

***ASIC Market Integrity Rules
(Chi-X Australia Market) 2011***

I, **Oliver Harvey**, acting with the written consent of the Minister, make the following market integrity rules under subsection 798G(1) of the *Corporations Act 2001*.

Dated this **29th** day of **April** 2011

Signed by **Oliver Harvey**
as delegate of the Australian Securities and Investments Commission



ASIC

Australian Securities & Investments Commission

ASIC Market Integrity Rules (Chi-X Australia Market) 2011

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Chapter 1: Introduction

Part 1.1 Preliminary

1.1.1 Enabling legislation

ASIC makes this instrument under subsection 798G(1) of the Corporations Act.

1.1.2 Title

This instrument is *ASIC Market Integrity Rules (Chi-X Australia Market) 2011*.

1.1.3 Commencement

This instrument commences the day after the instrument is registered under the *Legislative Instruments Act 2003*.

Note: An instrument is registered when it is recorded on the Federal Register of Legislative Instruments (FRLI) in electronic form: see Legislative Instruments Act 2003, section 4 (definition of register). The FRLI may be accessed at <http://www.frli.gov.au/>.

1.1.4 Scope of these Rules

These Rules apply to:

- (a) the activities or conduct of the Chi-X Market;
- (b) the activities or conduct of persons in relation to the Chi-X Market;
- (c) the activities or conduct of persons in relation to Financial Products traded on the Chi-X Market.

Note: There is no penalty for this Rule.

1.1.5 Entities that must comply with these Rules

The following entities must comply with these Rules:

- (a) the Market Operator;
- (b) Market Participants; and
- (c) Other Regulated Entities,

as specified in each Rule.

Note: There is no penalty for this Rule.

1.1.6 Conduct by officers, Employees or agents

In these Rules, conduct engaged in on behalf of a person:

- (a) by an officer, Employee, or other agent of the person, and whether or not within the scope of the actual or apparent authority of the officer, Employee, or other agent; or
- (b) by any other person at the direction or with the consent or agreement (whether express or implied) of an officer, Employee, or other agent of the person, and whether or not the giving of the direction, consent or agreement is within the scope of the actual or apparent authority of the officer, Employee, or other agent,

is deemed to have been engaged in by the person.

Note: There is no penalty for this Rule.

1.1.7 State of mind of a person

(1) If for the purposes of these Rules in respect of conduct engaged in by a person, it is necessary to establish the state of mind of the person, it is sufficient to show that an officer, Employee, or other agent of the person, being an officer, Employee, or other agent by whom the conduct was engaged in and whether or not the conduct was within the scope of the actual or apparent authority of that officer, Employee, or other agent, had that state of mind.

(2) In subrule (1), a reference to the state of mind of a person includes a reference to the knowledge, intention, opinion, belief or purpose of the person and the person's reasons for the person's intention, opinion, belief or purpose.

Note: There is no penalty for this Rule.

Part 1.2 Waiver

1.2.1 Waiver of Rules

(1) Subject to Rule 1.2.3, ASIC may relieve any person or class of persons from the obligation to comply with a provision of these Rules, either generally or in a particular case or category, and either unconditionally or subject to such conditions as ASIC thinks fit.

(2) If any conditions on a waiver given under subrule (1) are imposed, all of the conditions must be complied with for the waiver to be effective.

(3) ASIC may withdraw, in writing, a waiver given under subrule (1) at any time.

(4) Any request by a person for a waiver under subrule (1) must be in writing.

(5) Any waiver given under subrule (1), and any conditions imposed on that waiver, must be in writing.

(6) ASIC may publish notice of a waiver given under subrule (1).

Note: There is no penalty for this Rule.

1.2.2 Compliance with conditions

Failure to comply with a condition imposed under Rule 1.2.1 is a contravention of this Rule.

Maximum penalty: \$1,000,000

1.2.3 Period during which relief applies

ASIC may specify the period or specific event during which any relief from an obligation to comply with a provision of these Rules may apply.

Note: There is no penalty for this Rule.

1.2.4 Register

(1) ASIC may establish and maintain a register for recording details of relief granted under Rule 1.2.1 and may enter the following details in the register:

- (a) the date that the relief takes effect;
- (b) the person or class of persons relieved from the obligation;
- (c) the provision to which the relief applies;
- (d) brief reasons for the relief; and
- (e) any conditions that apply to the relief.

(2) ASIC may publish the register referred to in subrule (1).

Note: There is no penalty for this Rule.

Part 1.3 Notice, notification and service of documents

1.3.1 Market Participant to have email

A Market Participant must acquire and maintain an operating email system for the purposes of receiving notices under these Rules.

Note: There is no penalty for this Rule.

1.3.2 Methods of giving notice in writing

Unless otherwise specified in a Rule, ASIC may give a notice under these Rules by any of the following methods:

- (a) delivering it to the recipient personally;
- (b) leaving it at or by sending it by courier or post to the address of the recipient last notified to ASIC;
- (c) sending it by facsimile to the recipient's facsimile number last notified to ASIC;

- (d) a circular or bulletin addressed to a class of persons and delivered or communicated by any means permitted under this Rule;
- (e) specific email by any method which identifies a person or person's title as addressee and no notice of non-delivery has been received;
- (f) broadcast email by any method which identifies the addressee and which, having regard to all the relevant circumstances at the time, was as reliable as appropriate for the purposes for which the information was communicated.

Note: There is no penalty for this Rule.

Part 1.4 Interpretation

1.4.1 References to time

In these Rules a reference to time is to the time in Sydney, Australia.

Note: There is no penalty for this Rule.

1.4.2 Words and expressions defined in the Corporations Act

Words and expressions defined in the Corporations Act will unless otherwise defined or specified in these Rules or the contrary intention appears, have the same meaning in these Rules.

Note: There is no penalty for this Rule.

1.4.3 Definitions

“**AFSL**” means an Australian financial services licence granted under section 913B of the Corporations Act.

“**Approved Ratings Agency**” means a credit rating agency holding an AFSL authorising it to give general advice by issuing a credit rating.

“**ASIC**” means the Australian Securities and Investments Commission.

“**ASX**” means ASX Limited (ACN 008 624 691).

“**ASX Listing Rules**” means the Listing Rules of ASX.

“**ASX Market**” means the market for Financial Products operated by ASX.

“**ASX Market Integrity Rules**” means the *ASIC Market Integrity Rules (ASX Market) 2010*, as amended from time to time.

“**ASX Participant**” means a participant in the ASX Market admitted under the Operating Rules of the ASX Market.

“**Australian ADI**” has the meaning given by section 9 of the Corporations Act.

“Authorised Person” means a person who:

- (a) is either:
 - (i) a client of a Market Participant;
 - (ii) an agent of a client of a Market Participant; or
 - (iii) a Representative of the Market Participant; and
- (b) is permitted by a Market Participant to submit orders into the Market Participant’s system.

“Automated Client Order Processing” is the Automated Order Processing of an order submitted by an Authorised Person into a Market Participant’s system.

“Automated Order Processing” means the process by which orders are registered in a Market Participant’s system and, if accepted for submission into a Trading Platform by the Market Participant, submitted as corresponding Trading Messages without being keyed or rekeyed by a DTR.

“Automated Order Processing Requirements” means the requirements of Part 5.6.

“Bid” means, in relation to an Equity Market Product, a price and quantity of the Equity Market Product to be purchased.

“Bid Class” means, in relation to a Takeover Bid, the class of Financial Products included in the bid class of Financial Products under the Corporations Act.

“Bid Period”:

- (a) for an Off-Market Bid, means the period that commences when the Bidder’s statement is given to the Target and ends:
 - (i) 1 month later if no offers are made under the bid; or
 - (ii) at the end of the Offer Period;
- (b) for a Market Bid, starts when the bid is announced to the Relevant Financial Market by the person acting on behalf of the Bidder and ends at the end of the Offer Period; and
- (c) for a Scheme, starts when the announcement of intention to propose a Scheme is first received by the Relevant Financial Market until the date on which the Scheme is effected.

“Bidder” means:

- (a) in relation to an Off-Market Bid or Market Bid, a bidder within the meaning of the Corporations Act and, in respect of an Issuer incorporated or established outside Australia, the equivalent entity; and
- (b) in relation to a Scheme, the entity or entities in a similar position to a bidder.

“Business Day” means a day other than a Saturday, Sunday, New Year’s Day, Good Friday, Easter Monday, Christmas Day or Boxing Day.

“CHESS Depository Interest” has the meaning given to the term “CDI” by rule 2.13.1 of the operating rules of ASX Settlement Pty Limited (ACN 008 504 532).

“Chi-X Australia” means Chi-X Australia Pty Ltd (ACN 129 584 667).

“Chi-X Market” means the market operated by the Market Operator under Australian Market Licence (Chi-X Australia Pty Ltd) 2011.

“Clearing Facility” means, in relation to a Market Transaction, the clearing and settlement facility, within the meaning of section 761A of the Corporations Act, through which the Market Transaction has been or will be cleared.

“Clearing Obligation” means an obligation imposed on a Clearing Participant under the Clearing Rules.

“Clearing Participant” means a person admitted as a participant under the Clearing Rules.

“Clearing Rules” means:

- (a) in relation to a particular Clearing Facility, the operating rules, procedures, practices, directions, decisions and requirements of that Clearing Facility;
- (b) in relation to a particular Clearing Participant, the rules of the Clearing Facility to which that Clearing Participant is subject.

“Commencement Date” means the date this instrument commences, as set out in Rule 1.1.3.

“Company Announcements Office” means the office of ASX that processes announcements regarding Listed Entities for release to the ASX Market.

“Compensation Arrangements” has the meaning given by section 880B of the Corporations Act.

“Compliance Education” means education or professional development directly related to compliance obligations, policies, procedures and ethics with specific relevance to the obligations of the Market Participant and the Responsible Executive under these Rules, the Market Operating Rules, the Clearing Rules and the Settlement Rules.

“Compliance Education Requirements” means the successful completion of 8 hours of Compliance Education during the period from 1 July each year to 30 June in the following year.

“Conditional Sale” means a sale which is subject to fulfilment of conditions and made on a market declared by the Market Operator to be a conditional market.

“Continuous Trading Period” means the session on the Trading Platform during which the following parameters apply:

- (a) Bids and Offers may be entered, amended or cancelled in the Trading Platform;
- (b) Bids and Offers are matched In Price/Time Priority on a continuous basis; and
- (c) allowable trades may be reported.

“Controlled Trust” means a trust in relation to which an Employee, Immediate Family of an Employee or a company controlled by an Employee:

- (a) is a trustee;
- (b) holds more than 50% of the whole beneficial interest; or
- (c) controls the trust.

“Controller” means:

- (a) a person holding 20% or more of the total votes attached to voting shares of a Market Participant or a person who, together with Related Parties, holds 20% or more of such votes; or
- (b) a person who has the power to control the Market Participant, whether that power is direct or indirect or is, or can be, exercised as a result of, by means of, in breach of, or by revocation of, trusts, relevant agreements and practices, or any of them, and whether or not they are enforceable,

but for the purposes of Part 5.2 does not include an entity if the entity, a holding company of the entity, or a subsidiary of the entity through which the entity has an interest in the Market Participant is an entity listed on the Market or with any other Australian market licensee or a Recognised Overseas Stock Exchange.

“Corporations Act” means the *Corporations Act 2001* (Cth).

“Cross” or **“Crossing”**, means a transaction in respect of which a Market Participant acts:

- (a) on behalf of both buying and selling clients to that transaction; or
- (b) on behalf of a buying or selling client on one side of that transaction and as Principal on the other side.

“Dealing Rules” means the Rules and the Market Operating Rules that govern the submission of orders and the execution and reporting of Market Transactions on a Trading Platform.

“Derivatives Market Contract” means a Futures Market Contract, an Options Market Contract and any other contract that ASX authorises for trading on the ASX Market as a Derivatives Market Contract.

“DTR” means a Representative of the Market Participant who has been authorised by the Market Participant to submit Trading Messages to the Trading Platform on behalf of the Market Participant and who meets the criteria set out in Rule 2.5.5.

“DTR identifier” means a unique code, allocated by the Market Participant under Rule 2.5.6, that identifies a DTR.

“Employee” in relation to a Market Participant includes a director, employee, officer, agent, representative, consultant or adviser of that Market Participant, or an independent contractor who acts for or by arrangement with a Market Participant.

“ETF” means a Managed Fund:

- (a) which is listed on the ASX Market;
- (b) with power and approval to continuously issue and have quoted on the ASX Market, Equity Securities in the Managed Fund;
- (c) which provides for the issue of new Equity Securities in return for the subscriber transferring to the Managed Fund a portfolio of Securities; and
- (d) for which the price of the Financial Product, index, foreign or Australian currency, commodity or other point of reference for determining the value of the Equity Securities is continuously disclosed or can be immediately ascertained.

“ETF Security” means a Financial Product issued by or provided pursuant to an ETF.

“Equity Market Product” means:

- (a) a share in a body;
- (b) a financial product referred to in subparagraph 764A(1)(b)(i) or subparagraph 764A(1)(ba)(i) of the Act; or
- (c) a right (whether existing or future and whether contingent or not) to acquire, by way of issue, the following under a rights issue:
 - (i) a share covered by paragraph (a);
- (d) a financial product covered by paragraph (b); or a CHESS Depository Interest,,

admitted to quotation on ASX and able to be traded on the Chi-X Market.

“Equity Market Transaction” means a transaction between Market Participants for one or more Equity Market Products.

“Equity Securities” means:

- (a) shares in a body corporate or an unincorporated body other than redeemable preference shares which are Loan Securities in accordance with paragraph (c) of the definition of Loan Securities; or
- (b) interests in a managed investment scheme, except those referred to in paragraph (d) of the definition of Loan Securities; or
- (c) renounceable and non-renounceable rights to subscribe for Securities other than Loan Securities; or
- (d) options over unissued Securities other than Loan Securities; or
- (e) convertible notes; or
- (f) any Securities which are determined by the operator of the Relevant Financial Market to be Equity Securities,

but does not include Options Market Contracts, or Securities determined to be Loan Securities by the operator of the Relevant Financial Market.

“Family Company” means a corporation:

- (a) controlled by the person or the Immediate Family of the person; or

- (b) in respect of which the person is beneficially entitled to more than 50% of the issued capital.

“Family Trust” means a trust in which:

- (a) the person or the Immediate Family of the person is the sole or majority beneficiary; or
- (b) the person has the ability to remove the trustee of the trust and replace that trustee with his or her own nominee.

“Financial Product” has the meaning given by Division 3 of Part 7.1 of the Corporations Act.

“Futures Market Contract” means a contract on the terms of a Futures Series.

“Futures Series” means a set of contractual terms on which futures contracts are authorised for trading by the operator of the Relevant Financial Market.

“Immediate Family” in relation to a person, means that person’s spouse and any non-adult children.

“In Price/Time Priority” means, in respect of Bids and Offers, in accordance with the following order:

- (a) Bids entered into a Trading Platform are ranked from highest to lowest priced and Offers are ranked from lowest to highest priced;
- (b) Bids entered into a Trading Platform are ranked above Bids entered later at the same price and Offers entered into a Trading Platform are ranked above Offers entered later at the same price; and
- (c) an Order withdrawn from a Trading Platform loses its priority under (a) and (b) and, if re-entered, will be treated as a new Order.

“Issuer” means, in relation to an Equity Market Product, the legal entity which issues the Equity Market Product.

“Listed Entity” means an entity included in the Official List.

“Listing Rules” has the meaning given by section 761A of the Corporations Act.

“Loan Securities” means:

- (a) debentures, stocks or bonds issued or proposed to be issued by a government; or
- (b) debentures of a body corporate or an unincorporated body; or
- (c) redeemable preference shares which have a fixed and certain date for redemption, other than shares having a participating entitlement to rights or options referred to in paragraphs (c) and (d) of the definition of Equity Securities; or
- (d) interests in a managed investment scheme, relating to a financial or business undertaking or scheme, common enterprise or investment contract, the trustee or representative or responsible entity of which only invests in or acquires one or more of Loan Securities, mortgages and cash; or

- (e) any Securities which are determined by the operator of the Relevant Financial Market to be Loan Securities,

but does not include Options Market Contracts, or Securities determined to be Equity Securities by the operator of the Relevant Financial Market.

“Managed Discretionary Account” means a service with the following features:

- (a) a person makes client contributions;
- (b) the client agrees with the Market Participant that the client’s portfolio assets will:
 - (i) be managed by the Market Participant at its discretion, subject to any limitation that may be agreed, for purposes that include investment;
 - (ii) not be pooled with property that is not the client’s portfolio assets to enable an investment to be made or made on more favourable terms; and
 - (iii) be held by the client unless a beneficial interest but not a legal interest in them will be held by the client; and
- (c) the client and the Market Participant intend that the Market Participant will use client contributions of the client to generate a financial return or other benefit from the Market Participant’s investment expertise.

“Managed Fund” means a managed investment scheme which is a registered managed investment scheme pursuant to section 601EB of the Corporations Act or a managed investment scheme which ASIC has exempted from those registration requirements.

“Market Bid” means a market bid within the meaning of the Corporations Act and, in respect of an Issuer incorporated or established outside Australia, any similar form of bid.

“Market Operating Rules” means the Operating Rules of the Chi-X Market.

“Market Operator” means Chi-X Australia.

“Market Participant” means a participant in the Chi-X Market admitted under the Market Operating Rules.

“Market Transaction” means a transaction for one or more Equity Market Products, entered into on a Trading Platform or reported to the Market Operator under the Market Operating Rules.

“NGF” has the meaning given by section 880B of the Corporations Act.

“Off-Market Bid” means an off-market bid within the meaning of the Corporations Act and in respect of an Issuer incorporated or established outside Australia, any similar form of bid.

“Offer” means, in relation to an Equity Market Product, a price and quantity of the Equity Market Products to be sold.

“Offer Period” means:

- (a) in relation to a Takeover Bid, the period for which offers under the bid remain open; or

- (b) in relation to a Scheme, the period from the date an announcement of intention to propose a Scheme is first received by the Relevant Financial Market until the date on which the Scheme is effected.

“Official List” means the official list of the ASX Market.

“Official Quotation”, in relation to Financial Products, means admitted to quotation by ASX under the ASX Listing Rules.

“On-Market”, in relation to a transaction for the purpose of Chapter 6 of the Corporations Act, means a transaction by a Market Participant for the acquisition of Equity Market Products which is:

- (a) effected during the Continuous Trading Period by matching of Trading Messages on a Trading Platform (other than a Crossing) in accordance with the Market Operating Rules; or
- (b) a Crossing effected during the Continuous Trading Period in accordance with the Market Operating Rules if:
 - (i) the Crossing is arranged solely by a Market Participant and is not prearranged between the principals to the transaction; and
 - (ii) each principal is indifferent as to the identity of the other, where:
 - (iii) the expression “principal” includes the principal’s associates, advisers and advisers’ associates; and
 - (iv) the expression “adviser” does not include a person only providing services to the principal as a broker, but does not include:
- (c) Special Crossings; and
- (d) Crossings (other than Special Crossings) that are effected after the Post-Trading Administration Period on a Trading Day and up to 15 minutes prior to commencement of the Continuous Trading Period on the next Trading Day.

“Open Interface” means the electronic protocol and message structure used to provide a mechanism for Market Participants to access a Trading Platform which enables a Market Participant to submit Trading Messages.

“Open Interface Device” means a logical connection or session with the gateway using the Open Interface.

“Operating Rules” has the meaning given by section 761A of the Corporations Act.

“Option Series” means a set of contractual terms on which options are authorised for trading by ASX on the ASX Market.

“Options Market Contract” means a contract on the terms of an Option Series.

“Options Market Transaction” means a Market Transaction for one or more Options Market Contracts.

“Order” means, in relation to Equity Market Products, an instruction to purchase or sell Equity Market Products, or an instruction to amend or cancel a prior instruction to purchase or sell Equity Market Products.

“Other Regulated Entities” means entities prescribed by regulations made for the purposes of paragraph 798H(1)(c) of the Corporations Act, that must comply with these Rules.

“Own Account” has the meaning given by Rule 5.1.1.

“Partly Paid Security” means an Equity Market Product for which the holder may be liable to pay a call or instalment in accordance with the terms of issue and for which an amount remains unpaid, but does not include an Equity Market Product issued by a no liability company.

“Post-Trading Administration Period” means the session on the Trading Platform during which the following parameters apply:

- (a) no Bids and Offers may be entered or amended;
- (b) Bids and Offers remaining from the previous session may be cancelled;
- (c) no Bids or Offers will be automatically matched;
- (d) manual procedures for matching In Price/Time Priority apply; and
- (e) allowable trades may be reported.

“Prescribed Person” means, in relation to a Market Participant:

- (a) an Employee, a director, a partner, or Responsible Executive of the Market Participant;
- (b) a Controller of the Market Participant or a Related Body Corporate of that Controller;
- (c) the Immediate Family of a person referred to in paragraphs (a) or (b);
- (d) a Family Company and a Family Trust of a person referred to in paragraphs (a) to (c); and
- (e) where a Market Participant or a person referred to in paragraphs (a) to (d) is a body corporate, any body corporate or other entity controlled by that body corporate.

“Principal”, in the context of “as Principal” has the meaning given to that term in Rule 3.2.5.

“Principal Trader” means a Market Participant with Trading Permission which limits it to trading on its own behalf.

“Recognised Overseas Stock Exchange” means a Recognised Stock Exchange whose principal place of business is located outside Australia.

“Recognised Stock Exchange” has the meaning given by the Operating Rules of ASX.

“Related Body Corporate” has the meaning given by section 50 of the Corporations Act.

“Related Party”:

- (a) in relation to a body corporate:
 - (i) has the meaning given by section 228 of the Corporations Act; or
 - (ii) means a Substantial Holder of the body corporate;
- (b) in relation to a trust, which is not a registered management investment scheme, means the management company, trustee and their related parties within the meaning of section 228 of the Corporations Act;
- (c) in relation to a trust which is a registered managed investment scheme, means the responsible entity and a related party of the responsible entity under section 228 of the Corporations Act, as modified by section 601LA of the Corporations Act; or
- (d) in relation to a person, means:
 - (i) his or her spouse, de facto spouse, parent, son, or daughter, or a spouse or de facto spouse of that person;
 - (ii) an entity over which one or more of the persons referred to in subparagraph (i) has control;
 - (iii) an entity that he or she controls, or its holding company or which is controlled by the holding company;
 - (iv) a person who acts, or proposes to act, in concert with anyone referred to above; or
 - (v) a person who was a related party in the previous 6 months, or who would be a related party in the future, under the tests in section 228 of the Corporations Act (applied with any necessary adaptation).

“Relative”, in relation to a person, means the spouse, parent or remoter lineal ancestor, son or daughter or remoter issue, or brother or sister of that person.

“Relevant Activities” means, in relation to a particular Responsible Executive, the operations and processes of that part of the Market Participant’s business which the document given to ASIC under subrule 2.1.2(1) or (2), or notification given to ASIC under subrule 2.1.2(3), identifies as being under the supervision of that Responsible Executive, while that Responsible Executive remains responsible in respect of that part of the business.

“Relevant Clearing Participant” means, in relation to a Market Participant:

- (a) where the Market Participant is not itself a Clearing Participant and has a third party clearing arrangement with only one Clearing Participant to clear all of its Market Transactions, that Clearing Participant; and
- (b) where the Market Participant is itself a Clearing Participant and clears all of its Market Transactions, itself; and
- (c) where the Market Participant has third party clearing arrangements with more than one Clearing Participant, or is itself a Clearing Participant and has third party clearing arrangements with other Clearing Participants to clear its Market Transactions, the Clearing Participant which it has identified through the Open Interface Device in respect of the Market Transaction.

“Relevant Financial Market” has the meaning given by section 9 of the Corporations Act.

“Representative” has the meaning given by section 910A of the Corporations Act.

“Responsible Executive” means at any time, in relation to a Market Participant, an individual who is shown as having executive responsibility for the supervision and control of all or part of the business of that Market Participant in the document provided to ASIC under subrule 2.1.2(1) or (2) or the notification provided to ASIC under subrule 2.1.2(3).

“Retail Client” has the meaning given by section 761G of the Corporations Act.

“Rules” means these market integrity rules.

“Scheme” means:

- (a) a compromise or arrangement within the meaning of section 411 of the Corporations Act; and
- (b) in respect of an Issuer incorporated or established outside Australia, any similar form of compromise or arrangement under the law of the jurisdiction of incorporation or establishment,

which has a similar result to an Off-Market Bid or Market Bid.

“Security” or **“security”** means:

- (a) a “security” within the meaning of section 761A of the Corporations Act; or
- (b) a managed investment product.

“Settlement Facility” means, in relation to a Market Transaction, the clearing and settlement facility, within the meaning of section 761A of the Corporations Act, through which the Market Transaction has been or will be settled.

“Settlement Participant” means a person admitted as a participant under the Settlement Rules.

“Settlement Rules” means the operating rules, procedures, practices, directions, decisions and requirements of a Settlement Facility.

“Special Crossing” means a block trade or a large portfolio trade, within the meaning of the ASIC Market Integrity Rules (Competition in Exchange Markets) 2011, reported to the Market Operator as an off-market transaction under the Market Operating Rules.

“Substantial Holder”:

- (a) for the purposes of Rule 3.2.5, when used to refer to a Substantial Holder in a corporation, means a person who has or would have a substantial holding if Part 6C of the Corporations Act applied to that corporation; and
- (b) for the purposes of any other Rule includes a reference to:
 - (i) a person who has a relevant interest in not less than 5% of a class of non-voting shares of the relevant company or its holding company; and

- (ii) each person who has a relevant interest in voting shares and non-voting shares of the relevant company or its holding company and whose aggregate holdings exceed 5% in number of the voting shares on issue of the relevant company or its holding company.

“Takeover Bid” means an Off-Market Bid or Market Bid.

“Takeover Offer” means:

- (a) an offer under a Takeover Bid and, in respect of an Issuer incorporated or established outside Australia, any similar form of offer; and
- (b) a Scheme.

“Target” means:

- (a) in relation to an Off-Market Bid or Market Bid, a target within the meaning of the Corporations Act and, in respect of an Issuer incorporated or established outside Australia, the equivalent entity; and
- (b) in relation to a Scheme, the entity or entities in a similar position to a target.

“Trading Day” means a day on which Market Transactions may be entered into by Market Participants on a Trading Platform.

“Trading Messages” means those messages submitted into a Trading Platform relating to trading functions, such as Orders, amendment or cancellation of Orders and the reporting or cancellation of Market Transactions on the Trading Platform.

“Trading Permission” means the right to submit Trading Messages in a Trading Platform.

“Trading Platform” means a facility made available by the Market Operator to Market Participants for the entry of Trading Messages, the matching of Orders and the reporting of transactions.

“Underlying Index” means, in relation to a Derivatives Market Contract, the index which underlies that contract.

“Underlying Market” means, in relation to a Derivatives Market Contract, a market in the instruments, commodities, securities or other things which underlie the Derivatives Market Contract.

“Unprofessional Conduct” includes:

- (a) conduct which amounts to impropriety affecting professional character and which is indicative of a failure either to understand or to practise the precepts of honesty or fair dealing in relation to other Market Participants, clients or the public;
- (b) unsatisfactory professional conduct, where the conduct involves a substantial or consistent failure to reach reasonable standards of competence and diligence; and
- (c) conduct which is, or could reasonably be considered as likely to be, prejudicial to the interests of the Market Operator or Market Participants,

by a Market Participant, or an Employee, whether in the conduct of the Market Participant's business as a Market Participant or in the conduct of any other business, and need not involve a contravention of these Rules or any law.

“Wholesale Client” has the meaning given by subsection 761G(4) of the Corporations Act.

Note: There is no penalty for this Rule.

Chapter 2: Participants and Representatives

Part 2.1 Management requirements

2.1.1 Management structure

(1) A Market Participant must, in relation to its conduct, and that part of its business that it conducts, on or in relation to the Chi-X Market, wherever the conduct occurs or the business is located and regardless of the number of offices operated or intended to be operated by the Market Participant, have appropriate management structures in place to ensure that:

- (a) it has operations and processes in place that are reasonably designed, implemented, and that function, so as to achieve compliance by the Market Participant with these Rules and the Market Operating Rules;
- (b) the design, implementation, functioning and review of those operations and processes are subject to the supervision of one or more Responsible Executives; and
- (c) each Responsible Executive has sufficient seniority and authority within the Market Participant to exert control, leadership, influence and supervision over those operations and processes.

(2) A Market Participant must keep accurate records of its management structure and its allocation of responsibilities among its Responsible Executives.

Maximum penalty: \$1,000,000

2.1.2 Notification of management structure

(1) Subject to subrule (4), a Market Participant that is a Market Participant as at the Commencement Date must give to ASIC a document that sets out its management structure and its allocation of its responsibilities among its Responsible Executives, within 10 Business Days of the Commencement Date.

(2) Subject to subrule (4), a Market Participant that was not a Market Participant as at the Commencement Date must give to ASIC a document that sets out its management structure and its allocation of its responsibilities among its Responsible Executives, within 10 Business Days of becoming a Market Participant.

(3) A Market Participant that has given to ASIC a document under subrule (1) or (2) must notify ASIC in writing, within 10 Business Days, of any significant change in the management structure or its allocation of its responsibilities among its Responsible Executives shown in that document.

(4) A Market Participant is not required to comply with subrule (1) or (2), and is taken for the purposes of subrule (3) to have given ASIC a document under subrule (1) or (2), where, at the time the obligation to comply with the relevant subrule would arise, all of the following are satisfied:

- (a) the Market Participant is also an ASX Participant;
- (b) the Market Participant has given ASIC a document or set of documents that complies with ASX Market Integrity Rule 2.1.2;
- (c) the Market Participant proposes to rely on the document or set of documents referred to in paragraph (b) for the purposes of complying with these Rules; and
- (d) the Market Participant notifies ASIC in writing:
 - (i) that the Market Participant proposes to rely on the document or set of documents referred to in paragraph (b) for the purposes referred to in paragraph (c); and
 - (ii) of any significant change in the management structure or its allocation of its responsibilities among its Responsible Executives shown in that document or those documents.

Maximum penalty: \$20,000

2.1.3 Supervisory procedures

A Market Participant must have appropriate supervisory policies and procedures to ensure compliance by the Market Participant and each person involved in its business as a Market Participant with these Rules, the Market Operating Rules and the Corporations Act.

Maximum penalty: \$1,000,000

2.1.4 Persons involved in the business—Good fame and character requirement

(1) A Market Participant must ensure that any Employee or other person who is or will be involved in the business of the Market Participant in connection with the Chi-X Market and, in the case of a body corporate, each director or Controller, is of good fame and character and high business integrity having regard to subrule (2).

(2) In assessing whether a person is of good fame and character and high business integrity for the purpose of subrule (1):

- (a) a person will not be of good fame and character if he or she is disqualified from managing a corporation under the Corporations Act or under the law of another country, or is an insolvent under administration or its equivalent in another country; and
- (b) a person may not be of good fame and character or high business integrity if the person has been:
 - (i) convicted of any offence;
 - (ii) disciplined or adversely mentioned in a report made by, or at the request of, any government or governmental authority or agency;
 - (iii) adversely mentioned in a report made by, or at the request of, the Market Operator, a Clearing Facility, a Settlement Facility or any other exchange, market operator or clearing and settlement facility; or

- (iv) disciplined by the Market Operator, a Clearing Facility, a Settlement Facility or any other exchange, market operator or clearing and settlement facility.

Maximum penalty: \$1,000,000

2.1.5 Unprofessional Conduct

- (1) A Market Participant must not engage in Unprofessional Conduct.
- (2) A Market Participant must ensure that its Responsible Executives do not engage in Unprofessional Conduct.

Maximum penalty: \$1,000,000

2.1.6 Responsibility for individuals involved in business

A Market Participant is responsible for all actions and omissions of its Employees.

Note: There is no penalty for this Rule.

Part 2.2 Insurance and information requirements

2.2.1 Insurance requirements—Obligation to have insurance

(1) Subject to Rule 2.2.2, every Market Participant must, where the Market Participant acts for any person other than itself or a Related Body Corporate, take out and maintain, at all times, a professional indemnity (or equivalent) insurance policy that the Market Participant determines (acting reasonably) to be adequate having regard to the nature and extent of the business carried on by the Market Participant in connection with its business as a Market Participant and the responsibilities and risks assumed or which may be assumed by the Market Participant in connection with that business.

(2) The professional indemnity (or equivalent) insurance referred to in subrule (1) must include insurance against a breach of duty the Market Participant owes in a professional capacity, whether owed in contract or otherwise at law, arising from any act or omission of the Market Participant and its Employees.

Maximum penalty: \$100,000

2.2.2 Insurance requirements—Insurance with Related Body Corporate

If the insurance referred to in Rule 2.2.1 is provided by a Related Body Corporate, the Market Participant must provide ASIC with the following information by no later than 10 Business Days after the issue or renewal of the insurance:

- (a) the name of the Related Body Corporate and a copy of evidence sufficient to establish that it is a Related Body Corporate; and

- (b) confirmation from the Related Body Corporate that it is the insurer or the self-insurer covering and indemnifying the Market Participant against the liabilities referred to in Rule 2.2.1 and a copy of the certificate evidencing the insurance.

Maximum penalty: \$20,000

2.2.3 Insurance requirements—Notification of amount and period of cover

(1) Subject to subrule (6), a Market Participant that is a Market Participant as at the Commencement Date must notify ASIC in writing of:

- (a) the amount and nature of cover which the Market Participant has under Rule 2.2.1;
- (b) the date on which the cover became effective; and
- (c) the date on which the cover will expire,

within 10 Business Days of the Commencement Date.

(2) Subject to subrule (6), a Market Participant that was not a Market Participant as at the Commencement Date must notify ASIC in writing of the matters set out at paragraphs (1)(a), (b) and (c), within 10 Business Days of becoming a Market Participant.

(3) A Market Participant must notify ASIC in writing of the matters set out at paragraphs (1)(a), (b) and (c) within 10 Business Days following the issue of a new professional indemnity (or equivalent) insurance policy or the renewal of an existing professional indemnity (or equivalent) insurance.

(4) The Market Participant must renew that cover with effect from no later than its expiry to comply with Rule 2.2.1.

(5) The Market Participant must, at the time it notifies ASIC of the existence, issue or renewal of a policy under subrules (1), (2) or (3), give ASIC a copy of the certificate of insurance.

(6) The Market Participant is not required to comply with subrule (1), (2) or (5) where, at the time the obligation to comply with the relevant subrule would arise, all of the following are satisfied:

- (a) the Market Participant is also an ASX Participant;
- (b) the Market Participant has a professional indemnity (or equivalent) insurance policy that complies with ASX Market Integrity Rule 2.2.1;
- (c) the Market Participant proposes to rely on the policy referred to in paragraph (b) for the purposes of complying with Rule 2.2.1 of these Rules, without change to the amount or nature of the cover; and
- (d) the Market Participant notifies ASIC in writing that the Market Participant proposes to rely on the policy referred to in paragraph (b) for the purposes referred to in paragraph (c), without change to the amount or nature of the cover.

Maximum penalty: \$20,000

2.2.4 Insurance requirements—Notification of claims

In relation to any liability or potential liability of the type referred to in Rule 2.2.1, a Market Participant must immediately notify ASIC of any notification to its insurer of any claim, potential claim or circumstance that might give rise to a claim and must include the following details:

- (a) any circumstance which is likely to give rise to a claim or potential claim against the Market Participant;
- (b) the receipt of a notice from any person of any intention to make a claim or potential claim against the Market Participant; and
- (c) the details of any claim, potential claim or circumstance against the Market Participant, including the gross contingent liability, the net contingent liability, the full name of the Market Participant's insurer and the date the Market Participant notified its insurer of the claim, potential claim or circumstance.

Maximum penalty: \$20,000

2.2.5 Information requirements—Obligation to notify of legal proceedings

If:

- (a) a Market Participant commences legal proceedings against, or has legal proceedings commenced against it by, another Market Participant, a Clearing Participant, a regulatory authority or a client in connection with their role as a Market Participant; and
- (b) those legal proceedings may affect the operations of the Market Operator, or the interpretation of these Rules or the Market Operating Rules,

the Market Participant must, upon commencing or upon becoming aware of the proceedings, immediately notify ASIC and the Market Operator in writing of the particulars of the proceedings.

Maximum penalty: \$100,000

Part 2.3 Responsible Executives

2.3.1 Appointment or resignation of Responsible Executives

(1) A Market Participant must notify ASIC within 10 Business Days if the Market Participant appoints a new Responsible Executive, or if a person ceases to be a Responsible Executive of the Market Participant.

(2) A Market Participant must not appoint a person as a Responsible Executive unless:

- (a) the person has skills, knowledge and experience that are appropriate having regard to the supervisory role that the person will perform as a Responsible Executive in the business of the Market Participant; and

- (b) as at the date the Market Participant appoints the person, the person satisfies the requirements of ASX Market Integrity Rule 2.3.1(b) or (c); or
- (c) the person has:
 - (i) attained a mark of at least 65% in an examination approved by ASIC under subrule (3), in the 12 months preceding the date the Market Participant appoints the person as a Responsible Executive; and
 - (ii) satisfied the Compliance Education Requirements from the date the person passed the examination as referred to in subparagraph (i) to the date the Market Participant appoints the person as a Responsible Executive, pro-rata to the number of full months in that period.

(3) For the purposes of subparagraph (2)(c)(i), ASIC may approve, in writing, one or more examinations that, in the opinion of ASIC, assess knowledge and competency in the application of the provisions of these Rules, the Market Operating Rules and the Corporations Act that govern the operation of the Chi-X Market and are relevant to the role performed by Responsible Executives.

Maximum penalty: \$20,000

2.3.2 Ongoing responsibilities of Market Participants in relation to Responsible Executives

A Market Participant must ensure that each of its Responsible Executives:

- (a) supervises the design and implementation activities and the functioning and review of the operations and processes referred to in Rule 2.1.1 for the Relevant Activities of that Responsible Executive; and
- (b) is accountable to the Market Participant for the effective design, implementation, functioning and review of the operations and processes referred to in paragraph (a).

Maximum penalty: \$20,000

2.3.3 Annual review and representation to Market Participant

(1) A Market Participant must ensure that each of its Responsible Executives:

- (a) maintains the currency of his or her knowledge of these Rules, the Market Operating Rules and the Corporations Act related to the business that the Market Participant conducts in the Chi-X Market;
- (b) by 10 July each year, performs a review as at 30 June of that year, including all matters reasonably considered by the Responsible Executive to be necessary in the circumstances, of the supervision and control procedures involved in the business of the Market Participant and other relevant documentation concerning the Market Participant's compliance with these Rules and the Market Operating Rules for the 12 month period ending on 30 June that year;

- (c) by 10 July each year, determines whether, based on the enquiries referred to in paragraph (b), the controls over the operations and processes of the Relevant Activities have been, during the period referred to in paragraph (b), and continue to be, reasonably designed, implemented and functioning to achieve compliance by the Market Participant with these Rules and the Market Operating Rules; and
- (d) by 10 July each year, provides a signed and dated representation to the Market Participant as to whether:
 - (i) the requirements of paragraphs (a) and (b) have been met for the period referred to in paragraph (b); and
 - (ii) the controls over the operations and processes of the Relevant Activities have been, for the period referred to in paragraph (b), and continue to be, reasonably designed, implemented and functioning to achieve compliance by the Market Participant with the Market Operating Rules and these Rules.

(2) The Market Participant must retain copies of the representation referred to at paragraph (1)(d), and of the documentation concerning the Market Participant's compliance with these Rules and the Market Operating Rules on which the representation is based, for 7 years from the date the representation is provided to the Market Participant.

Maximum penalty: \$20,000

2.3.4 Continuing education requirements for Responsible Executives

A Market Participant must ensure that, during the period from 1 July each year until 30 June the following year, each of its Responsible Executives meets the Compliance Education Requirements pro-rata to the number of complete months during that period in which that person is a Responsible Executive of the Market Participant.

Maximum penalty: \$20,000

2.3.5 Annual continuing education and compliance self-assessment

(1) Subject to subrule (2), a Market Participant must provide a written notification to ASIC by 31 July each year that contains the following information:

- (a) the name of each person who was a Responsible Executive of the Market Participant during the period from 1 July in the preceding calendar year to 30 June in the calendar year in which the notification is provided;
- (b) if the person was a member of a professional body or bodies during the period referred to in paragraph (a), the name of that body or those bodies;
- (c) a statement in relation to each person that the Market Participant confirms that, during the period referred to in paragraph (a), the person:
 - (i) has satisfied; or
 - (ii) has not satisfied,

as the case may be, each of the requirements of subrule 2.1.4(1) (good fame and character), paragraphs 2.3.1(2)(a) and (b) or (c) (skills, knowledge, experience and qualifications), subrule 2.1.5(2) (Unprofessional Conduct), paragraph 2.3.3(1)(d) (annual representation) and Rule 2.3.4 (continuing education), while the person was a Responsible Executive of the Market Participant during that period; and

- (d) if subparagraph (c)(ii) applies, an explanation of the reason that the person has not satisfied the requirement.

(2) A notification provided under subrule (1) prior to 1 August 2011 need only relate to the period from the Commencement Date to 30 June 2011.

(3) The Market Participant must retain copies of the records upon which the notification referred to in subrule (1) is based for 7 years from the end of the period to which the notification relates.

Maximum penalty: \$20,000

Part 2.5 Designated Trading Representatives (DTRs)

2.5.1 Trading in a Trading Platform

A Market Participant must ensure that all trading in a Trading Platform by the Market Participant is carried out either:

- (a) by DTRs; or
- (b) in accordance with the Automated Order Processing Requirements.

Maximum penalty: \$1,000,000

2.5.2 Market Participant must have a DTR

A Market Participant must have at least one DTR.

Maximum penalty: \$1,000,000

2.5.3 DTRs may submit Trading Messages

A Market Participant must ensure that only its DTRs submit Trading Messages into the Trading Platform through the Market Participant's system, unless the trading is conducted in accordance with the Automated Order Processing Requirements.

Maximum penalty: \$1,000,000

2.5.4 Responsibility of Market Participant

A Market Participant is responsible for the accuracy of details, the integrity and bona fides of all Trading Messages containing their unique identifier that are submitted into the Trading

Platform, regardless of whether a DTR of the Market Participant was involved in their submission.

Note: There is no penalty for this Rule.

2.5.5 DTR criteria

A Market Participant must ensure that:

- (a) each of its DTRs is at all times a Representative of the Market Participant authorised to deal in the Equity Market Products in respect of which the DTR submits orders on behalf of the Market Participant either:
 - (i) under the Market Participant's AFSL; or
 - (ii) under the person's own AFSL (unless the person is a Principal Trader not required to hold an AFSL);
- (b) each of its DTRs is suitably qualified and experienced to deal in the Equity Market Products referred to in paragraph (a), by submitting orders on behalf of the Market Participant;
- (c) prior to submitting Trading Messages on behalf of the Market Participant, each DTR has demonstrated to the Market Participant knowledge of the Dealing Rules governing the process of dealing and reporting Market Transactions on the Trading Platform, and the relevant practices of the Market Operator; and
- (d) each of its DTRs does not:
 - (i) execute any order in a Trading Platform for or on behalf of, or which will benefit, directly or indirectly, the DTR or any associate or Relative of the DTR, without the prior written approval of the Market Participant; or
 - (ii) intentionally take advantage of a situation arising as a result of:
 - (A) a breakdown or malfunction in the Market Operator's procedures or systems; or
 - (B) an error in entries made by the Market Operator within a Trading Platform.

Maximum penalty: \$1,000,000

2.5.6 Market Participant must allocate unique identifier

A Market Participant must allocate a unique identifier to each DTR of the Market Participant.

Maximum penalty: \$100,000

2.5.7 Records—DTRs

A Market Participant must maintain a record of:

- (a) the name, contact details and DTR identifier of each of its DTRs, while the person remains a DTR of a Market Participant; and
- (b) the information in paragraph (a) for a period of 7 years from the date the person ceases to be a DTR of the Market Participant.

Maximum penalty: \$100,000

Chapter 3: Client relationships

Part 3.1 Clients trading in products for first time

3.1.1 Documents to be given to a client

Before accepting an order from a person to enter into a Market Transaction, a Market Participant must give the person, in addition to all of the documents which the Market Participant is required to give the person in respect of the Market Transaction under the Corporations Act, all of the documents the Market Participant is required to give the person in respect of the Market Transaction under this Part.

Note: There is no penalty for this Rule.

3.1.3 Information to be given to a client: Execution arrangements

(1) Subject to subrule (2), before accepting an Order from a person to enter into a Market Transaction, if the Market Participant does not have Trading Permission to execute that Market Transaction, the Market Participant must give the person a document which clearly discloses the execution arrangements in place for that Market Transaction including, without limitation:

- (a) the name, principal telephone number and principal business address of the Market Participant which executes the Market Transactions of the Market Participant; and
- (b) the extent of any NGF coverage, or coverage under other Compensation Arrangements, of the Market Transaction.

(2) The Market Participant is not required to comply with subrule (1) in relation to a Client where, at the time the obligation to comply with subrule (1) would arise, all of the following are satisfied:

- (a) the Market Participant is also an ASX Participant;
- (b) the Market Participant has given the Client a document that complies with ASX Market Integrity Rule 3.1.3 with respect to execution arrangements the Market Participant has in place for executing the Client's transactions in Equity Market Products on the ASX Market;
- (c) the Market Participant proposes to rely on the execution arrangements referred to in paragraph (b) for the purposes of executing the Client's transactions in Equity Market Products on the Chi-X Market; and
- (d) the Market Participant notifies the Client in writing of any material change to the execution arrangements referred to in paragraph (b), including, without limitation, any changes to the matters referred to in paragraph (1)(a) and (b).

Maximum penalty: \$100,000

3.1.4 Information to be given to a client: Clearing arrangements

(1) Subject to subrule (3), before accepting an order from a person (the “**Client**”) to enter into a Market Transaction if the Market Participant:

- (a) is not a Clearing Participant, who is permitted under the Clearing Rules to clear the Market Transaction; or
- (b) is a Clearing Participant who is permitted under the Clearing Rules to clear that Market Transaction, but has an arrangement with another Clearing Participant to clear that Market Transaction, and such transaction is cleared under the arrangement,

the Market Participant must give the Client a document which clearly discloses the clearing arrangements in place for that Market Transaction, including, without limitation, any information required by subrule (2).

(2) The written disclosure document referred to in subrule (1) must include:

- (a) the name, principal telephone number and principal business address of the Clearing Participant which clears the Market Transactions of the Market Participant; or
- (b) if, under the clearing arrangements:
 - (i) notwithstanding that the Market Transaction may have been entered into on the Client’s behalf, the Clearing Participant carries the Clearing Obligations and any settlement obligations for all Market Transactions of the Market Participant, including those of the Client, and must settle as principal with the Clearing Facility or the relevant counter-party; or
 - (ii) the Client owes obligations to the Clearing Participant in relation to the clearing and settlement of Equity Market Transactions;
 - (iii) the Clearing Participant has rights against the Client in the event that:
 - (A) the Client fails to pay the amounts due in respect of Equity Market Transactions; or
 - (B) the Client fails to fulfil its settlement obligations in respect of Equity Market Transactions,

statements to that effect.

(3) The Market Participant is not required to comply with subrule (1) in relation to the Client where, at the time the obligation to comply with subrule (1) would arise, all of the following are satisfied:

- (a) the Market Participant is also an ASX Participant;
- (b) the Market Participant has given the Client a document that complies with ASX Market Integrity Rule 3.1.4 with respect to the clearing arrangements in place for transactions in Equity Market Products on the ASX Market;
- (c) the Market Participant proposes to rely on the clearing arrangements disclosed in the document referred to in paragraph (b) for the purposes of clearing the Client’s transactions in Equity Market Products on the Chi-X Market; and

- (d) the Market Participant notifies the Client in writing of any material change to the clearing arrangements referred to in paragraph (b), including, without limitation, any changes to the matters referred to in paragraphs (2)(a) and (b).

Maximum penalty: \$100,000

3.1.9 Client Agreement for Partly Paid Securities

(1) Before entering into a Market Transaction in respect of Partly Paid Securities on behalf of a Retail Client (the “**Client**”), subject to subrule (2), the Market Participant must enter into a written agreement with the Client under which the Market Participant discloses, and the Client acknowledges that they are aware, that:

- (a) a Partly Paid Security is a security which may require the Client to make a further payment or payments at some time in the future;
- (b) it is the responsibility of the Client to obtain and read a copy of the prospectus, product disclosure statement or information memorandum issued by an Issuer which sets out the particular features of, and rights and obligations attaching to, a Partly Paid Security before the Client places an order to buy a Partly Paid Security;
- (c) the Client may be required to make further payments on a Partly Paid Security and that a failure to make a further payment by the specified date(s) may result in an Issuer of a Partly Paid Security or their associates or agents taking action, including legal action, against the Client to recover the outstanding payments and/or may result in the forfeiture of the Client’s entitlement to the Partly Paid Security;
- (d) in certain circumstances the Client may be required to make a further payment on a Partly Paid Security despite the fact that the Client may have disposed of a Partly Paid Security prior to the date that a further payment falls due;
- (e) the Client should monitor announcements made by the Issuer of a Partly Paid Security and that it is the responsibility of the Client to inform themselves of the dates or circumstances that a further payment falls due and the last day that the Client can dispose of the Partly Paid Security before the Client becomes required to make a further payment; and
- (f) the amount of a further payment may be unrelated to the financial performance of a Partly Paid Security and that the amount of the further payment may exceed the intrinsic value of a Partly Paid Security at the time a further payment falls due.

(2) A Market Participant is not required to enter into an agreement under subrule (1) before entering into a Market Transaction to sell Partly Paid Securities.

Maximum penalty: \$100,000

3.1.10 Other terms of Client Agreement

For the avoidance of doubt, the agreement referred to in Rule 3.1.9 may include other disclosures, acknowledgements, terms and conditions agreed between the Market Participant

and the Client, or required to be included under the Market Operating Rules, provided they are not inconsistent with the requirements of Rule 3.1.9.

Note: There is no penalty for this Rule.

3.1.11 Market Participant to keep copy of Client Agreement and disclosures

The Market Participant must retain a copy of each agreement entered into under Rule 3.1.9 and any disclosures made under this Part for at least 7 years following the date on which the agreement, or the arrangement the subject of the disclosure, is terminated.

Maximum penalty: \$100,000

Part 3.2 Trading as Principal

3.2.1 Application

This Part 3.2 applies where a Market Participant enters into a Market Transaction with a Client as Principal, except where the Client is a Market Participant or a participant or member of a Recognised Stock Exchange.

Note: There is no penalty for this Rule.

3.2.2 Disclosure and consent

Before entering into a Market Transaction as Principal with a person (the “**Client**”), the Market Participant must disclose, or have previously disclosed, in accordance with paragraph 991E(1)(c) of the Corporations Act, that it is acting, or may act, as Principal and have obtained the consent of the Client, in accordance with paragraph 991E(1)(d) of the Corporations Act.

Maximum penalty: \$100,000

3.2.3 Confirmation must include disclosure

When a Market Participant enters into a Market Transaction with a person (the “**Client**”) as Principal, the confirmation issued by the Market Participant to the Client under Rule 3.4.1 in respect of that Market Transaction must state that the Market Participant entered into the transaction as Principal and not as agent.

Maximum penalty: \$100,000

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

3.2.5 Extended meaning of dealing as Principal

(1) Except where a Market Participant is dealing as a trustee of a trust in which the Market Participant has no direct or indirect beneficial interest, a reference in this Part 3.2 to a Market Participant dealing or entering into a Market Transaction as Principal, includes a reference to a Market Participant entering into a Market Transaction on its own behalf or on behalf of any of the following persons:

- (a) a partner of the Market Participant;
- (b) a director, company secretary or Substantial Holder of the Market Participant;
- (c) the Immediate Family, Family Company or Family Trust of a partner, director, company secretary or Substantial Holder of the Market Participant;
- (d) a body corporate in which the interests of one or more of the partners singly or together constitute a controlling interest; and
- (e) any Related Body Corporate of the Market Participant.

(2) Without limitation, in paragraph (1)(b), a reference to dealing on behalf of a Substantial Holder means that any Equity Market Product the subject of the Market Transaction is, or will be on the execution of the transaction, beneficially owned by the Substantial Holders.

(3) For the purposes of subrule (2), Equity Market Products beneficially owned by a Substantial Holder include Equity Market Products that appear or would appear as assets on the balance sheet or consolidated balance sheet of that Substantial Holder's assets and liabilities, except where the Equity Market Products concerned appear or would appear as assets on the balance sheet or consolidated balance sheet of a life insurance company registered under the *Life Insurance Act 1995* or the equivalent Act of a State, and are held for or on behalf of that life insurance company's statutory funds.

Note: There is no penalty for this Rule.

3.2.6 Register of persons who are regarded as Principal

A Market Participant must keep a register of the persons referred to in paragraphs 3.2.5(1)(a) to (e).

Maximum penalty: \$100,000

Part 3.3 Client instructions

3.3.1 Market Participant restrictions

A Market Participant must not:

- (a) accept or execute instructions from a person (a “**Client**”) to enter into a Market Transaction except in accordance with these Rules and the Market Operating Rules;
- (b) enter into a Market Transaction for a Client, except in accordance with the instructions of the Client, or of a person authorised in writing by a Client to give such instructions, or pursuant to an exercise of discretion in respect of that particular Client’s Managed Discretionary Account or as otherwise permitted by these Rules or the Market Operating Rules;
- (c) allocate a Market Transaction to a Client’s account unless the Market Transaction was entered into on the instructions of the Client, or of a person authorised in writing by a Client to give such instructions, or pursuant to an exercise of discretion in respect of that particular Client’s Managed Discretionary Account or as otherwise permitted by these Rules or the Market Operating Rules; or
- (d) except as permitted under these Rules or the Market Operating Rules, or in writing by ASIC, enter into or arrange a Market Transaction on the instructions of a Client unless the instructions are executed in such a manner that the Market Transaction is entered into on a Trading Platform.

Maximum penalty: \$1,000,000

3.3.2 Excessive trading

A Market Participant must not enter into Market Transactions on a Managed Discretionary Account for a Retail Client where the size or frequency of the Market Transactions may be considered excessive having regard to the investment objectives, financial situation and needs of the client and the relevant markets.

Maximum penalty: \$1,000,000

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;
- (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.

Maximum penalty: \$100,000

3.4.2 Confirmations—accumulation and price averaging

If a Market Participant is required by Rule 3.4.1 to give a confirmation to a person (the “**Client**”) and the Market Participant enters into multiple Market Transactions for the purpose of completing the Client’s order, the Market Participant may accumulate those Market Transactions on a single confirmation and specify the volume weighted average price for those Market Transactions provided that:

- (a) the Client authorised in writing the accumulation and price averaging of 2 or more Market Transactions in a confirmation at or before the time the order was placed; and
- (b) if requested by the Client, the Market Participant gives to the Client a statement of all the individual prices of the Equity Market Products, as applicable, which are accumulated and averaged under this Rule.

Maximum penalty: \$20,000

3.4.3 Confirmations—clients other than Retail Clients

(1) A Market Participant is not required to comply with Rule 3.4.1 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.

Maximum penalty: \$100,000

Part 3.5 Client Money and Property

3.5.1 Trust accounts Equity Market Transactions

A Market Participant must establish one or more clients' trust accounts for money received by the Market Participant in connection with dealings in Equity Market Transactions.

Maximum penalty: \$1,000,000

3.5.3 Bank accounts to be with Australian ADI

All money received by a Market Participant which the Corporations Act requires the Market Participant to deposit in a clients' segregated account or in a clients' trust account must be deposited in an account with an Australian ADI in Australia (which has been rated by an Approved Ratings Agency as being at least short term investment grade) unless:

- (a) the money is received by the Market Participant in another country and the Market Participant deposits the money in a clients' segregated account or clients' trust account with a branch of an Australian ADI with such a rating in that country; or
- (b) Rule 3.5.4 applies.

Maximum penalty: \$1,000,000

3.5.4 Approved foreign banks

(1) ASIC may approve, in writing, foreign banks at which Market Participants may:

- (a) open clients' segregated accounts or clients' trust accounts for the handling of money received for a person in another country or for a person who is resident in another country; and
- (b) invest money held in clients' segregated accounts or clients' trust accounts in another country.

(2) ASIC may impose conditions on the use of a foreign bank approved under subrule (1) for clients' segregated accounts and clients' trust accounts.

Note: There is no penalty for this Rule.

3.5.5 Change of rating or approval of ADI

If the Market Participant has a clients' segregated account or a clients' trust account with an Australian ADI which ceases to have the rating referred to in Rule 3.5.3 or with a foreign bank which ceases to be a bank approved under Rule 3.5.4, the Market Participant must transfer the balance of the relevant account to an entity which meets the requirements of Rule 3.5.3 or Rule 3.5.4, as applicable.

Maximum penalty: \$1,000,000

3.5.9 Reconciliation of trust accounts

(1) A Market Participant must perform a reconciliation of:

- (a) the aggregate balance held by it at the close of business on each Business Day in clients' trust accounts maintained pursuant to Rule 3.5.1 and the corresponding balance as recorded in the Market Participant's accounting records; and
- (b) the balance held by it at the close of business on the last Business Day of each week on trust for each person on whose behalf money is held in a trust account maintained pursuant to Rule 3.5.1 and the corresponding balance as recorded in the Market Participant's accounting records,

that:

- (c) is accurate in all respects; and
- (d) contains a statement signed by a Responsible Executive or a person authorised in writing by a Responsible Executive, stating that the signatory believes, and has no reason not to believe, that the reconciliation is accurate in all respects.

(2) The Market Participant must perform the reconciliation referred to in subrule (1) by 7.00 pm on the Trading Day after the Trading Day to which the reconciliation relates.

Maximum penalty: \$1,000,000

3.5.10 Obligation to notify ASIC in respect of reconciliation

A Market Participant must notify ASIC, in writing, within 2 Business Days if:

- (a) a reconciliation has not been performed in accordance with Rule 3.5.9; or
- (b) according to a reconciliation performed pursuant to Rule 3.5.9, there is a deficiency of funds in its trust accounts (or, in respect of a reconciliation performed pursuant to paragraph 3.5.9(1)(b), a deficiency in respect of any particular person on whose behalf money is held in the trust account) or if it is unable to reconcile its trust accounts pursuant to Rule 3.5.9.

Maximum penalty: \$100,000

3.5.11 Schedule of trust amounts

Each Market Participant must by no later than 5 Business Days after 31 March, 30 June, 30 September and 31 December in each year cause to be prepared a schedule as at the above dates showing the respective amounts held in the Market Participant's trust account on behalf of clients together with the names of the particular client in respect of each amount.

Maximum penalty: \$100,000

Part 3.6 Prohibition of advice to Client

3.6.1 Definition used in this Part 3.6

For the purposes of this Part 3.6, “**Client**” includes a shareholder in a company which constitutes the Market Participant.

Note: There is no penalty for this Rule.

3.6.2 Market Participant possesses information that is not generally available

Where as a result of its relationship to a Client, a Market Participant is in possession of information that is not generally available in relation to a Financial Product and which would be likely to materially affect the price of that Financial Product if the information was generally available, that Market Participant must not give any advice to any other Client of a nature that would damage the interest of either of those Clients.

Maximum penalty: \$1,000,000

3.6.3 Chinese Walls in place

For the purposes of Rule 3.6.2, a Market Participant is not regarded as having possession of information that is not generally available in relation to a Financial Product where:

- (a) that Market Participant has in place arrangements whereby information known to persons included in one part of the business of the Market Participant is not available, directly or indirectly, to those involved in another part of the business of the Market Participant;
- (b) it is accepted that in each of the parts of the business of the Market Participant so divided, decisions will be taken without reference to any interest which any other such part or any person in any other such part of the business of the Market Participant may have in the matter; and
- (c) the person advising the Client is not in possession of that information.

Note: There is no penalty for this Rule.

3.6.4 Certain actions do not constitute giving advice

For the purposes of Rule 3.6.2, a Market Participant or an Employee or partner of a Market Participant advising a Client that the Market Participant is precluded from giving the Client advice will not be regarded as giving advice.

Note: There is no penalty for this Rule.

Chapter 4: Records

Part 4.1 Trading records

4.1.1 Records of dealings for clients

(1) This Rule applies to a Market Participant who receives instructions to enter into a Market Transaction on behalf of a person (the “**Client**”), whether or not a Trading Message corresponding to those instructions is entered into or matched on a Trading Platform.

(2) Subject to Rule 4.1.7, in addition to complying with the requirements of the Corporations Act to the extent that those requirements apply to dealing in the Chi-X Market, the Market Participant must maintain sufficiently detailed records showing:

- (a) particulars of the instructions, including, without limitation:
 - (i) the Financial Product to be bought or sold;
 - (ii) the number thereof;
 - (iii) any price or time related instructions;
 - (iv) any time limit on the instructions;
 - (v) the date and time the Market Participant received the instructions;
 - (vi) instructions or decisions to purchase or sell Financial Products pursuant to a Managed Discretionary Account (including, without limitation, the Financial Products to be bought or sold and the number thereof, any price or time related instructions or decisions and the name of the person who generated the instruction or made the decision), whether the instruction or decision was executed or not; and
 - (vii) the authority of the Client, if any, for accumulation and price averaging under Rule 3.4.2;
- (b) the name of the Client;
- (c) the name of the person who gave the instructions (or, if the Trading Message was received by Automated Order Processing, the information set out in Rule 5.5.3);
- (d) any amendment of any kind to the instructions or Trading Message (including, without limitation, cancellation of an instruction or Trading Message, 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 instructions or Trading Message;
- (e) the name of the person who received the instruction (or, if the Trading Message was received by Automated Order Processing, the information set out in Rule 5.5.3);
- (f) the name of any other person who passed the instruction on between the person who initially received the instruction, and the Trading Platform and the date and time they passed it;

- (g) the name of the DTR who entered a Trading Message into a Trading Platform (or, if the Trading Message was submitted by Automated Order Processing, the information set out in Rule 5.5.3);
- (h) the time the DTR entered a Trading Message into a Trading Platform (or if the Trading Message was submitted by Automated Order Processing, the time at which the Trading Message was initiated by the Open Interface Device); and
- (i) if the Trading Message gives rise to a Market Transaction, the date and time that occurs.

Maximum penalty: \$100,000

4.1.2 Records of dealings on Own Account

(1) This Rule applies to a Market Participant that makes a decision, or gives instructions to, enter into a Market Transaction on its Own Account, whether or not the Market Transaction is executed.

(2) Subject to Rule 4.1.8, the Market Participant must, in addition to complying with the requirements of the Corporations Act to the extent that those requirements apply to dealing in the Chi-X Market provided by the Market Operator, maintain sufficiently detailed records showing:

- (a) particulars of the decision or instructions, including, without limitation:
 - (i) the name of the person who generated the instruction or made the decision;
 - (ii) the Financial Products to be bought or sold;
 - (iii) the number thereof;
 - (iv) any price or time related instructions or decisions; and
 - (v) any time limit on the instruction;
- (b) any amendment of any kind to the instructions or Trading Message (including, without limitation, cancellation of an instruction or Trading Message, 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 instruction or Trading Message;
- (c) the name of any other person who passed the instruction on between the person who initially gave the instruction or made the decision, and a Trading Platform and the date and time they passed it;
- (d) the name of the DTR who entered a Trading Message into a Trading Platform (or if the Trading Message was submitted by Automated Order Processing, the information set out in Rule 5.5.3);
- (e) the time the DTR entered a Trading Message into a Trading Platform (or if the Trading Message was submitted by Automated Order Processing, the time at which the Trading Message was initiated by the Open Interface Device); and

- (f) if the Trading Message gives rise to a Market Transaction, the date and time that occurs.

Maximum penalty: \$100,000

4.1.3 Records to be made immediately

A Market Participant must make the records referred to in Rules 4.1.1, 4.1.2, 4.1.7 and 4.1.8 immediately after the event to which they relate and record the time of the relevant event.

Maximum penalty: \$100,000

4.1.4 Records to be retained for prescribed period

A Market Participant must retain the records referred to in Rules 4.1.1, 4.1.2, 4.1.7 and 4.1.8 for 7 years from the date the record is made.

Maximum penalty: \$100,000

4.1.5 Certain records maintained by the Market Operator

Certain obligations of a Market Participant under Rules 4.1.1 and 4.1.2 may be met by relying on records maintained electronically as set out in Rule 4.1.6.

Note: There is no penalty for this Rule.

4.1.6 Conditions for reliance on the Market Operator records

(1) Where the records of the Market Participant:

- (a) are able to connect the DTR identifier with the particular DTR; and
- (b) identify the person, or any other persons, receiving the instructions, generating an order or making a decision (if not the DTR) and a DTR is capable of being connected to a particular Trading Record or sequence of events,

a Market Participant may:

- (a) when dealing for clients satisfy certain of its obligations in relation to paragraphs 4.1.1(2)(g), 4.1.1(2)(h) and 4.1.1(2)(i); or
- (b) when dealing on its Own Account, satisfy certain of its obligations in relation to subparagraphs 4.1.2(2)(a)(i) to (iv), paragraphs 4.1.2(2)(b), 4.1.2(2)(d), 4.1.2(2)(e) and 4.1.2(2)(f),

by relying on records maintained by the Market Operator, but only to the extent permitted by subrule (2).

(2) For the purposes of subrule (1), the Market Participant may satisfy the obligation specified in column 1 of the following table by relying on records maintained by the Market Operator in the circumstances specified in column 2 of the following table:

Column 1: A Market Participant may satisfy the obligation:	Column 2: by relying on records maintained by the Market Operator in the following circumstances:
under paragraph 4.1.1(2)(g) to maintain records of the name of the DTR who entered a Trading Message into the Trading Platform	where the DTR identifier is contained in the Trading Message and recorded by the Trading Platform (the DTR who entered the Trading Message being taken to be the DTR whose identifier is so recorded)
under paragraph 4.1.1(2)(h) to maintain records of the time of the Trading Message	where the Trading Platform records the time the Trading Message was entered into the Trading Platform
under paragraph 4.1.1(2)(i) to maintain records of the date and time that a Trading Message gives rise to a Market Transaction	where the Trading Platform records the date and time of effecting of the Market Transaction
under subparagraph 4.1.2(2)(a)(i) to maintain records of the name of a person who made the decision, where that person is the DTR who entered the Trading Message	where the DTR identifier is contained in the Trading Message and recorded by the Trading Platform (the person who made the decision being taken to be the DTR whose identifier is so recorded)
under subparagraph 4.1.2(2)(a)(ii) to maintain records of the Financial Products to be bought or sold	where the Financial Products are entered into the Trading Platform for the particular Trading Message (which are taken to be the Financial Products decided or instructed to be bought or sold)
under subparagraph 4.1.2(2)(a)(iii) to maintain records of the number of Financial Products to be bought or sold	where the number of Financial Products is entered into the Trading Platform for the particular Trading Message (which is taken to be the number of Financial Products decided or instructed to be bought or sold)
under subparagraph 4.1.2(2)(a)(iv) to maintain records of price-related decisions to enter into a Market Transaction	where the price is entered into the Trading Platform for the particular Trading Message (which is taken to be the price at which the Financial Products are decided or instructed to be bought or sold)
under paragraph 4.1.2(2)(b) to maintain records of an amendment to a Trading Message	where the particulars of the Trading Message are entered into the Trading Platform
under paragraph 4.1.2(2)(d) to maintain records of the name of the DTR who entered the Trading Message	where the DTR identifier is contained in the Trading Message and recorded by the Trading Platform (the DTR who entered the Trading Message being taken to be the DTR whose identifier is so recorded)
under paragraph 4.1.2(2)(e) to maintain records of the time of a Trading Message	where the Trading Platform records the time the Trading Message was entered into the Trading Platform
under paragraph 4.1.2(2)(f) to maintain records of the time that a Trading Message gives rise to a Market Transaction	where the Trading Platform records the time of effecting of the Market Transaction

Note: There is no penalty for this Rule.

4.1.7 Records of dealings for clients by a Market Participant who instructs another Market Participant to execute the dealings

A Market Participant that instructs another Market Participant to enter into a Market Transaction on behalf of a person:

- (a) need not comply with paragraphs 4.1.1(2)(e), (f), (g), (h), and (i) in respect of that instruction;
- (b) must maintain sufficiently detailed records in respect of such instruction showing:
 - (i) the name of the person who received the instructions;
 - (ii) the name of any person who passed the instruction on between the person who initially received the instruction and the person instructing the Market Participant to enter into the Market Transaction;
 - (iii) the name of the person who instructed such Market Participant to enter into the Market Transaction; and
 - (iv) the time the person instructed such Market Participant to enter into the Market Transaction.

Maximum penalty: \$100,000

4.1.8 Records of dealings on its Own Account by a Market Participant who instructs another Market Participant to execute the dealings

A Market Participant that instructs another Market Participant to enter into a Market Transaction on its behalf:

- (a) need not comply with paragraphs 4.1.2(2)(c), (d), (e) and (f) in respect of that instruction; and
- (b) must maintain sufficiently detailed records in respect of such instruction showing:
 - (i) the name of any person who passed the instruction on between the person who initially gave the instruction or made the decision and the Market Participant instructed to enter into the Market Transaction;
 - (ii) the name of the person who instructed such Market Participant to enter into the Market Transaction; and
 - (iii) the time the person instructed such Market Participant to enter into the Market Transaction.

Maximum penalty: \$100,000

4.1.9 Records regarding Authorised Persons

A Market Participant must maintain records of:

- (a) the name and contact details of an Authorised Person, and if that Authorised Person is an agent of another person, the details of that other person; and

- (b) the security arrangements regarding access by the Authorised Person to a computer or other device connected to the Market Participant's Open Interface Device and its location or if not fixed, the method of identifying the computer or other device,

for a period of 7 years from the date the person ceases to be an Authorised Person.

Maximum penalty: \$100,000

Part 4.2 Records—General

4.2.1 General recordkeeping requirements

(1) A Market Participant must maintain accurate records in sufficient detail to show particulars of:

- (a) all money received or paid by the Market Participant, including trust account receipts and payments in a manner usual for a business of the kind being carried on by a Market Participant;
- (b) all transactions by the Market Participant with or for the account of:
 - (i) a person of a type described in Rule 5.4.1 or a Related Party;
 - (ii) other Market Participants; and
 - (iii) members of any overseas stock exchange;
- (c) all income from commissions, interest and other sources and all expenses, commissions and interest paid;
- (d) all assets and liabilities, including contingent liabilities of the Market Participant;
- (e) all Equity Market Products which are the property of the Market Participant, showing by whom they, or the documents of title to them, are held and if held otherwise than by the Market Participant, whether they are held as security for loans or advances;
- (f) all Equity Market Products which are not the property of the Market Participant but for which the Market Participant or any nominee controlled by it is accountable, showing by whom and for whom such Financial Products are held and:
 - (i) in respect of those which are held for safe custody details sufficient to identify such Equity Market Products; and
 - (ii) in respect of those which are held for any person or firm or corporation as security for loans or advances made by the Market Participant details sufficient to identify such Equity Market Products;
- (g) all confirmations issued by the Market Participant and details of any statements and specifications which are required by these Rules, the Market Operating Rules and the Corporations Act to appear on confirmations; and
- (h) all underwriting transactions entered into by the Market Participant.

(2) All Equity Market Products held for safe custody or whose certificates are held for safe custody must either be registered in the name of the client or the Market Participant's nominee.

(3) The holding of Equity Market Products for security must be authorised in writing by the owner thereof or some other person lawfully authorised to do so.

(4) An authority referred to in subrule (3) must specify the period for which such Equity Market Products or documents of title may be held.

Maximum penalty: \$100,000

4.2.2 Client complaints—Records of complaints and correspondence

(1) A Market Participant must keep the following records of complaints received from clients:

- (a) a copy of all written complaints;
- (b) a copy of all written correspondence between the Market Participant and the clients and a written summary of any oral communication in connection with a written complaint; and
- (c) any correspondence or documents relating to the resolution of a complaint through any complaints resolution scheme.

(2) A Market Participant must keep the records referred to in subrule (1) in respect of a complaint for at least 5 years from the date of the last correspondence in respect of that complaint.

Maximum penalty: \$1,000,000

Part 4.3 Access to records

4.3.1 Records to be in writing and in English

(1) A Market Participant must keep all of the records it is required to maintain under this Chapter 4, in writing and in the English language or in a manner which will enable them to be readily accessible by ASIC and readily converted into writing in the English language.

(2) A Market Participant must, if directed by ASIC in writing to do so, convert records maintained under this Chapter 4 into writing and into English.

(3) A Market Participant must comply with a direction given under subrule (2) by the time specified by ASIC when giving the direction.

Maximum penalty: \$100,000

4.3.2 Records kept outside of Australia

(1) If the records which a Market Participant is required to maintain under this Chapter 4 are kept outside Australia:

- (a) the Market Participant must send, or cause to be sent, to Australia records which will enable true and fair financial statements to be prepared; and
- (b) the Market Participant must, if directed by ASIC in writing to do so, produce any of its records in Australia.

(2) A Market Participant must comply with any direction given by ASIC under paragraph (1)(b) by the time specified by ASIC when giving the direction.

Maximum penalty: \$100,000

Chapter 5: Trading

Part 5.1 Client order priority

5.1.1 Application and meaning of dealing on “Own Account”

Subject to Rule 5.1.2, a reference to a Market Participant having an order for its own account means that the Equity Market Products to be bought or sold are (in the case of a sale) or will be on the completion of the transaction (in the case of a purchase) beneficially owned by the Market Participant or a Prescribed Person, where the Equity Market Products beneficially owned by a Market Participant or Prescribed Person include Equity Market Products which would appear as assets on the balance sheet or consolidated balance sheet of that Market Participant or Prescribed Person.

Note: There is no penalty for this Rule.

5.1.2 Exceptions

The following are not regarded as orders on a Market Participant’s own account:

- (a) an order placed by a life insurance company registered under the *Life Insurance Act 1995* (or equivalent State legislation) on behalf of a statutory fund; or
- (b) an order placed by a Controller or a Related Body Corporate of the Market Participant or of a Controller on behalf of clients of, or funds managed by them or their Related Bodies Corporate.

Note: There is no penalty for this Rule.

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.

(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.

(4) A Market Participant must keep a record of any consent given by a client for the purposes of paragraph (1)(c).

Note: There is no penalty for this Rule.

5.1.5 Fairness and priority in allocation

A Market Participant must allocate Market Transactions fairly.

Maximum penalty: \$1,000,000

5.1.6 Relevant factors

In considering whether Rule 5.1.5 has been complied with, the following factors are relevant:

- (a) allocation of Market Transactions is immediate and automatic, unless circumstances or instructions justify later or manual allocation;
- (b) Market Transactions executed pursuant to instructions (whether an order of a client or an order on its Own Account) are allocated in the sequence in which the Market Participant received those instructions, entered those instructions or the Market Transactions were effected;
- (c) the client's instructions;
- (d) allocation of a Market Transaction occurs in accordance with the disclosed allocation policy of the Market Participant; and
- (e) except as provided in these Rules or the Market Operating Rules, a Market Participant does not allocate Market Transactions to fulfil all or part of an order for its Own Account when it has an unfulfilled order on the same terms for those Market Transactions from a client.

Note: There is no penalty for this Rule.

5.1.7 Unexecuted order in Equity Market Products—Market Participant not to make Bids or Offers

If a Market Participant has or receives an Order to buy or sell an Equity Market Product underlying a Derivatives Market Contract in the Underlying Market which may materially affect:

- (a) the market price of the Equity Market Product in the Underlying Market; or
- (b) the level of an Underlying Index, the level of which is calculated by reference to the value of that Equity Market Product and other products,

the Market Participant must not make Bids or Offers to enter into an Options Market Transaction over that Equity Market Product as Principal until the order in the Equity Market Product has been executed in the Underlying Market.

Maximum penalty: \$1,000,000

5.1.8 Allocation policy and Automated Client Order Processing Crossings—disclosure to Client

(1) A Market Participant must when requested to do so by a person (the “**Client**”), disclose to the Client each of the following:

- (a) the policy it adopts in the allocation of Market Transactions to fill orders placed with it; and
- (b) in relation to Crossings under the Market Operating Rules:

- (i) that the Client's orders may match opposite orders in a Trading Platform by the same Market Participant, effectively resulting in a Crossing and entitling the Market Participant to commission from both sides of the transaction; and
- (ii) if the Market Participant deals as Principal, that the Client's orders may match opposite orders in a Trading Platform on behalf of the same Market Participant as Principal.

(2) The Market Participant must keep a record of disclosures made under subrule (1).

Maximum penalty: \$20,000

Part 5.2 Business connections between Market Participants

5.2.1 Connections requiring ASIC consent

A Market Participant must not, without the prior written consent of ASIC:

- (a) be a Related Body Corporate of another Market Participant;
- (b) allow a Controller or Employee to be a Controller of another Market Participant;
- (c) have an Employee who is an Employee of another Market Participant or a Related Body Corporate of another Market Participant;
- (d) share common computer facilities with, or allow its computer facilities to be linked with, another Market Participant; or
- (e) share common premises with, or allow its premises to be accessed by another Market Participant or its Employees.

Maximum penalty: \$100,000

5.2.2 Access to records

Without limiting ASIC's discretion under Rule 5.2.1, when giving any consent under Rule 5.2.1, ASIC may impose on one or both of the Market Participants involved conditions concerning access by common Controllers or Employees to records of those Market Participants including, without limitation, the records of orders received by the Market Participants.

Note: There is no penalty for this Rule.

Part 5.4 Transactions by connected persons (including persons connected with other Market Participants)

5.4.1 Application

In this Part 5.4, a reference to a connected person is a reference to the following persons:

- (a) an Employee;

- (b) a company controlled by an Employee; and
- (c) a Controlled Trust (other than a trust controlled by an Immediate Family of an employee or a trust in relation to which an Immediate Family of an Employee is a trustee or holds more than 50% of the whole beneficial interest).

Note: There is no penalty for this Rule.

5.4.2 Internal consent required for trading by connected persons

(1) A Market Participant must not enter into a Market Transaction by or for the account of its connected persons, whether the Market Transaction is conducted through that Market Participant or through another Market Participant unless the Market Transaction has been approved in writing in accordance with subrule (4) by a Responsible Executive, director or partner of the Market Participant or a person with written delegation for that responsibility from a Responsible Executive, director or partner (other than the Employee concerned).

(2) A Market Participant must obtain a separate approval under subrule (1) for each relevant Market Transaction.

(3) A Market Participant must take reasonable steps to ensure that a person who approves a Market Transaction under subrule (1) takes into account the circumstances of the proposed transaction and anything which might materially affect the price of the relevant Equity Market Product the subject of the Market Transaction.

(4) For the purposes of subrule (1), the approval in writing must include:

- (a) all the information required by Part 4.1 for orders, whether or not the Market Participant will be executing the order to which the approval relates; and
- (b) the date and time of approval.

(5) If a Market Transaction referred to in subrule (1) is conducted through another Market Participant, that Market Participant must, as soon as practicable after entering into the Market Transaction, give to the employing Market Participant a confirmation in respect of the Market Transaction.

Maximum penalty: \$100,000

Part 5.5 Participant's trading infrastructure

5.5.1 Knowledge of Market Participant

If a Trading Message embedded with a Market Participant's unique identifier is submitted, the Trading Message is taken for all purposes under these Rules to have been submitted in a Trading Platform by or with the knowledge of the Market Participant.

Note: There is no penalty for this Rule.

5.5.2 Organisational and technical resources

A Market Participant must have and maintain the necessary organisational and technical resources to ensure that:

- (a) Trading Messages submitted by the Market Participant do not interfere with:
 - (i) the efficiency and integrity of the Chi-X Market; or
 - (ii) the proper functioning of a Trading Platform; and
- (b) the Market Participant complies at all times with these Rules and the Market Operating Rules.

Maximum penalty: \$1,000,000

5.5.3 Trading management arrangements

A Market Participant must have arrangements in place so that at all times the Market Participant can determine the origin of all orders and Trading Messages, including:

- (a) the different stages of processing each order (regardless of whether a Trading Message is generated) and the time at which each stage of processing occurred;
- (b) the order that corresponds to a Trading Message;
- (c) the identity and capacity of the person placing the order that corresponds to the Trading Message;
- (d) whether the Trading Message was the result of Automated Order Processing;
- (e) the Open Interface Device and the computer or other device of the Market Participant connected to an Open Interface Device of the Market Participant through which the Trading Message was submitted;
- (f) the DTR with responsibility for that Open Interface Device or computer or other device connected to the Open Interface Device (unless the Trading Message was the result of Automated Order Processing); and
- (g) whether the Trading Message was submitted on the Market Participant's Own Account or for a client.

Maximum penalty: \$1,000,000

5.5.4 Trading management arrangements—Records

A Market Participant must maintain records of the matters referred to in Rule 5.5.3, for a period of 7 years from the date of the Trading Message to which the matters relate.

Maximum penalty: \$100,000

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

5.6.1 Responsible use of system for Automated Order Processing

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.

Maximum penalty: \$1,000,000

5.6.2 Authorised Persons for Automated Client Order Processing

A Market Participant which uses its system for Automated Client Order Processing must also have procedures in place to ensure that each Authorised Person has demonstrated to the Market Participant knowledge of the order entry system of the Market Participant and of the Dealing Rules, directions, decisions and requirements of the Market Operator relevant to the type of order submission facilities given to the Authorised Person by the Market Participant.

Maximum penalty: \$1,000,000

5.6.3 Automated Order Processing system requirements

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; and
- (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 markets provided by the Market Participant or the proper functioning of the Trading Platform.

Maximum penalty: \$1,000,000

5.6.4 Review of documentation and systems prior to use of Automated Order Processing system

Subject to Rule 5.6.6A, before using their system for Automated Order Processing, a Market Participant must, for the purposes of providing the certification referred to in Rule 5.6.6, perform a review of the Market Participant's policies, procedures, system design documentation, including the Market Participant's procedures for implementation of subsequent changes to the Automated Order Processing software, filters and filter parameters, and other relevant documentation concerning the Market Participant's compliance with Part 5.6 of these Rules.

Maximum penalty: \$1,000,000

5.6.5 Representations as to organisational and technical resources, trading management arrangements and security arrangements, prior to use of Automated Order Processing system

(1) Subject to Rule 5.6.6A, before using their system for Automated Order Processing, the Market Participant must, for the purposes of providing the certification referred to in Rule 5.6.6, obtain written representations that their Automated Order Processing system meets the requirements of each of paragraphs 5.6.3(a), (b) and (c).

(2) The representations referred to in subrule (1):

- (a) must be provided by persons who are suitably qualified and experienced in relation to the controls for which they are making the representation;
- (b) include the name of the person making the representation;
- (c) be signed and dated by the person making the representation; and
- (d) set out the methodology used by the person to enable them to make the representation.

Maximum penalty: \$1,000,000

5.6.6 Certification of Automated Order Processing system

(1) Subject to Rule 5.6.6A, before using their system for Automated Order Processing, a Market Participant must:

- (a) give a written certification to ASIC that includes the matters set out in subrule (2); and
- (b) receive a written confirmation from ASIC that the certification complies with subrule (2).

(2) The written certification given by the Market Participant to ASIC must include:

- (a) the name of the Market Participant;
- (b) the version number and name of the Market Participant's Automated Order Processing system;
- (c) copies of the representations required by Rule 5.6.5 in relation to the system referred to in paragraph (b);

- (d) a confirmation by the Market Participant that:
 - (i) the Market Participant has performed the review required by Rule 5.6.4 and that nothing came to the attention of the Market Participant during the course of that review which would indicate that the Market Participant is unable to comply with Part 5.6 of these Rules;
 - (ii) based on the review required by Rule 5.6.4 and the representations required by Rule 5.6.5, the Market Participant's Automated Order Processing system:
 - (A) does, or does not, permit Automated Client Order Processing, as the case may be; and
 - (B) meets the requirements of Rule 5.6.3; and
 - (iii) the representations required by Rule 5.6.5 have been made by persons whom the Market Participant considers to be suitably qualified and experienced in relation to the controls for which they are making those representations; and
 - (e) the name of the directors of the Market Participant referred to in subrule (3).
- (3) At least two directors of the Market Participant must sign and date the written certification referred to in subrule (2).

Maximum penalty: \$1,000,000

5.6.6A Application of Rules 5.6.4, 5.6.5 and 5.6.6 to Market Participants that are ASX Participants

A Market Participant is not required to comply with Rules 5.6.4, 5.6.5 and 5.6.6 with respect to an Automated Order Processing system where, at the time the obligation to comply with those Rules would arise, all of the following are satisfied:

- (a) the Market Participant is also an ASX Participant;
- (b) the Market Participant has complied with ASX Market Integrity Rules 5.6.4, 5.6.5 and 5.6.6 with respect to the Automated Order Processing system it uses for the purposes of submitting orders to the ASX Market;
- (c) the Market Participant proposes to use the Automated Order Processing system referred to in paragraph (b) for the purposes of submitting orders to the Chi-X Market;
- (d) the Market Participant treats the proposed use of the Automated Order Processing system referred to in paragraph (b) for the purposes referred to in paragraph (c) as a material change to the organisational or technical resources employed to comply with Rule 5.6.3; and
- (e) before implementing the change, the Market Participant:
 - (i) undertakes the review required by Rule 5.6.8;
 - (ii) provides the further certification as required by Rule 5.6.10; and

- (iii) receives a written confirmation from ASIC that the certification complies with Rule 5.6.10.

Note: There is no penalty for this rule

5.6.7 Material changes

(1) If a Market Participant who uses its system for Automated Order Processing under the Rules proposes to make a material change to any of the organisational or technical resources employed to comply with Rule 5.6.3, the Market Participant must immediately notify ASIC of the proposed change.

(2) The Market Participant must, before implementing the change:

- (a) undertake the review required by Rule 5.6.8 and provide either of the following at the option of ASIC:
 - (i) a confirmation as required by Rule 5.6.9; or
 - (ii) a further certification as required by Rule 5.6.10; and
- (b) receive a written confirmation from ASIC that the confirmation or certification complies with Rule 5.6.9 or 5.6.10, as applicable.

Maximum penalty: \$100,000

5.6.8 Material change review

Before making a material change to any of the organisational or technical resources employed to comply with Rule 5.6.3, the Market Participant must, for the purposes of providing the confirmation referred to in Rule 5.6.9 or the further certification referred to in Rule 5.6.10, ensure that an appropriately qualified person performs a review of the material changes to the Automated Order Processing system, the Market Participant's policies, procedures, system design documentation, including the Market Participant's procedures for implementation of subsequent changes to the Automated Order Processing software, filters and filter parameters and other relevant documentation concerning the Market Participant's compliance with Part 5.6 of these Rules.

Maximum penalty: \$100,000

5.6.9 Material change confirmation

(1) A confirmation provided under subparagraph 5.6.7(2)(a)(i) must include:

- (a) the name of the Market Participant;
- (b) the version number and name of the Market Participant's Automated Order Processing system;
- (c) a description of the material changes to the system that are the subject of the confirmation; and

- (d) a confirmation from the appropriately qualified person who performed a review in accordance Rule 5.6.8 that:
 - (i) the person has performed the review and that nothing came to the attention of the person during the course of the review which would indicate that the Market Participant is unable to comply with Part 5.6 of these Rules; and
 - (ii) the material changes set out in the confirmation do not detract from the certification of the Automated Order Processing system previously provided to the Market Operator or ASIC.

(2) The confirmation referred to in paragraph (1)(d) must include the name of the person making the confirmation and be signed and dated by that person.

Maximum penalty: \$100,000

5.6.10 Material change further certification

(1) A further certification provided under subparagraph 5.6.7(2)(a)(ii) must include:

- (a) the name of the Market Participant;
- (b) the version number and name of the Market Participant's Automated Order Processing system;
- (c) a description of the material changes to the system that are the subject of the confirmation; and
- (d) a confirmation from the appropriately qualified person who performed a review in accordance with Rule 5.6.8 that:
 - (i) the person has performed the review and that nothing came to the attention of the person during the course of the review which would indicate that the Market Participant is unable to comply with Part 5.6 of these Rules;
 - (ii) the elements of the system which have not been the subject of the material changes do not detract from the certification for the system previously provided to the Market Operator or ASIC; and
 - (iii) the Market Participant has in place, in relation to the material changes the subject of the certification, organisational and technical resources, trading management arrangements and security arrangements that meet the requirements of Rule 5.6.3.

(2) The confirmation referred to in paragraph (1)(d) must include the name of the person making the confirmation and be signed and dated by that person.

Maximum penalty: \$100,000

5.6.11 Further certification

(1) A Market Participant must, if directed by ASIC in writing to do so, provide a further certification in a form acceptable to ASIC from an appropriately qualified person acceptable

to ASIC as to compliance by the Market Participant with the Automated Order Processing Requirements.

(2) A Market Participant must comply with a direction under subrule (1) within the time specified in the direction.

Maximum penalty: \$100,000

5.6.12 Limitations on Automated Order Processing

(1) This Rule applies where ASIC reasonably considers that:

- (a) a Market Participant is not complying with the Automated Order Processing Requirements; or
- (b) it is otherwise appropriate to direct a Market Participant to take the actions referred to in subrule (2).

(2) A Market Participant must, if directed to do so by ASIC:

- (a) cease conducting Automated Order Processing until ASIC is satisfied that the Market Participant complies with the Automated Order Processing Requirements; or
- (b) immediately suspend, limit or prohibit the conduct of Automated Order Processing in respect of:
 - (i) one or more Authorised Persons or clients;
 - (ii) Automated Client Order Processing;
 - (iii) Automated Order Processing; or
 - (iv) one or more Equity Market Products,as required by the direction.

Maximum penalty: \$1,000,000

Part 5.7 Manipulative trading

5.7.1 False or misleading appearance

A Market Participant must not make a Bid or Offer for, or deal in, any Equity Market Products:

- (a) as Principal:
 - (i) with the intention; or
 - (ii) if that Bid, Offer or dealing has the effect, or is likely to have the effect, of creating a false or misleading appearance of active trading in any Equity Market Product or with respect to the market for, or the price of, any Equity Market Product; 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 Equity Market Product or with respect to the market for, or the price of, any Equity Market Product.

Maximum penalty: \$1,000,000

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 Equity Market Product;
- (b) whether the Order or execution of the Order would materially alter the market for, or the price of, the Equity Market 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 Equity Market Product or with respect to the market for, or the price of, any Equity Market 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 Equity Market Product; and
- (h) whether the transaction, bid or offer the execution of which is proposed will involve no change of beneficial ownership.

Maximum penalty: \$1,000,000

5.7.3 Obligations apply to Automated Order Processing

A Market Participant must also comply with this Part 5.7 in respect of Orders the subject of Automated Order Processing.

Note: There is no penalty for this Rule.

Part 5.9 Fair and orderly markets

5.9.1 Market must remain fair and orderly

A Market Participant must not do anything which results in a market for an Equity Market Product not being both fair and orderly, or fail to do anything where that failure has that effect.

Maximum penalty: \$1,000,000

5.9.2 Representative must be available

A Market Participant must ensure that a Representative of the Market Participant is available to receive communications from other Market Participants or from the Market Operator from the beginning of the Continuous Trading Period until the end of the Post-Trading Administration Period unless otherwise determined in writing by ASIC and notified to the Market Participant.

Maximum penalty: \$100,000

5.9.3 Must not take advantage of breakdown or malfunction

A Market Participant must not take advantage of a situation arising as a result of a breakdown or malfunction in the Market Operator's procedures or systems or an error in any Trading Message submitted by the Market Operator.

Maximum penalty: \$1,000,000

Part 5.10 Dealing in Equity Market Products

5.10.1 Market Participants may not deal in Equity Market Products for which Official Quotation will be sought

Except as permitted in Rule 5.10.2, a Market Participant is prohibited, either in its own office or elsewhere, from making quotations or dealing in a new issue or placement of Equity Market Products (except Loan Securities):

- (a) made for the purpose of qualifying a company for admission to the Official List; or
- (b) for which Official Quotation will be sought,

until those Equity Market Products have been granted Official Quotation.

Maximum penalty: \$100,000

5.10.2 When Market Participants may deal in Equity Market Products for which Official Quotation will be sought

Notwithstanding Rule 5.10.1 but subject to any other provisions of these Rules and the Market Operating Rules, a Market Participant may deal in Equity Market Products to which Rule 5.10.1 applies in the following circumstances:

- (a) a Market Participant may underwrite or sub-underwrite a new issue or placement of Equity Market Products;
- (b) a Market Participant may dispose of Equity Market Products if those Equity Market Products comprise an underwriting or sub-underwriting shortfall;
- (c) where the Equity Market Products have been issued on a pro-rata basis to holders;
- (d) where a listed entity acquires assets and as part or full consideration, issues new Equity Market Products (except Loan Securities) to the vendor and the Market Participant:
 - (i) has made a prior firm arrangement with the vendor to place these Equity Market Products as soon as they are issued; and
 - (ii) ensures that the details of the issue to the vendor are advised to the ASX Market by the listed entity immediately the Equity Market Products are issued;
- (e) where a Market Participant:
 - (i) makes a placement of new Equity Market Products (except Loan Securities) for which Official Quotation will be sought, and the Market Participant ensures that all investors accepting the Equity Market Products are informed in writing that Market Participants cannot deal in the Equity Market Products either as Principal or agent until Official Quotation is granted in respect of those Equity Market Products;
 - (ii) accepts selling orders in Equity Market Products (except Loan Securities) for which Official Quotation will be sought, and the Market Participant takes all reasonable steps to ensure that the Equity Market Products are not sold before the Equity Market Products have been granted Official Quotation; or
 - (iii) accepts selling orders in Equity Market Products (except Loan Securities) where the Equity Market Products are of the same class as Equity Market Products which have already been granted Official Quotation and:
 - (A) the Equity Market Products have already been issued by the Issuer; and
 - (B) the fact that the Equity Market Products have been issued has been notified to, and released to the ASX Market by, the Company Announcements Office; and
- (f) a Market Participant may dispose of or acquire ETF Securities which are the subject of a subscription application if:
 - (i) the ETF Securities are in a class of ETF Securities which are quoted on the ASX Market;
 - (ii) the subscription application is irrevocable and subject only to transfer of the subscription consideration from the subscriber to the Issuer;
 - (iii) the disposal or acquisition is made on the Chi-X Market in accordance with these Rules and the Market Operating Rules;

- (iv) there is an arrangement between the Issuer and ASX under which the ETF Securities will be granted Official Quotation before settlement of the disposal or acquisition; and
- (v) the number of ETF Securities on issue is regularly reported to ASX on the basis required by ASX.

Note: There is no penalty for this Rule.

5.10.3 Dealings in Securities for which Official Quotation will not be sought

A Market Participant may deal in new Securities issued by a listed entity for which Official Quotation will not be sought 24 hours after that entity has advised the ASX Market of the details of the issue.

Note: There is no penalty for this Rule.

5.10.4 Dealings in Equity Market Products suspended from Official Quotation

A Market Participant must not deal in Equity Market Products which have been suspended from quotation or trading unless prior written approval has been given by the Market Operator.

Maximum penalty: \$100,000

5.10.5 Disclosure of shortfall—Must disclose to Client

A Market Participant, an Employee or a director of a Market Participant or a company which is a partner of a Market Participant who or which will be required to acquire Equity Market Products as underwriter or sub-underwriter must not offer such Equity Market Products to clients unless:

- (a) they first inform the clients concerned of the closing date of the issue or offering of the Equity Market Products and the reasons for the acquisition; or
- (b) the offer to the client is made more than 90 days from the closing date.

Maximum penalty: \$100,000

5.10.6 Expenses—Reimbursement for out-of-pocket expenses

Where a Market Participant seeks out-of-pocket expenses involved in the purchase or sale of Equity Market Products, the Market Participant must not cover that charge by an increase or reduction in the price of the Equity Market Products.

Maximum penalty: \$100,000

5.10.7 Nominee holdings—Restrictions on when an Equity Security can be recorded in the name of a nominee company

(1) A Market Participant must not cause the ownership of an Equity Security of which it is not the beneficial owner to be registered in its own name or in the name of its partners, directors or Employees.

(2) A Market Participant may only cause the ownership of an Equity Security referred to in subrule (1) to be registered in the name of a nominee company which:

- (a) unless otherwise agreed by ASIC, is incorporated in Australia with a name which contains the word “nominee”;
- (b) has a constitution which precludes the nominee company from owning any Equity Security or other property except cash beneficially; and
- (c) is a directly legally and beneficially wholly owned subsidiary of the Market Participant which is operated by the Market Participant unless the Market Participant is a Clearing Participant who appoints a Settlement Participant as its agent in accordance with the Clearing Rules.

Maximum penalty: \$100,000

Chapter 6: Takeovers

Part 6.1 Market Bid—Announcements by Market Participant

6.1.1 Announcement of Market Bid

(1) A Market Participant acting on behalf of a Bidder in relation to a Market Bid must ensure that the bid has been announced to the Relevant Financial Market in accordance with subrule (2).

(2) For the purposes of subrule (1), the announcement must include the following information:

- (a) a description of the Bid Class of Equity Market Products in the Target and the total number of Equity Market Products in that Bid Class;
- (b) the price offered for Equity Market Products in the Bid Class;
- (c) the date of the commencement and conclusion of the Offer Period;
- (d) the number of Equity Market Products in the Bid Class that the Bidder had a relevant interest in immediately prior to the announcement (expressed as a percentage of the total number of Equity Market Products in the Bid Class); and
- (e) a statement:
 - (i) as to whether the Bidder will buy Equity Market Products in the Bid Class On-Market before the Offer Period commences and, if so, the maximum number of those Equity Market Products to be bought and the price that will be paid;
 - (ii) that the Market Bid is an offer to buy all the Equity Market Products in the Bid Class that exist or will exist at any time during the Offer Period for the price offered; and
 - (iii) that the Offer Period may be extended and the offer price may be increased in accordance with the Corporations Act.

Maximum penalty: \$100,000

6.1.2 Announcement of variations to Market Bid

A Market Participant acting on behalf of a Bidder in relation to a Market Bid must ensure that the following is announced to the Relevant Financial Market, in writing:

- (a) an increase to the price offered for Equity Market Products in the Bid Class;
- (b) an extension to the Offer Period;
- (c) a withdrawal of the Market Bid;
- (d) any other variation to the Market Bid in accordance with the Corporations Act; or

- (e) if the Market Participant ceases to act on behalf of the Bidder.

Maximum penalty: \$100,000

Part 6.2 Acquisition of Equity Market Products during the Bid Period

6.2.1 Acquisition of Equity Market Products by Bidder

(1) This rule applies to both Market Bids and Off-Market Bids.

(2) A Market Participant acting on behalf of a Bidder must not offer to buy on behalf of the Bidder Equity Market Products in the Bid Class On-Market during the Bid Period for a price that varies from the consideration offered under the Takeover Bid unless and until an announcement has been made to the Relevant Financial Market.

(3) For the purposes of subrule (2), the announcement must be made in writing, by facsimile or electronic delivery to the operator of the Relevant Financial Market.

Maximum penalty: \$100,000

6.2.2 Acquisition of Equity Market Products by another Bidder

(1) Where Equity Market Products are subject to a Market Bid, a Market Participant acting on behalf of another Bidder, must not buy the Equity Market Products in the Bid Class of the Target on behalf of that Bidder unless and until:

- (a) a Market Bid on behalf of the person pursuant to Rule 6.1.1; or
- (b) an increase in the price offered under a Market Bid for the Equity Market Products pursuant to Rule 6.1.2,

has been announced to the Relevant Financial Market in accordance with subrule (2).

(2) For the purposes of subrule (1), the announcement must be made in writing, by facsimile or electronic delivery to the operator of the Relevant Financial Market.

Maximum penalty: \$100,000

Part 6.3 Market Participant acting for Bidder or Issuer

6.3.1 Market Participant to advise seller if acting for Bidder or Issuer

Where a Market Participant:

- (a) has an order from the Bidder in relation to an Off-Market Bid;

- (b) has made an announcement to the Relevant Financial Market on behalf of a Bidder to acquire Equity Market Products under a Market Bid; or
- (c) acts for a company involved in a buy-back under Chapter 2J of the Corporations Act conducted on a Relevant Financial Market,

the Market Participant must not accept, or transact, an order to sell Equity Market Products in the Bid Class referred to in paragraph (a) or subject to the announcement referred to in paragraph (b) or subject to the buy-back referred to in paragraph (c) unless the Market Participant:

- (d) advises the seller that it is acting for the Bidder or that it is acting for the company involved in the buy-back and is thus unable to give the seller advice in respect of the proposed sale; and
- (e) does not give the seller any advice in respect of the proposed sale.

Maximum penalty: \$100,000

Part 6.4 Limitations on Late, Overseas and Overnight Crossings during a Takeover Bid or Scheme

6.4.1 Late, overseas and overnight Crossings in Equity Market Products

(1) During the Offer Period under a Market Bid or Scheme, a Market Participant must not effect a Crossing of the type set out in subrule (2) in a class of Equity Market Products where the Crossing is at a price which is at or below the offer price for that class of Equity Market Products.

(2) For the purposes of subrule (1), the type of Crossing is a Crossing (other than a Special Crossing) that is effected after the Post-Trading Administration Period on a Trading Day and up to 15 minutes prior to commencement of the Continuous Trading Period on the next Trading Day in accordance with the Market Operating Rules.

Maximum penalty: \$100,000

Part 6.5 Special Crossings Prohibited During Offer Period

6.5.1 Special Crossings in Equity Market Products

A Market Participant must not effect a Special Crossing of any Equity Market Products of an Issuer during a Bid Period for a Takeover Bid or Scheme for the Equity Market Products of the Issuer.

Maximum penalty: \$100,000

Part 6.6 Limitations on Crossings during buy-back conducted On-Market

6.6.1 Special Crossing in Equity Market Products on behalf of Issuer

A Market Participant must not effect a Special Crossing of any Equity Market Products of an Issuer, on behalf of that Issuer during the term of a buy-back offer conducted on a Relevant Financial Market by that Issuer.

Maximum penalty: \$100,000

Chapter 7: Rules applying to Market Operators

Part 7.1 Data feeds

7.1.1 Provision of live electronic data from the Trading Platform

(1) The Market Operator must deliver, or procure delivery of, a live feed of the electronic data items set out in subrule (2) as generated on or by its Trading Platform to ASIC or to a service provider nominated by ASIC and notified to the Market Operator in accordance with Rule 7.1.2.

Order information from Trading Platform

(2) Electronic data provided pursuant to subrule (1) must contain such data items and fields which are generated on or by the Market Operator's Trading Platform containing all Orders entered on the Market Operator's Trading Platform, being:

- (a) order price and volume entries;
- (b) order amendments;
- (c) trade price and volume entries;
- (d) any special trade condition codes;
- (e) broker number and identifier code;
- (f) participant operator cross-reference data, where that data is available;
- (g) information comprising details of the Financial Products traded through the Trading Platform, being:
 - (i) name of Issuer or publicly available issuer code;
 - (ii) tick size;
 - (iii) lot size;
 - (iv) basis of quotation;
 - (v) time stamps on all order entries, trades, amendments, cancellations and deletions; and
 - (vi) unique order identifier or, if this is not available, unique order series identifier; and
- (h) such additional data items or fields notified by ASIC to the Market Operator under Rule 7.1.2 which are generated on or by the Market Operator's Trading Platform, provided that a Market Operator is not required to provide fields that are not generated on or by the Market Operator's Trading Platform.

Format requirements

(3) The electronic data required by subrule (1) must be in such format as ASIC notifies the Market Operator in accordance with Rule 7.1.2.

Data security and redelivery

(4) The electronic data required by subrule (1) must:

- (a) comply with any data security requirements as notified by ASIC to the Market Operator under Rule 7.1.2; and
- (b) be redelivered by the Market Operator if there is disruption to the telecommunications link through which the data is provided or for any other reason ASIC does not receive the data, and ASIC notifies the Market Operator in accordance with Rule 7.1.2 that ASIC requires the data to be redelivered.

Delivery requirements

(5) The electronic data required by subrule (1) must be delivered by the Market Operator to ASIC or its nominated service provider in a manner and to a location notified by ASIC to the Market Operator in accordance with Rule 7.1.2.

Maximum penalty: \$1,000,000

7.1.2 Notification

A notification by ASIC to the Market Operator of:

- (a) a service provider under subrule 7.1.1(1);
 - (b) additional data items under paragraph 7.1.1(2)(h);
 - (c) data format requirements under subrule 7.1.1(3);
 - (d) data security requirements or to redeliver data under subrule 7.1.1(4); or
 - (e) a manner and, or, location of delivery under subrule 7.1.1(5),
- must be in writing and allow the Market Operator a reasonable period to comply.

Part 7.2 Information**7.2.1 Provision of information about Market Participants**

The Market Operator must maintain the information specified below about each Market Participant and advise ASIC in writing of any changes which are made to the information (including any changes resulting from the admission of new Market Participants) within 2 Business Days of the change being made:

- (a) Market Participant name;
- (b) the unique identifier that is used by the Market Operator to identify the trading activities of the Market Participant on the Market Operator's Trading Platform; and
- (c) Market Participant type.

Maximum penalty: \$100,000