- (a) the name of the person or Automated Order Processing system that submitted the Order into the Crossing System;
- (b) particulars of the Order, including, without limitation:
 - (i) the Financial Product to be bought or sold;
 - (ii) the number thereof;
 - (iii) any price-, counter-party, volume-, venue- or time-related instructions;
 - (iv) the date and time the Crossing System received the instructions Order; and
 - (v) a description of, or the name of, the Order type; and
- (c) any amendment of any kind to the Order (including, without limitation, cancellation of an Order, variation of the number of Financial Products to be bought or sold, or variation of any price or time related instructions) including the date and time of any amendment to the Order.

Maximum penalty: \$100,000

Note: See proposal C8 of CP 202

4A.5.3 Crossing System Order records to be made immediately

A Participant must make the records referred to in Rule 4A.5.2 immediately after the event to which they relate and record the time of the relevant event.

Maximum penalty: \$100,000

Note: See proposal C8 of CP 202

4A.5.4 Crossing System Order records to be retained for seven years

A Participant must retain the records referred to in Rule 4A.5.3 for seven years from the date the record is made.

Maximum penalty: \$100,000

Note: See proposal C8 of CP 202

Chapter 5: Post-trade transparency

Part 5.1A Application

5.1A.1 Application of Chapter

(1) This Chapter applies to:

- (a) Equity Market Operators and CGS Market Operators;
- (b) Equity Market Participants and CGS Market Participants; and
- (c) Orders and Transactions in Equity Market Products and CGS Depository Interests, except where otherwise specified.

Part 5.1 Transactions must be post-trade transparent

5.1.6A Market Operator to make available Course of Sales information within three days

(1) A Market Operator must make available, in accordance with subrule (3), Course of Sales Information for each transaction in a Financial Product executed on or reported to its Market.

(2) For the purposes of subrule (1) *Course of Sales Information* means, for each Financial Product that is quoted on the Market, the information set out in column 3 of the following Table:

<u>Item</u>	<u>Type of information</u>	<u>Course of Sales Information</u>
<u>1</u>	<u>Product identification</u>	<u>The symbol, assigned in accordance with Rule 6.2.3, or by ASX, that identifies each Financial Product to which the information referred to in items 2 to 10 of this Table relates</u>
<u>2</u>	<u>Transaction time</u>	<u>The time at which each Transaction was executed by, or a report was received by, the Market Operator</u>
<u>3</u>	<u>Price</u>	<u>The price of each Financial Product that is the subject of each Transaction</u>
<u>4</u>	<u>Volume</u>	<u>The number of Financial Products that are the subject of each Transaction</u>
<u>5</u>	<u>Value</u>	<u>The total dollar value of each Transaction (Volume multiplied by Price)</u>
<u>6</u>	<u>Buy PID</u>	<u>The Participant identifier for the buyer in each Transaction</u>
<u>7</u>	<u>Sell PID</u>	<u>The Participant identifier for the seller in each Transaction</u>

<u>Item</u>	<u>Type of information</u>	<u>Course of Sales Information</u>
8	<u>Condition Code</u>	<u>If the Transaction was a Crossing, the code applicable to the type of Crossing</u>
9	<u>Execution Venue</u>	<u>The code identifying the market, Crossing System or other facility on which the Transaction was executed</u>

(3) A Market Operator must make available the information required in Rule 5.1.6A(1):

(a) on the third business day after each Transaction;

(b) on reasonable commercial terms; and

(c) on a non-discriminatory basis.

(4) ASIC may determine and publish on its website a notification of the execution venue codes referred to in item 9 of subrule (2).

(5) A Market Operator does not have to provide the execution venue code referred to in item 9 of subrule (2) until 10 March 2014.

Maximum penalty: \$1,000,000

Note: See proposal D2 of CP 202

Chapter 7: Participants—Other obligations

Part 7.4 Managing confidential Order information

7.4.1 Protection of Order information

(1) A Participant must not disclose any information about Orders received by it or Transactions resulting from those Orders unless permitted or required under these Rules or the law.

(2) A Participant may disclose information about Orders or Transactions if that information is generally available.

(3) A Participant may disclose Pre-Trade Information about Orders received by it.

(4) A Participant may disclose information about Orders and Transactions to a person who:

(a) is contracted to maintain and service the Participant's internal Order management system(s) or Crossing System(s); and

(b) has entered into a written confidentiality agreement that limits the use of Order and Transaction information to the purpose of maintaining and servicing the Participant's internal Order management system(s) or Crossing System.

(5) For the purposes of Rule 7.4.1(1), "Order" includes an instruction in relation to the routing of the Order.

(6) A Participant does not have to comply with this Rule until 3 months have passed from the commencement of this Rule.

Maximum penalty: \$1,000,000

Note: See proposal D3(a)–(b) of CP 202

Part 7.5 Order incentives

7.5.1 Prohibition on Order incentives

(1) A Participant must not pay cash or provide cash rebates for the opportunity to handle or execute Orders for any Financial Product of another Participant or AFS Licensee unless permitted or required under these Rules or the law.

(2) A Participant may provide incentives that are not cash or cash rebates to handle or execute Orders for any Financial Product of another Participant or AFS licensee if:

(a) in paying or receiving the incentives set out in this subrule the Participant complies with its obligations under Part 3.1;

- (b) details of any incentives permitted under this subrule are disclosed in a comprehensive, accurate and understandable way to the person who gave the Order the subject of the incentive, prior to handling or executing the Order; and
- (c) the incentive enhances the execution quality of the Order for the person who gave the Order.

Maximum penalty: \$100,000

Note: See proposal D4 of CP 202

D Proposed amendments to ASIC Market Integrity Rules (ASX 24)

This attachment presents ASIC's proposed amendments to the ASIC Market Integrity Rules (ASX 24) as a marked-up version of the relevant sections of the existing ASIC Market Integrity Rules (ASX 24). We have reproduced in this attachment only those market integrity rules to which changes are proposed and associated rules.

For more information, including the related ASIC advisory, go to www.asic.gov.au/markets.

Chapter 1: Introduction

Part 1.4 Interpretation

1.4.3 Definitions

“ASX SPI 200 Future” means the Futures Market Contract over the market index known as the S&P/ASX 200, that is generally known as the “ASX SPI 200 Future” and that is admitted to quotation on the ASX 24 Market.

Chapter 3: Trading principles

Part 3.1A Small Order resting times

3.1A.1 Time for compliance

A Participant does not need to comply with this Part until six months have passed from the commencement of this Part.

3.1A.2 Small Orders must not be cancelled or amended

(1) A Market Participant must not cancel or amend a Small Order within 500 milliseconds of submission of a Small Order to the Trading Platform.

(2) For the purposes of subrule (1), a **Small Order** is:

- (a) for the ASX SPI 200 Future, three or fewer ASX SPI 200 Index Future contracts:
- (b) for all Futures Contracts other than the ASX SPI 200 Future, 10 or fewer Futures Contracts.

Maximum penalty: \$1,000,000

3.1A.3 Policies to comply with Small Order Resting times

A Market Participant must establish, document and implement policies and procedures to ensure that it complies with Rule 3.1A.2.

Maximum penalty: \$1,000,000

3.1A.4 Compliance with policies and procedures

A Market Participant must comply with the policies and procedures required under Rule 3.1A.3.

Maximum penalty: \$1,000,000

Note: See proposal E1 of CP 202

Part 3.1 Trading principles for Orders entered on the Trading Platform

~~3.1.2 Market manipulation and misleading acts or practices regarding price~~

~~(1) A Market Participant must not engage in price manipulation of a Contract.~~

~~(2) A Market Participant must not engage in any misleading act or practice regarding the price of a Contract.~~

~~(3) For the purposes of this Rule 3.1.2 “manipulation and misleading acts or practices regarding the price of a Contract” is conduct including any artificial attempts to raise, lower or maintain the Contract price or to give a false impression of active Trading, any attempt to artificially influence the closing price, any attempt to affect a settlement price by artificial Trading on the Market, or buying and selling into the Market with the sole intent of making volume appear more than it really is.~~

Maximum penalty: \$1,000,000

3.1.2 False or misleading appearance

(1) A Market Participant must not offer to purchase or sell a Contract or deal in any Contract:

(a) as Principal:

(i) with the intention; or

(ii) if that offer to purchase or sell or dealing has the effect, or is likely to have the effect,

of creating a false or misleading appearance of active trading in any Contract or with respect to the market for, or the price of, any Contract; or

(b) on account of any other person where:

(i) the Market Participant intends to create;

(ii) the Market Participant is aware that the person intends to create; or

(iii) taking into account the circumstances of the Order, a Market Participant ought reasonably suspect that the person has placed the Order with the intention of creating,

a false or misleading appearance of active trading in any Contract or with respect to the market for, or the price of, any Contract.

(2) For the purposes of Rule 3.1.2(1)(a), a reference to a Market Participant offering to purchase or sell a Contract or deal in any Contract as Principal includes a reference to offering to purchase, sell or deal in any Contract on its own behalf or on behalf of the following persons;

(a) a partner of the Market Participant;

(b) a director of, company secretary of, or person who has a substantial holding in the Market Participant;

(c) the spouse of, non-adult children of, family company of, or family trust of a partner, director, company secretary, or person who has a substantial holding in the Market Participant;

(d) a body corporate in which the interests of one or more of the partners of the Market Participant singly or together constitute a controlling interest; and

(e) a related body corporate of the Market Participant.

(3) For the purposes of Rule 3.1.2(1)(b)(iii), in considering the circumstances of the Order, the Market Participant must have regard to the following matters:

(a) whether the Order or execution of the Order would be inconsistent with the history of or recent trading in that Contract;

(b) whether the Order or execution of the Order would alter the market for, or the price of, the Contract;

(c) the time the Order is entered or any instructions concerning the time of entry of the Order;

(d) whether the person on whose behalf the Order is placed, or another person who the Market Participant knows to be a Related Party of that person, may have an interest in creating a false or misleading appearance of active trading in any Contract or with respect to the market for, or the price of, any Contract;

(e) whether the Order is accompanied by settlement, delivery or security arrangements which are unusual;

(f) where the Order appears to be part of a series of Orders, whether when put together with other Orders which appear to make up the series, the Order or the series is unusual having regard to the matters referred to in this subrule;

(g) whether there appears to be a legitimate commercial reason for that person placing the Order, unrelated to an intention to create a false or misleading appearance of active trading in or with respect to the market for, or price of, any Contract;

(h) whether the proposed transaction, bid or offer which is proposed will involve no change of beneficial ownership;

(i) the frequency with which Orders are placed by a person;

(j) the volume of Contracts the subject of each Order placed by a person; and

(k) the extent to which a person amends or cancels an instruction to purchase or sell a Contract relative to the number of Transactions executed for that person.

(3) For the purposes of Rule 3.1.2(1)(a),

Maximum penalty: \$1,000,000

Note: See proposal E3 of CP 202