



ASIC

Australian Securities & Investments Commission

CONSULTATION PAPER 235

Proposed amendments to ASIC market integrity rules and instruments for the Chi-X investment product market

August 2015

About this paper

This consultation paper sets out our proposals to amend the ASIC Market Integrity Rules (Chi-X Australia Market) 2011, ASIC Market Integrity Rules (Competition in Exchange Markets) 2011 and existing ASIC instruments, for Chi-X's proposal to commence the quotation and trading of warrants and exchange traded funds on a new investment product market. We are also proposing minor amendments to the ASIC Market Integrity Rules (ASX Market) 2010.

Note: Implementation of these proposals is subject to the Minister's approval to the variation of Chi-X's Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This paper was issued in August 2015 and is based on the Corporations Act and market integrity rules as at the date of issue.

Disclaimer

The proposals, explanations and examples in this paper do not constitute legal advice. They are also at a preliminary stage only. Our conclusions and views may change as a result of the comments we receive or as other circumstances change.

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The consultation process

You are invited to comment on the proposals in this paper, which are only an indication of the approach we may take and are not our final policy.

As well as responding to the specific proposals and questions, we also ask you to describe any alternative approaches you think would achieve our objectives.

We are keen to fully understand and assess the financial and other impacts of our proposals and any alternative approaches. Therefore, we ask you to comment on:

- the likely compliance costs;
- the likely effect on competition; and
- other impacts, costs and benefits.

Where possible, we are seeking both quantitative and qualitative information.

We are also keen to hear from you on any other issues you consider important. Your comments will help us develop our policy on the ASIC Market Integrity Rules (Chi-X), ASIC Market Integrity Rules (Competition), ASIC Market Integrity Rules (ASX) and ASIC instruments. In particular, any information about compliance costs, impacts on competition and other impacts, costs and benefits will be taken into account if we prepare a Regulation Impact Statement: see Section F, 'Regulatory and financial impact'.

Making a submission

You may choose to remain anonymous or use an alias when making a submission. However, if you do remain anonymous we will not be able to contact you to discuss your submission should we need to.

Please note we will not treat your submission as confidential unless you specifically request that we treat the whole or part of it (such as any personal or financial information) as confidential.

Please refer to our privacy policy at www.asic.gov.au/privacy for more information about how we handle personal information, your rights to seek access to and correct personal information, and your right to complain about breaches of privacy by ASIC.

Comments should be sent by 9 September 2015, to:

Dior Loveridge, Senior Analyst
Financial Market Infrastructure
Australian Securities and Investments Commission
100 Market Street
Sydney NSW 2000
facsimile: 61 2 9911 2821
email: dior.loveridge@asic.gov.au

What will happen next?

Stage 1	20 August 2015	ASIC consultation paper released
Stage 2	9 September 2015	Comments due on the consultation paper
	September 2015	Updated ASIC Market Integrity Rules (Chi-X), ASIC Market Integrity Rules (Competition) and ASIC Market Integrity Rules (ASX) finalised
Stage 3	October 2015	Existing ASIC instruments varied
Stage 4	2 November 2015	Updated ASIC Market Integrity Rules (Chi-X), ASIC Market Integrity Rules (Competition) and ASIC Market Integrity Rules (ASX) take effect

A Background to the proposals

Key points

ASIC is responsible for supervising domestic licensed financial markets in Australia. As part of our supervisory responsibilities, we make market integrity rules and monitor compliance by market participants with those rules.

Chi-X is proposing to admit warrants and exchange traded funds to quotation on its market. The Chi-X Operating Rules and relevant market integrity rules will need to be amended to take into account Chi-X's proposal.

Chi-X's proposal is also subject to the Minister's approval of Chi-X's application to vary its Australian market licence and a decision not to disallow amendments to the Chi-X Operating Rules.

This consultation paper sets out our proposals to amend the ASIC Market Integrity Rules (Chi-X) and ASIC Market Integrity Rules (Competition), various ASIC class orders and a class waiver, to take into account Chi-X's proposal. It also seeks your feedback on our proposals to make minor amendments to the ASIC Market Integrity Rules (ASX).

ASIC supervision of markets

- 1 The Australian Securities and Investments Commission (ASIC) is responsible for the supervision of trading on licensed domestic financial markets and the making of market integrity rules. Under s798G of the *Corporations Act 2001* (Corporations Act), we may make market integrity rules dealing with the activities and conduct of licensed financial markets, persons in relation to licensed markets and persons in relation to financial products traded on licensed markets.
- 2 For the Chi-X Australia Pty Ltd (Chi-X) market, we made the ASIC Market Integrity Rules (Chi-X). Our approach to making market integrity rules for the Chi-X market has been to ensure the same conduct in relation to the same products is treated in the same manner for both the Chi-X and ASX markets.

Note: In this document 'ASIC Market Integrity Rules (ASX)' refers to the ASIC Market Integrity Rules (ASX Market) 2010, 'ASIC Market Integrity Rules (Chi-X)' refers to the ASIC Market Integrity Rules (Chi-X Market) 2011 and 'ASIC Market Integrity Rules (Competition)' refers to the ASIC Market Integrity Rules (Competition in Exchange Markets) 2011.
- 3 As set out in in paragraph 11 of Consultation Paper 148 [Proposed market integrity rules: Chi X market](#) (CP 148), consistency of market integrity rules will also:
 - (a) contribute to a level playing field between ASX and Chi-X in respect of the requirements placed on participants of both markets;

- (b) minimise the opportunity for regulatory arbitrage by participants;
- (c) assist participants of both the ASX and Chi-X markets to comply with new regulatory obligations; and
- (d) contribute to efficient supervision and enforcement of the market integrity rules by ASIC—because the same standards of conduct will be applied.

4 We may not make a market integrity rule unless we have the written consent of the Minister. An exception applies for the making of emergency rules that are necessary, or are in the public interest, to protect people dealing in a financial product. The market integrity rules are legislative instruments and, as such, will be subject to parliamentary scrutiny and possible disallowance by Parliament.

5 Australian domestic market licensees continue to be responsible for the operation of their markets, for monitoring and enforcing compliance with their market's operating rules and for providing guidance as appropriate. Regulation 7.2.07 of the Corporations Regulations 2001 sets out the content requirements for operating rules of licensed markets.

Proposed Chi-X investment product market

6 Chi-X was granted an Australian market licence on 4 May 2011, authorising it to operate a financial market in securities and managed investment scheme interests. Chi-X currently provides secondary trading services in securities and listed managed investment products that are admitted to quotation on the financial market operated by ASX.

7 On 13 February 2015, Chi-X released a consultation paper outlining its proposal to begin quoting and trading warrants and exchange traded funds (ETFs) on its market, commencing with the quotation and trading of warrants in November 2015 and ETFs in February 2016. The consultation paper stated there would be subsequent launch phases for the quotation and trading of other investment products on the Chi-X market.

Note: See Chi-X, [Consultation Paper 1/2015 The Chi-X Multi Asset Platform](#), CP 1/2015, 13 February 2015 at paragraph 1.1.1.

8 Before the proposed launch of Chi-X's investment product market in November 2015, Chi-X will require a variation to its Australian market licence and amendments to the Chi-X Operating Rules and Chi-X Operating Rules: Procedures (Chi-X operating rules and procedures), to ensure it has an appropriate rule framework to support the proposed market. These regulatory requirements are being progressed by Chi-X alongside the proposal to amend to amend the ASIC Market Integrity Rules (Chi-X) and ASIC Market Integrity Rules (Competition) in this consultation paper.

Note: Except for changes to the Chi-X Operating Rules: Procedures, all proposed changes require the consent of the Minister.

- 9 At this stage, we are not aware of any proposals for warrants and ETFs admitted to quotation and trading on the Chi-X market to be traded on any other market.

Our proposals

Amending the ASIC Market Integrity Rules (Chi-X)

- 10 Our proposed approach to the amendment of the ASIC Market Integrity Rules (Chi-X) is to ensure existing market integrity and investor protections relevant to the admission, quotation and trading of warrants and ETFs on the ASX market apply to the admission, quotation and trading of warrants and ETFs on the Chi-X market. We propose to achieve this by introducing consistent provisions across the ASIC Market Integrity Rules (Chi-X) and the ASIC Market Integrity Rules (ASX). Specifically, we are proposing to:

- (a) introduce into the ASIC Market Integrity Rules (Chi-X) rules relating to:
 - (i) accredited derivatives advisers (ADAs) (Part 2.4 (ASX));
 - (ii) explanatory booklets for warrants (Rule 3.1.2 (ASX)); and
 - (iii) client agreements (Rule 3.1.8 (ASX)); and
- (b) amend existing ASIC Market Integrity Rules (Chi-X) to:
 - (i) introduce the term ‘cash market product’ to capture existing products traded on Chi-X and the proposed new investment products (Rule 1.4.3 (ASX)); and
 - (ii) ensure that materially-updated information is given to clients in respect of third-party execution and clearing arrangements.

Note 1: In this document ‘Rule 3.1.2 (ASX)’ (for example) or ‘Part 2.4 (ASX)’ (for example) refers to a particular rule or part of the ASIC Market Integrity Rules (ASX).

Note 2: See the draft amended ASIC Market Integrity Rules (Chi-X) in Attachment 1 to this paper.

- 11 Consistent with previous statements in Consultation Paper 131 [Proposed ASIC market integrity rules: ASX and SFE markets](#) (CP 131) and RG 224 [Guidance on ASIC market integrity rules for Chi-X and APX markets](#) (RG 224), we intend to review at a later time all market integrity rules, including the ASIC Market Integrity Rules (ASX) and ASIC Market Integrity Rules (Chi-X), with a view to harmonising the rules so that only one set of market integrity rules applies to all like markets.

Amending the ASIC Market Integrity Rules (Competition)

- 12 In Report 237 [*Response to submissions on CP 145 Australian equity market structure: proposals*](#) (REP 237), we stated our intention to create a regulatory framework for competition that harmonises rules across all markets, and minimises system changes for industry while maintaining market integrity.
- 13 Our proposed amendments to the ASIC Market Integrity Rules (Competition) ensure that, where appropriate, the existing ASIC Market Integrity Rules (Competition) apply to warrants and ETFs admitted to quotation under the Chi-X Operating Rules. Specifically, we propose to amend the ASIC Market Integrity rules (Competition) so that:
- (a) Chapters 2–5, 6 and 7 (Competition) apply to ETFs that are admitted to quotation under the Chi-X Operating Rules and traded on the Chi-X market. Currently these provisions only apply to ETFs that are admitted to quotation by ASX and quoted and traded on the ASX market; and
 - (b) Chapter 5A (Competition) applies to warrants and ETFs that are admitted to quotation under the Chi-X Operating Rules and traded on the Chi-X market.

Note: See the draft amended ASIC Market Integrity Rules (Competition) in Attachment 2 to this paper.

Extending existing ASIC relief

- 14 ASIC may make legislative instruments to exempt a class of persons from specific provisions of the Corporations Act, and may grant waivers from obligations to comply with market integrity rules. We have previously used these powers to issue class orders and waivers that facilitate the quotation and trading of warrants and ETFs on the ASX market.
- 15 In the event that Chi-X's Australian market licence is varied, and the Chi-X operating rules and procedures are amended to support the admission to quotation and trading of warrants and ETFs on the Chi-X market, we propose to vary existing class orders and a class waiver to extend the relief that currently applies to warrants and ETFs quoted and traded on the ASX market to those admitted and quoted on the Chi-X market. This will ensure that the same regulatory settings apply to warrants and ETFs irrespective of the market on which they are quoted and traded.
- 16 Independent of Chi-X's proposed investment product market, we also propose to extend the relief from s1017B of the Corporations Act currently available to ETFs in Class Order [CO 13/721] *Relief to facilitate quotation of exchange traded funds on the AQUA Market* to managed fund products quoted on the ASX market: see Section D.

Amending the ASIC Market Integrity Rules (ASX)

- 17 We propose to make some minor amendments to the ASIC Market Integrity Rules (ASX) to:
- (a) reflect recent amendments to definitions in the ASX Operating Rules for ETF and managed fund products that are currently admitted to quotation on the ASX market and traded on both the ASX and Chi-X markets; and
 - (b) recognise accreditation and client agreements for warrants under the ASIC Market Integrity Rules (Chi-X), in the ASIC Market Integrity Rules (ASX).

Note: See Section E and the draft amended ASIC Market Integrity Rules (ASX) in Attachment 3 to this paper.

Scope of this consultation

- 18 The proposals set out in this paper seek your feedback on the draft amended ASIC Market Integrity Rules (Chi-X), ASIC Market Integrity Rules (Competition) and ASIC Market Integrity Rules (ASX): see Attachments 1–3, respectively. It also seeks your feedback on our proposals to extend existing ASIC relief:
- (a) applicable to ETFs and warrants quoted on the ASX market to ETFs and warrants admitted to quotation on the Chi-X market (see Section D); and
 - (b) in [CO 13/721] from s1017B of the Corporations Act (available for ETFs quoted on the ASX market) to managed fund products quoted on the ASX market (see Section D).

B ASIC Market Integrity Rules (Chi-X)

Key points

We propose to amend the ASIC Market Integrity Rules (Chi-X) to ensure existing market integrity and investor protections relevant to the admission, quotation and trading of ETFs and warrants on the ASX market apply to the Chi-X market.

Cash market products

- 19 The ASIC Market Integrity Rules (Chi-X) currently apply to products that are securities, managed investment products and CHESS depository interests admitted to quotation on the ASX market. These products are defined in the ASIC Market Integrity Rules (Chi-X) as ‘equity market products’.
- 20 The proposed investment products to be made available on the Chi-X market will be admitted to quotation and trading status on the Chi-X market under the Chi-X Operating Rules. However, the current definition of ‘equity market products’ in the ASIC Market Integrity Rules (Chi-X) does not capture these proposed investment products.

Proposal

- B1** We propose to introduce the term ‘cash market product’ to the ASIC Market Integrity Rules (Chi-X), which will include the existing equity market products (as defined) and two new Chi-X investment products—‘investment product (MIS)’ and ‘investment product (warrant)’. See the draft amended ASIC Market Integrity Rules (Chi-X) in Attachment 1 to this paper.

Note: Proposal B1 is subject to the Minister’s approval to the variation of Chi-X’s Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.

Your feedback

- B1Q1** Does this proposal raise any issues for trading systems? Please describe the nature of these issues and provide an estimate of the time and costs required to update your trading systems.

Rationale

- 21 Since Chi-X launched its market on 31 October 2011 it has only offered trading services in securities and listed managed investment products quoted on the ASX market, including ETFs. It has not had any products available for trading that have been admitted to quotation and trading in accordance with the Chi-X operating rules and procedures.

- 22 We want to ensure the ASIC Market Integrity Rules (Chi-X) cover trading in warrants and ETFs that are to be admitted and quoted on the Chi-X market. This will ensure that the market integrity rules that apply to similar products on ASX also apply to Chi-X.
- 23 We are therefore proposing to amend the ASIC Market Integrity Rules (Chi-X), in a way that is consistent with the current ASIC Market Integrity Rules (ASX), to apply to an expanded suite of products which include ETFs and warrants quoted on Chi-X. For this reason, we are proposing to introduce the term ‘cash market product’ to the ASIC Market Integrity Rules (Chi-X), and define it to include existing equity market products (as defined) and two new Chi-X investment products—‘investment product (MIS)’ to capture ETFs and ‘investment products (warrant)’ to capture warrants.
- 24 The expanded definition of ‘cash market product’ in the ASIC Market Integrity Rules (Chi-X) will enable us to regulate ETFs and warrants traded on the Chi-X market.

Accredited derivatives advisers

- 25 Under the existing regulatory regime for the trading of warrants on the ASX market, a market participant must ensure that each of its representatives that provide financial product advice to retail clients in relation to warrants hold the relevant accreditation. We are proposing to replicate this for the trading of warrants on the Chi-X market.
- 26 Part 2.4 (ASX) details the accreditation requirements for representatives of a market participant that provide financial product advice to retail clients in relation to options contracts, futures market contracts or warrants. Part 2.4 (ASX) also:
- (a) details the mechanisms for accreditation and the continuing professional education requirements of those accredited in accordance with the ASIC Market Integrity Rules (ASX); and
 - (b) requires, for market participants who are licensed to provide managed discretionary accounts for retail clients, that such accounts dealing in warrants be operated by an accredited advisor.
- Note: We will notify market participants when we have updated the set of forms they can use to submit their applications and notifications for ADAs.
- 27 The accreditation requirements in the ASIC Market Integrity Rules (ASX) are supplementary to a market participant’s general obligations as an Australian financial services (AFS) licensee to ensure that its representatives are competent to give financial product advice with respect to warrants traded on the Chi-X market.

Note: These are general obligations in s912A of the Corporations Act. For further information see Regulatory Guide 104 [Licensing: Meeting the general obligations](#) (RG 104) and Regulatory Guide 146 [Licensing: Training of financial product advisers](#) (RG 146).

Proposal

- B2** We propose to insert a new Part 2.4, relevant to warrants, into the ASIC Market Integrity Rules (Chi-X): see the draft amended ASIC Market Integrity Rules (Chi-X) in Attachment 1 to this paper.

Note: Proposal B2 is subject to the Minister's approval to the variation of Chi-X's Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.

Your feedback

- B2Q1 Does this proposal raise any compliance issues for market participants? If so, please provide an estimate of the time and costs required to resolve these issues.

Rationale

- 28 We are proposing to include in the ASIC Market Integrity Rules (Chi-X), a new Part 2.4 to ensure advisers giving advice on warrants quoted and traded on Chi-X are accredited as either a Level One or Level Two ADA. These obligations already exist if advising on warrants traded on the ASX market.
- 29 To reduce regulatory duplication, we are proposing to recognise the existing accreditation of advisers who are already accredited to give advice in relation to ASX-quoted and traded warrants, and not require them to obtain further accreditation for warrants quoted and traded on Chi-X. Similar recognition will apply for advisers who may be accredited under the ASIC Market Integrity Rules (Chi-X): see Section E.
- 30 Under this approach, only advisers that are not accredited under the ASIC Market Integrity Rules (ASX) will need to be accredited under the ASIC Market Integrity Rules (Chi-X).

Explanatory booklets for warrants

- 31 Before a market participant enters into a transaction on behalf of a person for the purchase of a warrant on ASX, they are required by the ASIC Market Integrity Rules (ASX) to:
- (a) provide the person with an explanatory booklet (including any updates) issued by ASX for warrants (Rule 3.1.2(3) (ASX));
 - (b) enter into a written client agreement with a retail client that discloses certain risk features of a warrant (Rule 3.1.8(1) (ASX)); and

- (c) obtain written acknowledgement (which forms part of the client agreement) from a retail client, that they have received and read the explanatory booklet for warrants (Rule 3.1.8(2) (ASX)).

32 Chi-X has committed to publishing an explanatory booklet that is relevant to trading warrants on the Chi-X market. This means that there will be two explanatory booklets relevant to trading warrants available to market participants to issue to their clients if they seek to trade warrants on both the ASX and Chi-X markets.

33 We propose to amend the ASIC Market Integrity Rules (Chi-X) to insert new Rules 3.1.2 and 3.1.8 (Chi-X) which will require a market participant to:

- (a) provide retail clients with the explanatory booklet for the Chi-X market before a client purchases any warrants on the Chi-X market, regardless of whether the client has previously traded warrants on ASX and has been given a copy of the ASX explanatory booklet. This booklet is also to be made available, upon request, to wholesale clients; and
- (b) obtain a written agreement with the retail client where the client acknowledges the features of warrants and that they have read and understood the explanatory booklet. A market participant will be exempt from this requirement in the event they are an ASX market participant and have a written agreement with the client according to Rule 3.1.8 (ASX).

Note: In this document 'Rule 3.1.2 (Chi-X)' (for example) refers to a particular rule of the ASIC Market Integrity Rules (Chi-X).

Proposal

B3 We propose to make specific amendments to the ASIC Market Integrity Rules (Chi-X) in relation to disclosures and acknowledgements in client agreements with retail clients (Rule 3.1.2 (Chi-X)) and the provision of explanatory booklets for warrants (Rule 3.1.8 (Chi-X)): see paragraph 33 and the draft amended ASIC Market Integrity Rules (Chi-X) in Attachment 1 to this paper.

Note: Proposal B3 is subject to the Minister's approval to the variation of Chi-X's Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.

Your feedback

- B3Q1 Do you agree with our proposal? If not, why not?
- B3Q2 Will you need to update your client on-boarding processes for providing Chi-X-issued booklets to retail clients that may trade warrants on the Chi-X market? If so, please provide details.
- B3Q3 Do you have any alternative proposals?

Rationale

34 We consider that explanatory booklets for warrants provide useful information to retail clients about these financial products, and that client

acknowledgements provide a useful confirmation that the client is aware of the special features of warrants. For this reason, they are an investor protection measure that should be maintained.

- 35 We also consider that each market operator should make available information to investors that is specific to trading warrants on their market. This is why we have proposed that participants be required to provide a client with a market operator's explanatory booklet before a client begins trading warrants on that market for the first time.
- 36 We expect each market participant to review their client on-boarding documentation to determine what, if any, changes may need to be made to their existing arrangements to facilitate client trading in warrants on the Chi-X market.

Third-party execution and clearing arrangements

- 37 Before a market participant enters into a transaction on behalf of a person for the purchase of an equity market product on Chi-X, they are required to provide their client with a document disclosing:
- (a) any third-party execution arrangements that apply to the transaction (including details of the executing participant and the extent of National Guarantee Fund (NGF) coverage, or other compensation coverage, for the transaction). A market participant does not have to provide this information if:
 - (i) they are also an ASX participant;
 - (ii) they have given the information to the client in accordance with the ASIC Market Integrity Rules (ASX);
 - (iii) the same execution arrangements will apply to transactions in equity market products executed on Chi-X; and
 - (iv) the market participant notifies its client about any material change to the information it has given in respect of its third-party execution arrangements; and
 - (b) any third-party clearing arrangements that may apply to the transaction (including details of the clearing participant, and the general obligations and rights of the client and clearing participant in relation to a transaction in an equity market product executed on Chi-X).
- 38 The proposed Chi-X investment product market will introduce an expanded suite of products available to trade on the Chi-X market. The information that has previously been given to clients on third-party execution and clearing arrangements in equity market products may not apply to the ETFs

and warrants that may be traded on the proposed Chi-X investment product (i.e. cash market products).

Proposal

B4 We propose to amend Rules 3.1.3 and 3.1.4 (Chi-X) to:

- (a) apply to transactions in cash market products (i.e. update the current reference to equity market products); and
- (b) require a participant to provide clients with a disclosure about its third-party execution and clearing arrangements if there are any material changes to these arrangements arising from the commencement of quotation and trading of ETFs and warrants on the Chi-X market.

Note 1: See the draft amended ASIC Market Integrity Rules (Chi-X) in Attachment 1 to this paper.

Note 2: Proposal B4 is subject to the Minister's approval to the variation of Chi-X's Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.

Your feedback

B4Q1 What is the impact of our proposal in terms of notifications to clients? Please provide details.

B4Q2 Do you have any alternative proposals? If so, please provide details.

Rationale

- 39 To reduce regulatory duplication we are proposing to only require updated disclosure to a client of third-party execution and/or clearing arrangements in the event there is a material change to the information the market participant has previously provided. An example of a material change is a change to the availability of NGF coverage for ETF and warrant transactions executed on the Chi-X market.

C ASIC Market Integrity Rules (Competition)

Key points

We propose to amend the ASIC Market Integrity Rules (Competition) to facilitate Chi-X's proposed investment product market by ensuring the rules that currently apply to ETFs and warrants quoted and traded on the ASX market also apply to ETFs and warrants that are admitted to quotation under the Chi-X Operating Rules and traded on the Chi-X market.

Amendments to the ASIC Market Integrity Rules (Competition)

- 40 The ASIC Market Integrity Rules (Competition) apply by reference to markets and participants trading in 'equity market products' admitted to quotation on ASX. This definition includes ETFs and managed funds admitted to trading status on ASX under Schedule 10A to the ASX Operating Rules—but does not include ETFs that are admitted to quotation on the Chi-X market under the Chi-X Operating Rules.
- 41 An exception to the coverage of the ASIC Market Integrity Rules (Competition) (as set out in paragraph 40), is the wider coverage of Chapter 5A (Competition), which applies to financial products admitted to quotation on the ASX market (excluding futures and options).
- 42 This means Chapter 5A (Competition) applies to ASX warrants and all products admitted to trading status on ASX under Schedule 10A to the ASX Operating Rules—but does not include warrants and ETFs admitted to quotation on the Chi-X market under the Chi-X Operating Rules.

Proposal

- c1** We propose to:
- (a) amend the definition of 'equity market product' in the ASIC Market Integrity Rules (Competition) to include an equity market product that may be admitted to quotation on the Chi-X market under the Chi-X Operating Rules;
 - (b) amend the application of Chapter 5A (Competition) so that it applies to orders and transactions in financial products that are admitted to quotation on the Chi-X market under the Chi-X Operating Rules; and
 - (c) not include any transitional provisions for the application of the ASIC Market Integrity Rules (Competition) to ETFs and warrants admitted to quotation on the Chi-X market.

Note 1: See the draft amended ASIC Market Integrity Rules (Competition) in Attachment 2 to this paper

Note 2: Proposal C1 is subject to the Minister's approval to the variation of Chi-X's Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.

Your feedback

C1Q1 What is the effect of our proposal on your technology and compliance settings? Please provide details. Are transitional provisions necessary? If so, please provide details.

Rationale

- 43 Our proposal ensures that consistent regulatory settings apply to warrants and ETFs whether they are admitted to quotation by ASX or Chi-X. Because these provisions already apply to the trading of warrants and ETFs on the ASX market, we do not think that transitional provisions are required for the staged launch of Chi-X’s investment product market.
- 44 This means that the same regulatory requirements will apply for market operators admitting these products and market participants trading these products, irrespective of the market on which the product is quoted or traded. This approach minimises the opportunity for regulatory arbitrage by market participants and contributes to efficient supervision and enforcement of the market integrity rules by ASIC—because the same standards of conduct will apply to both markets.
- 45 The effect of our proposal on each chapter of the ASIC Market Integrity Rules (Competition) is summarised in Table 1.

Table 1: Effect of our proposed amendments to the ASIC Market Integrity Rules (Competition)

Chapter	Effect of our proposals on market operators and market participants
Chapter 2 Extreme price movements	<p>Chi-X will need to ensure that it:</p> <ul style="list-style-type: none"> • sets and makes publicly available an anomalous order threshold for each ETF it admits to quotation; • has adequate controls to prevent anomalous orders entering its market (including for ETFs it admits to quotation) • monitors and reviews these thresholds and adjusts them when necessary; • makes the appropriate notifications to ASIC in relation to its anomalous order thresholds for ETFs it admits to quotation; and • has automated controls to prevent extreme price movements in ETFs admitted to quotation and traded on its market (including by establishing a reference price for these products, having in place adequate arrangements for identifying and notifying when an extreme trade range event occurs, and imposing a trading pause in these products in an ETR event). <p>Market participants will need to ensure that the filters they have in place for existing equity market products will apply to any ETFs quoted on Chi-X that they may trade. This will ensure:</p> <ul style="list-style-type: none"> • they meet their obligations to have and maintain the necessary resources to make sure that orders they enter into, and trades reported to the market, do not interfere with the efficiency and integrity of the market or a crossing system they operate; and • they act in a manner that maintains a fair and orderly market (Rules 4A.6.2 and 5.5.2(Chi-X), Parts 5.6 and 5.9 (Chi-X) and RG 224).

Chapter	Effect of our proposals on market operators and market participants
Chapter 3 Best execution	<p>At this stage, ETFs admitted to quotation on Chi-X will only be available to trade on Chi-X. This means market participants will only need to consider the pricing of the ETF on the Chi-X market when meeting their best execution obligations for trading these products.</p>
Chapter 4 Pre-trade transparency	<p>Chi-X will need to ensure it makes pre-trade information available immediately for ETFs it admits to quotation on its market (subject to the pre-trade transparency exceptions in Rule 4.1.2(2) (Competition)). This information must also be available on reasonable commercial terms and on a non-discriminatory basis.</p> <p>Market participants will have the same obligations with respect to entering transactions for ETFs that are admitted to quotation on the Chi-X market—as currently exists when entering into transactions on pre-trade transparent order books when trading equity market products that are admitted to quotation on the ASX market.</p>
Chapter 4A Crossing Systems	<p>Crossing systems will also apply to orders and transactions in ETFs and warrants that are admitted to quotation and traded on the Chi-X market.</p> <p>Rule 4A.3.1 (Competition) requires a crossing system operator to make freely available (on a publicly accessible website) information in relation to that crossing system, including the types of financial products traded on the crossing system. If a crossing system operator seeks to introduce new types of financial products to its crossing system that includes warrants or ETFs that are admitted to quotation on the Chi-X market, then this information should be made available in accordance with Rule 4A.3.1 (Competition).</p>
Chapter 5 Post-trade transparency	<p>With the exception of Rule 5.1.6A (Competition), market participants that transact off-order book in an ETF admitted to quotation on the Chi-X market should report details of the executed transaction to Chi-X (because it will be the only market operator that provides facilities for trading these products), and that information should be included in Chi-X's feed of information. In the future, if investment products quoted on Chi-X become available to trade on another market, market participants may report off-order book transactions to such other market(s).</p> <p>Rule 5.1.6A (Competition) will now apply to warrants and ETFs that are quoted on Chi-X.</p> <p>Chi-X must continue to meet its post-trade information obligations in Chapter 5 (Competition) for ETFs admitted to quotation on its market.</p>
Chapter 5A Regulatory data	<p>Market participants that trade ETFs or warrants admitted to quotation on Chi-X will need to comply with the regulatory data obligations for these products.</p> <p>Chi-X will need to record all regulatory data it receives in relation to ETFs and warrants admitted to quotation on Chi-X and, in accordance with Chapter 7 (Chi-X), it will need to provide this data to ASIC.</p>
Chapter 6 Market operators (other obligations)	<p>Until another market operator quotes ETFs that are admitted to quotation on the Chi-X market, Chi-X will not need to make the notifications to other market operators, or share information with other market operators, as required by Chapter 6 (Competition).</p> <p>Chi-X will need to assign each ETF admitted to quotation on its market with a unique symbol for the purposes of identifying that ETF in records of orders, trades and other trading messages in its market.</p>
Chapter 7 Participants (other obligations)	<p>These obligations continue to apply when trading ETFs quoted on the Chi-X market.</p>

D Extending relief in existing ASIC class orders and a class waiver

Key points

There are a number of existing ASIC class orders and a class waiver that facilitate the trading of warrants and ETFs on the ASX market.

We are proposing to extend existing ASIC relief:

- applicable to ETFs and warrants quoted on the ASX market to ETFs and warrants admitted to quotation on the Chi-X market; and
- from s1017B of the Corporations Act under [CO 13/721], to include managed fund products that are admitted to quotation on the ASX market.

Extending existing ASIC relief to the proposed Chi-X investment product market

Proposal

- D1 We propose to vary the ASIC class orders and class waiver listed in Table 2 to include references to Chi-X so that, in all material respects:
- the relief extends to trading in warrants or ETFs quoted on Chi-X;
 - any conditions of the relief will apply to warrants and ETFs quoted on Chi-X; and
 - the beneficiaries of the relief would be of the same type (i.e. products, issuers, market makers, trustees, product holders, authorised participants and responsible entities).

Note: Proposal D1 is subject to the Minister's approval to the variation of Chi-X's Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.

Your feedback

D1Q1 Do you agree with our proposal to vary the class orders and class waiver in Table 2 to extend existing relief for ETFs and warrants quoted on ASX to those quoted on Chi-X? Please give reasons for your view.

D1Q2 Would our proposal result in any adverse or unintended consequences? If so, please provide details.

Table 2: ASIC instruments to be varied to include references to ETFs and/or warrants

Class order	Details of relief for warrants and ETFs
Class Order [CO 02/608] <i>Warrants: Relief from PDS requirements for secondary sales</i>	The transfer of an ASX-quoted warrant as a result of a secondary sale on the ASX market is not treated as the issue of a derivative. Therefore, issuers of such warrants are not subject to the requirement to provide a Product Disclosure Statement (PDS) to a retail investor.
Class Order [CO 03/957] <i>ASX managed investment warrants: Disclosure and reporting exemptions</i>	Issuers of ASX-traded managed investment warrants are exempt from complying with certain PDS content and procedural requirements and providing periodic statements. Issuers of such warrants are also exempt from certain reporting and continuous disclosure requirements under the Corporations Act.
Class Order [CO 10/288] <i>Covered short sale transaction reporting relief for market makers</i>	ASX market makers are exempt from the obligation to report a covered short sale transaction in the course of performing their function as a market maker of an ETF.
Class Order [CO 10/1034] <i>Margin lending relief for ASX-traded instalment warrants</i>	Issuers of certain types of warrants admitted to quotation on the ASX market are exempt from the additional obligations that are imposed on providers of a margin lending facility.
Class Order [CO 13/526] <i>Warrants: Relevant interests and associations</i>	Issuers, holders and trustees of certain types of warrants that are admitted to quotation on the ASX market are allowed to disregard, in some cases, their 'relevant interest' in securities that arise out of these warrants for the purposes of the takeover and substantial holding provisions of the Corporations Act.
Class Order [CO 13/655] <i>Provisions about the amount of consideration to acquire interests and withdrawal amounts not covered by [CO 05/26]</i>	In certain cases, the constitution of a registered managed investment scheme, where scheme interests are quoted, or either traded or able to be traded on the ASX market, need not make adequate provision for the amount of consideration to be paid to acquire an interest in a registered scheme.
Class Waiver [CW 13/680] <i>Pre-trade transparency</i>	Participants of the ASX market are exempt from complying with Rule 4.1.1(1) (Competition) in a number of situations under this relief, including when the participant enters into a transaction as an ETF special trade. Rule 4.1.1(1) (Competition) provides that a participant must not enter into a type of equity transaction unless it is entered into by the matching of a pre-trade transparent order on an order book of a market.
Class Order [CO 13/721] <i>Relief to facilitate quotation of exchange traded funds on the AQUA Market</i>	Relief from the responsible entity requirement for 'equal treatment' of members, ongoing disclosure for issuers, and substantial holding and beneficial holding notice requirements due to holding an interest in an ETF. [CO 13/721] also has a declaration regarding relevant interests for authorised participants, so that it does not include underlying securities held by the ETF.
Class Order [CO 13/1200] <i>Periodic statements relief for AQUA quoted and listed managed investment scheme manager</i>	Relief, limited to interests in a scheme that is an ASX product that is quoted or admitted to trading status on the ASX market, from provisions of the Corporations Act that deal with periodic reporting requirements for issuers of interests in certain registered managed investment schemes.

Rationale

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The objective of this proposal is to ensure industry stakeholders have access to the same relief irrespective of whether an ETF or warrant is quoted or

traded on the ASX or on the Chi-X market. There is no reason for the application of different regulatory approaches for each of the markets.

- 47 This will ensure that one market is not materially advantaged over the other. It will also ensure that any compliance costs to industry stakeholders are minimised because the same regulatory settings will apply to these products across both markets.

Extending existing relief in [CO 13/721]

- 48 We have previously granted individual relief from s1017B of the Corporations Act for managed fund products. This individual relief is the same, in all material respects, as the relief available in [CO 13/721] to ETFs admitted to quotation under Schedule 10A to the ASX Operating Rules.
- 49 We are proposing to extend the relief from s1017B granted by [CO 13/721] to managed fund products quoted on the ASX market under Schedule 10A to the ASX Operating Rules. This proposal does not extend to the Chi-X investment product market because the staged launch of the quotation and trading of investment products does not currently include managed funds products: see paragraph 7.

Proposal

- D2 We propose to vary [CO 13/721] so that the relief from s1017B of the Corporations Act also applies to managed fund products admitted to quotation on the ASX market under Schedule 10A to the ASX Operating Rules.

Feedback

D2Q1 Do you agree with our proposal? If not, why not?

Rationale

- 50 We have received approximately 10 applications for individual relief for managed fund products and, in all instances, the same rationale underlying [CO 13/721] has been applied to these products. We consider that the rationale for granting relief from s1017B to ETFs also applies to managed fund products quoted on AQUA: see Consultation Paper 196 [Periodic statements for quoted and listed managed investment products and relief for AQUA products](#) (CP 196).
- 51 The proposed relief from s1017B will be granted on condition that responsible entities meet the continuous disclosure requirements in s675 of the Corporations Act. This means that—as for investors trading ETFs quoted on either the Chi-X or ASX market—investors in managed fund products quoted on ASX will receive disclosure about significant changes that affect

their holdings in the product through immediate disclosure to the market, rather than receiving individual significant event notifications within the timeframe required under s1017B.

- 52 We also consider that providing individual notifications under s1017B to retail investors in managed fund products admitted to quotation on ASX may be burdensome to responsible entities. We therefore propose to extend the existing relief from s1017B in [CO 13/721] to cover managed fund products quoted on ASX.

E ASIC Market Integrity Rules (ASX)

Key points

We propose to amend the ASIC Market Integrity Rules (ASX) to:

- reflect recent amendments to definitions in the ASX Operating Rules for ETF and managed fund products that are currently admitted to quotation on the ASX market and traded on both the ASX and Chi-X markets; and
- recognise accreditation and client agreements for warrants under the ASIC Market Integrity Rules (Chi-X), in the ASIC Market Integrity Rules (ASX).

Amendments to the ASIC Market Integrity Rules (ASX)

- 53 In May 2015, the ASX Operating Rules were amended to support the quotation of investment products (i.e. ETFs, managed funds and structured products) on the ASX market. Specifically, these amendments expanded the definition of ‘ETF’ and ‘managed fund’.
- 54 The ASIC Market Integrity Rules (ASX) need to be amended to reflect the ETF and managed fund products that may now be traded on the ASX market as a result of these amendments to the ASX Operating Rules.
- 55 We also propose to amend the ASIC Market Integrity Rules (ASX) to recognise that the accreditation obligations and client agreement (warrants) obligations are the same under both the proposed ASIC Market Integrity Rules (Chi-X) and ASIC Market Integrity Rules (ASX).

Proposal

E1 We propose to amend:

- the definitions of ‘ETF’ and ‘managed fund’ in the ASIC Market Integrity Rules (ASX) to reflect the products admitted to quotation and trading on the ASX market under Schedule 10A to the ASX Operating Rules; and
- Rules 2.4.1 and 3.1.8 (ASX).

Note: See the draft amended ASIC Market Integrity Rules (ASX) in Attachment 3 to this paper.

Feedback

E1Q1 Do you agree with our proposal? If not, why not?

Rationale

- 56 In May 2015, the ASX published amendments to the ASX Operating Rules to allow a foreign company, that has the characteristics of a managed investment scheme (as defined in s9 of the Corporations Act), to be an acceptable legal form for a managed fund or ETF product to be admitted to quotation on the ASX market in accordance with Schedule 10A to the ASX Operating Rules.
- 57 We are proposing to amend the definition of ‘ETF’ and ‘managed fund’ in the ASIC Market Integrity Rules (ASX) to ensure that we accurately capture, for the purposes of market supervision, ETF and managed fund products that are currently admitted to quotation on the ASX market and traded on both the ASX and Chi-X markets.
- 58 Our proposal to amend Rules 2.4.1 and 3.1.8 (ASX)—in regards to accreditation and client agreements (warrants)—reflects that participants will be able to trade warrants on the ASX and Chi-X markets as a result of Chi-X’s proposal.

F Regulatory and financial impact

59 In developing the proposals in this paper, we have carefully considered their regulatory and financial impact. On the information currently available to us we think they will strike an appropriate balance between:

- (a) applying existing investor protection measures for the quotation and trading of warrants and ETFs on the ASX market to the quotation and trading of these products on Chi-X's proposed investment product market; and
- (b) minimising the compliance costs for market participants that choose to quote and trade warrants on the ASX and Chi-X markets by proposing equivalent regulatory settings for these products on both markets.

60 Before settling on a final policy, we will comply with the Australian Government's regulatory impact analysis (RIA) requirements by:

- (a) considering all feasible options, including examining the likely impacts of the range of alternative options which could meet our policy objectives;
- (b) if regulatory options are under consideration, notifying the Office of Best Practice Regulation (OBPR); and
- (c) if our proposed option has more than minor or machinery impact on business or the not-for-profit sector, preparing a Regulation Impact Statement (RIS).

61 All RISs are submitted to the OBPR for approval before we make any final decision. Without an approved RIS, ASIC is unable to give relief or make any other form of regulation, including issuing a regulatory guide that contains regulation.

62 To ensure that we are in a position to properly complete any required RIS, please give us as much information as you can about our proposals or any alternative approaches, including:

- (a) the likely compliance costs;
- (b) the likely effect on competition; and
- (c) other impacts, costs and benefits.

See 'The consultation process', p. 4.

Key terms

Term	Meaning in this document
ADA	Accredited derivatives adviser
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries out a financial services business to provide financial services Note: This is a definition contained in s761A of the Corporations Act
AFS licensee	A person who holds an Australian financial services licence under s913B of the Corporations Act Note: This is a definition contained in s761A of the Corporations Act.
ASIC	Australian Securities and Investments Commission
ASIC Market Integrity Rules (ASX)	ASIC Market Integrity Rules (ASX Market) 2010—rules made by ASIC under s798G of the Corporations Act for trading on ASX
ASIC Market Integrity Rules (Chi-X)	ASIC Market Integrity Rules (Chi-X Australia Market) 2011—rules made by ASIC under s798G of the Corporations Act for trading on Chi-X
ASIC Market Integrity Rules (Competition)	ASIC Market Integrity Rules (Competition in Exchange Markets) 2011—rules made by ASIC under s798G of the Corporations Act that are common to markets dealing in equity market products and CGS depository interests quoted on ASX
ASX	ASX Limited or the exchange market operated by ASX Limited
Australian market licence	Australian market licence under s795B of the Corporations Act that authorises a person to operate a financial market
CGS	Commonwealth Government Securities
Chapter 7 (Chi-X) (for example)	A chapter of the ASIC Market Integrity Rules (Chi-X) (in this example, numbered 7)
Chapter 2 (Competition) (for example)	A chapter of the ASIC Market Integrity Rules (Competition) (in this example, numbered 2)
CHESS Depository Interest (CDI)	As defined in Rule 2.13.1 of the ASX Settlement Rules.
Chi-X	Chi-X Australia Pty Limited or the exchange market operated by Chi-X
Chi-X operating rules and procedures	The Chi-X Operating Rules and Chi-X Operating Rules: Procedures

Term	Meaning in this document
[CO 13/721] (for example)	An ASIC class order (in this example numbered CO 13/721)
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
CP 148 (for example)	An ASIC consultation paper (in this example, numbered 224)
ETF	Exchange traded funds
market integrity rules	Rules made by ASIC, under s798G of the Corporations Act, for trading on domestic licensed markets
market licensee	Holder of an Australian market licence
market participant	As defined in s761A of the Corporations Act
NGF	National Guarantee Fund
s798G (for example)	A section of the Corporations Act (in this example, numbered 798G), unless otherwise specified
Part 2.4 (ASX)	A part of the ASIC Market Integrity Rules (ASX) (in this example, numbered 2.4)
PDS	Product Disclosure Statement
RG 224 (for example)	An ASIC regulatory guide (in this example, numbered 224)
Rule 3.1.2 (ASX) (for example)	A rule of the ASIC Market Integrity Rules (ASX) (in this example, numbered 3.1.2)
Rule 3.1.2 (Chi-X) (for example)	A rule of the ASIC Market Integrity Rules (Chi-X) (in this example, numbered 3.1.2)
Rule 4.1.2 (Competition) (for example)	A rule of the ASIC Market Integrity Rules (Competition) (in this example, numbered 4.1.2)

List of proposals and questions

Proposal	Your feedback
<p>B1 We propose to introduce the term ‘cash market product’ to the ASIC Market Integrity Rules (Chi-X), which will include the existing equity market products (as defined) and two new Chi-X investment products—‘investment product (MIS)’ and ‘investment product (warrant)’. See the draft amended ASIC Market Integrity Rules (Chi-X) in Attachment 1 to this paper.</p> <p>Note: Proposal B1 is subject to the Minister’s approval to the variation of Chi-X’s Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.</p>	<p>B1Q1 Does this proposal raise any issues for trading systems? Please describe the nature of these issues and provide an estimate of the time and costs required to update your trading systems.</p>
<p>B2 We propose to insert a new Part 2.4, relevant to warrants, into the ASIC Market Integrity Rules (Chi-X): see the draft amended ASIC Market Integrity Rules (Chi-X) in Attachment 1 to this paper.</p> <p>Note: Proposal B2 is subject to the Minister’s approval to the variation of Chi-X’s Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.</p>	<p>B2Q1 Does this proposal raise any compliance issues for market participants? If so, please provide an estimate of the time and costs required to resolve these issues.</p>
<p>B3 We propose to make specific amendments to the ASIC Market Integrity Rules (Chi-X) in relation to disclosures and acknowledgements in client agreements with retail clients (Rule 3.1.2 (Chi-X)) and the provision of explanatory booklets for warrants (Rule 3.1.8 (Chi-X)): see paragraph 33 and the draft amended ASIC Market Integrity Rules (Chi-X) in Attachment 1 to this paper.</p> <p>Note: Proposal B3 is subject to the Minister’s approval to the variation of Chi-X’s Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.</p>	<p>B3Q1 Do you agree with our proposal? If not, why not?</p> <p>B3Q2 Will you need to update your client on-boarding processes for providing Chi-X-issued booklets to retail clients that may trade warrants on the Chi-X market? If so, please provide details.</p> <p>B3Q3 Do you have any alternative proposals?</p>
<p>B4 We propose to amend Rules 3.1.3 and 3.1.4 (Chi-X) to:</p> <p>(a) apply to transactions in cash market products (i.e. update the current reference to equity market products); and</p> <p>(b) require a participant to provide clients with a disclosure about its third-party execution and clearing arrangements if there are any material changes to these arrangements arising from the commencement of quotation and trading of ETFs and warrants on the Chi-X market.</p> <p>Note 1: See the draft amended ASIC Market Integrity Rules (Chi-X) in Attachment 1 to this paper.</p> <p>Note 2: Proposal B4 is subject to the Minister’s approval to the variation of Chi-X’s Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.</p>	<p>B4Q1 What is the impact of our proposal in terms of notifications to clients? Please provide details.</p> <p>B4Q2 Do you have any alternative proposals? If so, please provide details.</p>

Proposal	Your feedback
<p>C1 We propose to:</p> <ul style="list-style-type: none"> (a) amend the definition of 'equity market product' in the ASIC Market Integrity Rules (Competition) to include an equity market product that may be admitted to quotation on the Chi-X market under the Chi-X Operating Rules; (b) amend the application of Chapter 5A (Competition) so that it applies to orders and transactions in financial products that are admitted to quotation on the Chi-X market under the Chi-X Operating Rules; and (c) not include any transitional provisions for the application of the ASIC Market Integrity Rules (Competition) to ETFs and warrants admitted to quotation on the Chi-X market. <p>Note 1: See the draft amended ASIC Market Integrity Rules (Competition) in Attachment 2 to this paper</p> <p>Note 2: Proposal C1 is subject to the Minister's approval to the variation of Chi-X's Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.</p>	<p>C1Q1 What is the effect of our proposal on your technology and compliance settings? Please provide details. Are transitional provisions necessary? If so, please provide details.</p>
<p>D1 We propose to vary the ASIC class orders and class waiver listed in Table 2 to include references to Chi-X so that, in all material respects:</p> <ul style="list-style-type: none"> (a) the relief extends to trading in warrants or ETFs quoted on Chi-X; (b) any conditions of the relief will apply to warrants and ETFs quoted on Chi-X; and (c) the beneficiaries of the relief would be of the same type (i.e. products, issuers, market makers, trustees, product holders, authorised participants and responsible entities). <p>Note: Proposal D1 is subject to the Minister's approval to the variation of Chi-X's Australian market licence and a decision not to disallow the proposed amendments to the Chi-X Operating Rules.</p>	<p>D1Q1 Do you agree with our proposal to vary the class orders and class waiver in Table 2 to extend existing relief for ETFs and warrants quoted on ASX to those quoted on Chi-X? Please give reasons for your view.</p> <p>D1Q2 Would our proposal result in any adverse or unintended consequences? If so, please provide details.</p>
<p>D2 We propose to vary [CO 13/721] so that the relief from s1017B of the Corporations Act also applies to managed fund products admitted to quotation on the ASX market under Schedule 10A to the ASX Operating Rules.</p>	<p>D2Q1 Do you agree with our proposal? If not, why not?</p>
<p>E1 We propose to amend:</p> <ul style="list-style-type: none"> (a) the definitions of 'ETF' and 'managed fund' in the ASIC Market Integrity Rules (ASX) to reflect the products admitted to quotation and trading on the ASX market under Schedule 10A to the ASX Operating Rules; and (b) Rules 2.4.1 and 3.1.8 (ASX). <p>Note: See the draft amended ASIC Market Integrity Rules (ASX) in Attachment 3 to this paper.</p>	<p>E1Q1 Do you agree with our proposal? If not, why not?</p>