



ASIC

Australian Securities & Investments Commission

Australian equity market structure: Further draft market integrity rules

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These draft market integrity rules reflect the proposals in Consultation Paper 168 *Australian equity market structure: Further proposals* (CP 168). For a copy of CP 168, see www.asic.gov.au/cp.

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A Proposed amendments to ASIC Market Integrity Rules (ASX)

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

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

Chapter 1: Introduction

Part 1.4 Interpretation

1.4.3 Definitions

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

“**AOP Client**” means an Authorised Person who is a client of a Trading Participant, other than a Retail Client.

“**ASIC Act**” means the *Australian Securities and Investments Commission Act 2001*.

“**Authorised Person**” means a person who:

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

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

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

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

“**Competition Market Integrity Rules**” means the *ASIC Market Integrity Rules (Competition in Exchange Markets) 2011* as amended from time to time.

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

“**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.

“**DTR**” means a Representative of the Trading Participant who has been authorised by the Trading Participant to submit Trading Messages to the Trading Platform on behalf of the Trading Participant.

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

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

“**Market**” means the market operated by the Market Operator under Australian Market Licence (Australian Stock Exchange Limited) 2002.

“**Market Integrity Rules**” means market integrity rules made by ASIC under subsection 798G(1) of the Corporations Act and includes these Rules.

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

“**Market Operating Rules**” means the Operating Rules of the Market, other than the Market Listing Rules.

“**Market Operator**” means ASX.

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

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

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

“**Order**” means:

- (a) in relation to Cash Market Products, an instruction to purchase or sell Cash Market Products, or an instruction to amend or cancel a prior instruction to purchase or sell Cash Market Products; and
- (b) in relation to Derivatives Market Contracts, an instruction to enter into a Derivatives Market Transaction, or an instruction to amend or cancel a prior instruction to enter into a Derivatives Market Transaction.

“**Order Management System**” means a system used by an AOP Client or a delegate of the AOP Client to submit orders into a Trading Participant’s system.

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

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

“**Rules**” means these market integrity rules.

“**Trading Algorithm**” means a computerised system or process that generates Trading Messages without human intervention, based on a predetermined set of instructions or rules.

“**Trading Messages**” means those messages submitted into a Trading Platform relating to trading functions, ~~such as including~~ Orders, amendment or cancellation of Orders, ~~and~~ the reporting or cancellation of Market Transactions on the Trading Platform and messages submitted by an AOP Client into a Trading Participant’s system, for submission into a Trading Platform.

“Trading Participant” means a Market Participant which has Trading Permission in respect of one or more Products.

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

Note: There is no penalty for this Rule.

Chapter 4: Records

Part 4.1 Trading records

4.1.5A Trading records to be produced to ASIC in prescribed format

Where ASIC directs or requests, under a provision of the ASIC Act or Corporations Act, that a Market Participant produce some or all of the information in records referred to in Rules 4.1.1, 4.1.2, 4.1.7 or 4.1.8 or specified in this Rule in relation to Market Transactions entered into by the Market Participant, ASIC may direct the Market Participant to produce the information in relation to the Market Transactions:

- (a) in comma separated values or “Excel” document format; and
- (b) in the categories set out in column 3 of the following Table in the order of the items set out in column 1, or in another order as directed.

<u>Item</u>	<u>Label</u>	<u>Category</u>
<u>1</u>	<u>Market Participant name</u>	<u>The name of the Market Participant that entered into the Market Transaction or Market Transactions</u>
<u>2</u>	<u>Account name</u>	<u>The name of the account on which the Market Transaction or Market Transactions were entered</u>
<u>3</u>	<u>Account ID</u>	<u>The unique number of the account referred to in item 2</u>
<u>4</u>	<u>Buy/sell code</u>	<u>A notation or code to indicate whether the Market Transaction or Market Transactions resulted from a buy Order or a sell Order</u>
<u>5</u>	<u>Security code</u>	<u>The unique symbol or code for the Financial Products the subject of the Market Transaction or Market Transactions</u>
<u>6</u>	<u>Trade date</u>	<u>The date of the Market Transaction or Market Transactions</u>
<u>7</u>	<u>Trade execution time</u>	<u>The time of the Market Transaction or Market Transactions</u>
<u>8</u>	<u>Trade units</u>	<u>The number of Financial Products bought or sold in the Market Transaction or Market Transactions</u>
<u>9</u>	<u>Trade price</u>	<u>The unit price per Financial Product the subject of the Market Transaction or Market Transactions</u>
<u>10</u>	<u>Trade value</u>	<u>The total value of the Market Transaction or Market Transactions</u>
<u>11</u>	<u>Order giver</u>	<u>The name of the person who gave the instructions to enter into the Market Transaction or Market Transactions</u>
<u>12</u>	<u>Order ID</u>	<u>The unique identification assigned to the Order that resulted in the Market Transaction or Market Transactions</u>

<u>Item</u>	<u>Label</u>	<u>Category</u>
<u>13</u>	<u>Order reference number</u>	<u>The unique reference number assigned to the Order that resulted in the Market Transaction or Market Transactions</u>
<u>14</u>	<u>Original Order units</u>	<u>The number of Financial Products to be bought or sold in the Order that resulted in the Market Transaction or Market Transactions</u>
<u>15</u>	<u>Order date</u>	<u>The date of the Order that resulted in the Market Transaction or Market Transactions</u>
<u>16</u>	<u>Order time</u>	<u>The time of the Order that resulted in the Market Transaction or Market Transactions</u>
<u>17</u>	<u>Order taker</u>	<u>The name of the person who received the Order to enter into the Market Transaction or Market Transactions</u>
<u>18</u>	<u>Address of the account holder</u>	<p><u>The address of the holder of the account referred to in item 2 including the following details:</u></p> <ul style="list-style-type: none"> <u>• street address;</u> <u>• suburb or town;</u> <u>• postal code; and</u> <u>• country.</u> <p><u>as provided to the Market Participant by the account holder.</u></p>
<u>19</u>	<u>Telephone number of the account holder</u>	<p><u>The telephone number or numbers of the holder of the account referred to in item 2 including:</u></p> <ul style="list-style-type: none"> <u>• business telephone number;</u> <u>• home telephone number; and</u> <u>• mobile telephone number.</u> <p><u>as provided to the Market Participant by the account holder.</u></p>
Note: <u>See Proposal E3.</u>		

Chapter 5: Trading

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

5.6.1 Responsible use of system for Automated Order Processing

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

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

Maximum penalty: \$1,000,000

5.6.2 Authorised Persons for Automated Client Order Processing

A Trading 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 Trading Participant knowledge of the order entry system of the Trading 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 Trading Participant.

Maximum penalty: \$1,000,000

5.6.2A AOP Clients

(1) A Trading Participant must, before permitting an AOP Client to submit Trading Messages into the Trading Participant's system, ensure that:

- (a) the Trading Participant knows and understands the nature of the AOP Client's business including:
 - (i) if the AOP Client proposes and is permitted by the Trading Participant to delegate its access to the Trading Participant's system to a third party, the proposed nature of the delegation; and
 - (ii) the proposed nature of the AOP Client's trading through the Trading Participant's system;
- (b) the AOP Client has demonstrated the required financial resources to meet their obligations to the Trading Participant in relation to Trading Messages which are the subject of Automated Client Order Processing by the Trading Participant;

- (c) where the AOP Client uses an Order Management System provided by a person other than the Trading Participant:
- (i) the AOP Client has adequate procedures in place to ensure that each person that uses the Order Management System has demonstrated to the AOP Client knowledge of the Order Management System and of the Dealing Rules, directions, decisions and requirements of the Market Operator relevant to the type of order submission facilities used by the AOP Client; and
 - (ii) the AOP Client has adequate procedures in place to ensure that the AOP Client monitors all trading by the AOP Client through the Order Management System; and
 - (iii) the connection between the Order Management System and the Trading Participant's system is tested for the purposes of ensuring the use of the Order Management System will not interfere with the efficiency and integrity of the Market or the proper functioning of any Trading Platform.

(2) A Trading Participant that permits an AOP Client to submit orders into the Trading Participant's system using an Order Management System provided by a person other than the Trading Participant, must ensure that any material change to the Order Management System or the use by the AOP Client of the Order Management System is tested before implementation, for the purposes of ensuring that the material change will not interfere with the efficiency and integrity of the Market or the proper functioning of any Trading Platform.

Note: See Proposal C4 (1)(a)–(c).

5.6.2B AOP Clients that hold an AFSL

Without limiting Rule 5.6.2A or subrule 5.6.3B(2), a Trading Participant must ensure that at all times while the Trading Participant permits an AOP Client that is the holder of an AFSL to submit orders into the Trading Participant's system, the Trading Participant has in place a legally binding agreement with the AOP Client that, at a minimum, requires the AOP Client to:

- (a) have the financial resources referred to in paragraph 5.6.2A(1)(b) and the procedures referred to in subparagraphs 5.6.2A(1)(c)(i) and (ii);
- (b) test the connection between the AOP Client's Order Management System and the Trading Participant's system in accordance with subparagraph 5.6.2A(1)(c)(iii);
- (c) test any material change to the AOP Client's Order Management System or the use by the AOP Client of the Order Management System in accordance with subrule 5.6.2A(2);
- (d) test each Trading Algorithm that the AOP Client uses or proposes to use, in accordance with subrule 5.6.3B(2);
- (e) at all times while the AOP Client delegates its access to the Trading Participant's system to any of its own clients ("Delegates"), ensure that:
 - (i) the AOP Client knows and understands the nature of the Delegate's business including:

- (A) if the Delegate proposes and is permitted by the AOP Client to delegate its access to the Trading Participant's system to a third party, the proposed nature of the delegation; and
- (B) the proposed nature of the Delegate's trading through the Trading Participant's system;
- (ii) the Delegate has the financial resources referred to in paragraph 5.6.2A(1)(b) and the procedures referred to in subparagraphs 5.6.2A(1)(c)(i) and (ii);
- (iii) the connection between the Delegate's Order Management System and the AOP Client's system is tested before use, for the purposes referred to in subparagraph 5.6.2A(1)(c)(iii);
- (iv) any material change to the Delegate's Order Management System or the use by the Delegate of the Order Management System is tested before implementation, for the purposes referred to in subrule 5.6.2A(2);
- (v) each Trading Algorithm the Delegate uses or proposes to use is tested in accordance with subrule 5.6.3B(2).

Note: See Proposal C4 (2).

5.6.3 Automated Order Processing system requirements

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

- (a) organisational and technical resources, including having appropriate automated filters, filter parameters and processes to record any changes to the filters or filter parameters, to enable Trading Messages to be submitted into the Trading Platform without interfering with the efficiency and integrity of the Market or the proper functioning of the Trading Platform;
- (b) trading management arrangements, including having appropriate automated filters, filter parameters and processes to record any changes to the filters or filter parameters to enable the ready determination of the origin of all orders and trading messages; 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

5.6.3A Direct and immediate control over Trading Messages

Without limiting Rule 5.6.3, a Trading Participant which uses its system for Automated Order Processing must have direct and immediate control over all Trading Messages submitted through the Trading Participant's system, including:

- (a) having appropriate automated filters and controls to prevent a Trading Message, or a series of Trading Messages, that may interfere with the efficiency and integrity of the Market or the proper functioning of a Trading Platform, from entering the Market;
- (b) monitoring all Trading Messages as they are submitted, for the purposes of identifying a Trading Message, or series of Trading Messages, of the kind referred to in paragraph (a) and either preventing the Trading Message, or series of Trading Messages, from entering the Market or cancelling the Trading Message or series of Trading Messages once entered in the Market; and
- (c) monitoring all transactions entered into as a result of Trading Messages submitted, for the purposes of identifying a series of Trading Messages that may have created or may have been intended to create the appearance described in Rule 5.7.1, having regard to the matters set out in Rule 5.7.2, and preventing a series of Trading Messages of that kind from entering the Market in future.

Note: See Proposal C3 (2).

5.6.3B Testing of Trading Algorithms

(1) Without limiting Rule 5.6.3, a Trading Participant must ensure that before it:

- (a) uses a Trading Algorithm to generate Trading Messages; or
- (b) makes a material change to a Trading Algorithm that it uses to generate Trading Messages,

the Trading Participant tests the Trading Algorithm to ensure that the Trading Algorithm will function in compliance with the Market Integrity Rules and the Market Operating Rules.

Note: See Proposal C3 (1).

(2) Without limiting Rule 5.6.3, a Trading Participant must take reasonable steps to ensure that before an AOP Client:

- (a) uses a Trading Algorithm to generate Trading Messages for submission into the Trading Participant's system; or
- (b) makes a material change to a Trading Algorithm that the AOP Client uses to generate Trading Messages for submission into the Trading Participant's system,

the AOP Client tests the Trading Algorithm to ensure that the Trading Algorithm will function in compliance with the Market Integrity Rules and the Market Operating Rules.

Note: See Proposal C4 (1)(d).

5.6.3C Business continuity

(1) A Trading Participant which uses its system for Automated Order Processing must have in place adequate business continuity arrangements to ensure that:

- (a) the Trading Participant maintains the connection between the Automated Order Processing system and the Trading Platform at all times;

- (b) where the Trading Participant is unable to maintain the connection between the Automated Order Processing system and the Trading Platform, the Trading Participant has available adequate alternative arrangements to enable it to continue to submit Trading Messages to the Market; and
- (c) the Trading Participant is able to recover its normal business operations, including the connection between the Automated Order Processing system and the Trading Platform, as soon as practicable after an emergency or other significant disruption to the business of the Trading Participant, taking into account the nature, scale and complexity of the business of the Trading Participant.

(2) Where ASIC reasonably considers that the Trading Participant's arrangements for compliance with subrule (1) may not be adequate, the Trading Participant must, as directed by ASIC, test those arrangements.

Note: See Proposal C3 (3).

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

Before using their system for Automated Order Processing, a Trading Participant must, for the purposes of providing the certification referred to in Rule 5.6.6, perform a review of the Trading Participant's policies, procedures, system design documentation, including the Trading Participant's procedures for implementation of subsequent changes to the Automated Order Processing software, filters and filter parameters, and other relevant documentation concerning the Trading 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) Before using their system for Automated Order Processing, the Trading 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;
- (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) Before using their system for Automated Order Processing, a Trading Participant must give a written certification to ASIC that includes the matters set out in subrule (2).‡

~~(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).~~

Note: See Proposal C3 (4)(a)

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

the name of the Trading Participant;

- (a) the version number and name of the Trading Participant's Automated Order Processing system;
- (b) copies of the representations required by Rule 5.6.5 in relation to the system referred to in paragraph (b);
- (c) a confirmation by the Trading Participant that:
 - (i) the Trading Participant has performed the review required by Rule 5.6.4 and that nothing came to the attention of the Trading Participant during the course of that review which would indicate that the Trading 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 Trading 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 Trading Participant considers to be suitably qualified and experienced in relation to the controls for which they are making those representations;
- (d) the name of the directors of the Trading Participant referred to in subrule (3).

(3) At least two directors of the Trading Participant must sign and date the written certification referred to in subrule (2).

Maximum penalty: \$1,000,000

5.6.7 ~~Material changes~~

~~(1) If a Trading 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 Trading Participant must immediately notify ASIC of the proposed change.~~

~~(2) The Trading 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;~~
- ~~(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

Note: See Proposal C3 (4)(b)

5.6.8 Material change review

~~(1) Before making a material change to any of the organisational or technical resources employed to comply with Rule 5.6.3, the Trading 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 Trading Participant's policies, procedures, system design documentation, including the Trading Participant's procedures for implementation of subsequent changes to the Automated Order Processing software, filters and filter parameters and other relevant documentation concerning the Trading Participant's compliance with Part 5.6 of these Rules.~~

Note: See Proposal C3 (4)(b)

~~(2) Before making the material change the subject of the review under subrule (1), the Trading Participant must ensure that the person who performed the review has confirmed to the Trading Participant that:~~

- ~~(a) 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 Trading Participant is unable to comply with Part 5.6 of these Rules;~~
- ~~(b) 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~~
- ~~(c) the Trading Participant has in place, in relation to the material changes the subject of the review, organisational and technical resources, trading management arrangements and security arrangements that meet the requirements of Rule 5.6.3.~~

Note: See Proposal C3 (4)(c).

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 Trading Participant;~~
- ~~(b) the version number and name of the Trading Participant's Automated Order Processing system;~~
- ~~(c) a description of the material changes to the system that are the subject of the confirmation;~~
- ~~(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 Trading Participant is unable to comply with Part 5.6 of these Rules;~~
 - ~~(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

Note: See Proposal C3 (4)(b).

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

~~(iii) the Trading 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

Note: See Proposal C3 (4)(b).

5.6.10A Annual review

A Trading Participant must, for the purposes of providing the annual attestation referred to in Rule 5.6.10B, ensure that an appropriately qualified person performs a review of the Automated Order Processing system, the Trading Participant's policies, procedures, system design documentation, including the Trading Participant's procedures for implementation of subsequent changes to the Automated Order Processing software, filters and filter parameters and other relevant documentation concerning the Trading Participant's compliance with Part 5.6 of these Rules.

Note: See Proposal C3 (4)(d).

5.6.10B Annual attestation

(1) A Trading Participant that uses its system for Automated Order Processing must give an annual attestation to ASIC that includes the matters set out in subrule (2), within 10 Business Days of the end of the Relevant Period.

(2) The annual attestation given by the Trading Participant to ASIC must include:

- (a) the name of the Trading Participant;
- (b) the version number and name of the Trading Participant's Automated Order Processing system;
- (c) a description of any material changes to the system during the Relevant Period; and
- (d) a confirmation from the appropriately qualified person who performed a review in accordance with Rule 5.6.10A 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 Trading Participant is unable to comply with Part 5.6 of these Rules;
 - (ii) the material changes, if any, set out in the annual attestation do not detract from the certification of the Automated Order Processing system previously provided to the Market Operator or ASIC;

(iii) the Trading Participant has in place organisational and technical resources, trading management arrangements and security arrangements that meet the requirements of Rule 5.6.3;

(iv) the Trading Participant has in place controls, filters and monitoring systems that meet the requirements of Rule 5.6.3A;

(v) the Trading Participant has complied with Rule 5.6.3B; and

(vi) the Trading Participant has in place business continuity arrangements that meet the requirements of Rule 5.6.3C.

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

(4) In this Rule, “**Relevant Period**” means the period from 1 November each calendar year until 31 October in the following calendar year.

Note: See Proposal C3 (4)(e).

5.6.11 Further certification

(1) A Trading 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 Trading Participant with the Automated Order Processing Requirements.

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

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

- (a) cease conducting Automated Order Processing until ASIC is satisfied that the Trading 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 Products,
- as required by the direction.

Maximum penalty: \$1,000,000

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~~
- [\(ga\) information for the order or trade recorded by the Market Operator in accordance with Rule 5A.1.4 of the Competition Market Integrity Rules; 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.

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

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

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

Chapter 1: Introduction

Part 1.4 Interpretation

1.4.3 Definitions

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

“**AOP Client**” means an Authorised Person who is a client of a Market Participant, other than a Retail Client.

“**ASIC Act**” means the *Australian Securities and Investments Commission Act 2001*.

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

“**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.

“**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.

“**Competition Market Integrity Rules**” means the *ASIC Market Integrity Rules (Competition in Exchange Markets) 2011* as amended from time to time.

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

“**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.

“**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.

“**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);
 - ⊕(ii) a financial product covered by paragraph (b); or
- (d) a CHESS Depository Interest,

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

[Note: Due to a formatting issue in the definition of “Equity Market Product” in the ASIC Market Integrity Rules \(Chi-X Australia Market\) 2011 made on 29 April 2011, ASIC proposes to amend the definition to the formatting shown above, prior to 31 October 2011.](#)

“**Market Integrity Rules**” means [market integrity rules made by ASIC under subsection 798G\(1\) of the Corporations Act and includes these Rules.](#)

“**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.

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

“**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.

“**Order Management System**” means [a system used by an AOP Client or a delegate of the AOP Client to submit orders into a Market Participant’s system.](#)

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

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

“**Rules**” means these market integrity rules.

“Trading Algorithm” means a computerised system or process that generates Trading Messages without human intervention, based on a predetermined set of instructions or rules.

“Trading Messages” means those messages submitted into a Trading Platform relating to trading functions, ~~such as~~including Orders, amendment or cancellation of Orders, ~~and~~ the reporting or cancellation of Market Transactions on the Trading Platform and messages submitted by an AOP Client into the Market Participant’s system, for submission into 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.

Note: There is no penalty for this Rule.

Chapter 4: Records

Part 4.1 Trading records

4.1.5A Trading records to be produced to ASIC in prescribed format

Where ASIC directs or requests, under a provision of the ASIC Act or Corporations Act, that a Market Participant produce some or all of the information in records referred to in Rules 4.1.1, 4.1.2, 4.1.7 or 4.1.8 or specified in this Rule in relation to Market Transactions entered into by the Market Participant, ASIC may direct the Market Participant to produce the information in relation to the Market Transactions:

- (a) in comma separated values or “Excel” document format; and
- (b) in the categories set out in column 3 of the following Table in the order of the items set out in column 1, or in another order as directed.

<u>Item</u>	<u>Label</u>	<u>Category</u>
1	<u>Market Participant name</u>	<u>The name of the Market Participant that entered into the Market Transaction or Market Transactions</u>
2	<u>Account name</u>	<u>The name of the account on which the Market Transaction or Market Transactions were entered</u>
3	<u>Account ID</u>	<u>The unique number of the account referred to in item 2</u>
4	<u>Buy/sell code</u>	<u>A notation or code to indicate whether the Market Transaction or Market Transactions resulted from a buy Order or a sell Order</u>
5	<u>Security code</u>	<u>The unique symbol or code for the Financial Products the subject of the Market Transaction or Market Transactions</u>
6	<u>Trade date</u>	<u>The date of the Market Transaction or Market Transactions</u>
7	<u>Trade execution time</u>	<u>The time of the Market Transaction or Market Transactions</u>
8	<u>Trade units</u>	<u>The number of Financial Products bought or sold in the Market Transaction or Market Transactions</u>
9	<u>Trade price</u>	<u>The unit price per Financial Product the subject of the Market Transaction or Market Transactions</u>
10	<u>Trade value</u>	<u>The total value of the Market Transaction or Market Transactions</u>
11	<u>Order giver</u>	<u>The name of the person who gave the instructions to enter into the Market Transaction or Market Transactions</u>
12	<u>Order ID</u>	<u>The unique identification assigned to the Order that resulted in the Market Transaction or Market Transactions</u>

<u>Item</u>	<u>Label</u>	<u>Category</u>
13	<u>Order reference number</u>	<u>The unique reference number assigned to the Order that resulted in the Market Transaction or Market Transactions</u>
14	<u>Original Order units</u>	<u>The number of Financial Products to be bought or sold in the Order that resulted in the Market Transaction or Market Transactions</u>
15	<u>Order date</u>	<u>The date of the Order that resulted in the Market Transaction or Market Transactions</u>
16	<u>Order time</u>	<u>The time of the Order that resulted in the Market Transaction or Market Transactions</u>
17	<u>Order taker</u>	<u>The name of the person who received the Order to enter into the Market Transaction or Market Transactions</u>
18	<u>Address of the account holder</u>	<p><u>The address of the holder of the account referred to in item 2 including the following details:</u></p> <ul style="list-style-type: none"> <u>• street address;</u> <u>• suburb or town;</u> <u>• postal code; and</u> <u>• country.</u> <p><u>as provided to the Market Participant by the account holder.</u></p>
19	<u>Telephone number of the account holder</u>	<p><u>The telephone number or numbers of the holder of the account referred to in item 2 including:</u></p> <ul style="list-style-type: none"> <u>• business telephone number;</u> <u>• home telephone number; and</u> <u>• mobile telephone number.</u> <p><u>as provided to the Market Participant by the account holder.</u></p>
Note: See Proposal E3		

Chapter 5: Trading

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

5.6.2A AOP Clients

(1) A Market Participant must, before permitting an AOP Client to submit Trading Messages into the Market Participant's system, ensure that:

- (a) the Market Participant knows and understands the nature of the AOP Client's business including:
 - (i) if the AOP Client proposes and is permitted by the Market Participant to delegate its access to the Market Participant's system to a third party, the proposed nature of the delegation; and
 - (ii) the proposed nature of the AOP Client's trading through the Market Participant's system;
- (b) the AOP Client has demonstrated the required financial resources to meet their obligations to the Market Participant in relation to Trading Messages which are the subject of Automated Client Order Processing by the Market Participant;

- (c) where the AOP Client uses an Order Management System provided by a person other than the Market Participant:
- (i) the AOP Client has adequate procedures in place to ensure that each person that uses the Order Management System has demonstrated to the AOP Client knowledge of the Order Management System and of the Dealing Rules, directions, decisions and requirements of the Market Operator relevant to the type of order submission facilities used by the AOP Client; and
 - (ii) the AOP Client has adequate procedures in place to ensure that the AOP Client monitors all trading by the AOP Client through the Order Management System; and
 - (iii) the connection between the Order Management System and the Market Participant's system is tested for the purposes of ensuring that the use of the Order Management System will not interfere with the efficiency and integrity of the Chi-X Market or the proper functioning of any Trading Platform.

(2) A Market Participant that permits an AOP Client to submit Trading Messages to the Market Participant's system using an Order Management System provided by a person other than the Market Participant, must ensure that any material change to the Order Management System or the use by the AOP Client of the Order Management System is tested before implementation, for the purposes of ensuring that the material change will not interfere with the efficiency and integrity of the Market or the proper functioning of any Trading Platform.

Note: See Proposal C4 (1)(a)–(c).

5.6.2B AOP Clients that hold an AFSL

Without limiting Rule 5.6.2A or subrule 5.6.3B(2), a Market Participant must ensure that at all times while the Market Participant permits an AOP Client that is the holder of an AFSL to submit Trading Messages into the Market Participant's system, the Market Participant has in place a legally binding agreement with the AOP Client that, at a minimum, requires the AOP Client to:

- (a) have the financial resources referred to in paragraph 5.6.2A(1)(b) and the procedures referred to in subparagraphs 5.6.2A(1)(c)(i) and (ii);
- (b) test the connection between the AOP Client's Order Management System and the Market Participant's system in accordance with subparagraph 5.6.2A(1)(c)(iii);
- (c) test any material change to the AOP Client's Order Management System or the use by the AOP Client of the Order Management System in accordance with subrule 5.6.2A(2);
- (d) test each Trading Algorithm the AOP Client uses or proposes to use, in accordance with subrule 5.6.3B(2);
- (e) at all times while AOP Client delegates its access to the Market Participant's system to any of its own clients ("Delegates"), ensure that:
 - (i) the AOP Client knows and understands the nature of the Delegate's business including:

- (A) if the Delegate proposes and is permitted by the AOP Client to delegate its access to the Market Participant's system to a third party, the proposed nature of the delegation; and
- (B) the proposed nature of the Delegate's trading through the Market Participant's system;
- (ii) the Delegate has the financial resources referred to in paragraph 5.6.2A(1)(b) and the procedures referred to in subparagraphs 5.6.2A(1)(c)(i) and (ii);
- (iii) the connection between the Delegate's Order Management System and the AOP Client's system is tested before use, for the purposes referred to in subparagraph 5.6.2A(1)(c)(iii);
- (iv) any material change to the Delegate's Order Management System or the use by the Delegate of the Order Management System is tested before implementation, for the purposes referred to in subrule 5.6.2A(2);
- (v) each Trading Algorithm the Delegate uses or proposes to use is tested in accordance with subrule 5.6.3B(2).

Note: See Proposal C4 (2).

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

5.6.3A Direct and immediate control over Trading Messages

Without limiting Rule 5.6.3, a Market Participant which uses its system for Automated Order Processing must have direct and immediate control over all Trading Messages submitted through the Market Participant's system, including:

- (a) having appropriate automated filters and controls to prevent a Trading Message, or a series of Trading Messages, that may interfere with the efficiency and integrity of the Chi-X Market or the proper functioning of a Trading Platform, from entering the Chi-X Market;
- (b) monitoring all Trading Messages as they are submitted, for the purposes of identifying a Trading Message, or series of Trading Messages, of the kind referred to in paragraph (a) and either preventing the Trading Messages, or series of Trading Messages, from entering the Chi-X Market or cancelling the Trading Message or series of Trading Messages once entered in the Chi-X Market; and
- (c) monitoring all transactions entered into as a result of Trading Messages submitted, for the purposes of identifying a series of Trading Messages that may have created or may have been intended to create the appearance described in Rule 5.7.1, having regard to the matters set out in Rule 5.7.2, and preventing a series of Trading Messages of that kind from entering the Chi-X Market in future.

Note: See Proposal C3 (2).

5.6.3B Testing of Trading Algorithms

(1) Without limiting Rule 5.6.3, a Market Participant must ensure that before it:

- (a) uses a Trading Algorithm to generate Trading Messages; or
- (b) makes a material change to a Trading Algorithm that it uses to generate Trading Messages,

the Market Participant tests the Trading Algorithm to ensure that it will function in compliance with the Market Integrity Rules and the Market Operating Rules.

Note: See Proposal C3 (1)

(2) Without limiting Rule 5.6.3, a Market Participant must take reasonable steps to ensure that before an AOP Client:

- (a) uses a Trading Algorithm to generate Trading Messages for submission into the Market Participant's system; or
- (b) makes a material change to a Trading Algorithm that the AOP Client uses to generate Trading Messages for submission into the Market Participant's system,

the AOP Client tests the Trading Algorithm to ensure that the Trading Algorithm will function in compliance with the Market Integrity Rules and the Market Operating Rules.

Note: See Proposal C4 (1)(d).

5.6.3C Business continuity

(1) A Market Participant which uses its system for Automated Order Processing must have in place adequate business continuity arrangements to ensure that:

- (a) the Market Participant maintains the connection between the Automated Order Processing system and the Trading Platform at all times;
- (b) where the Market Participant is unable to maintain the connection between the Automated Order Processing system and the Trading Platform, the Market Participant has available adequate alternative arrangements to enable it to continue to submit Trading Messages to the Chi-X Market; and
- (c) the Market Participant is able to recover its normal business operations, including the connection between the Automated Order Processing system and the Trading Platform, as soon as practicable after an emergency or other significant disruption to the business of the Market Participant, taking into account the nature, scale and complexity of the business of the Market Participant.

(2) Where ASIC reasonably considers that the Market Participant's arrangements for compliance with subrule (1) may not be adequate, the Market Participant must, as directed by ASIC, test those arrangements.

Note: See Proposal C3 (3).

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 give a written certification to ASIC that includes the matters set out in subrule (2).

- ~~(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).~~

Note: See Proposal C3 (4)(a).

(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 complies with Rule 5.6.8 in relation to the change:
 - ~~(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~~

Note: See Proposal C3 (4)(b).

5.6.8 Material change review

(1) 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.

Note: See Proposal C3 (4)(b).

(2) Before making the material change the subject of the review under subrule (1), the Market Participant must ensure that the person who performed the review has confirmed to the Market Participant that:

- (a) 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;
- (b) 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
- (c) the Market Participant has in place, in relation to the material changes the subject of the review, organisational and technical resources, trading management arrangements and security arrangements that meet the requirements of Rule 5.6.3.

Note: See Proposal C3 (4)(c).

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~~

Note: See Proposal C3 (4)(b).

~~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~~

Note: See Proposal C3 (4)(b).

5.6.10A Annual review

A Market Participant must, for the purposes of providing the annual attestation referred to in Rule 5.6.10B, ensure that an appropriately qualified person performs a review of 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.

Note: See Proposal C3 (4)(d).

5.6.10B Annual attestation

(1) A Market Participant that uses its system for Automated Order Processing must give an annual attestation to ASIC that includes the matters set out in subrule (2), within 10 Business Days of the end of the Relevant Period.

(2) The annual attestation 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) a description of any material changes to the system during the Relevant Period; and
- (d) a confirmation from the appropriately qualified person who performed a review in accordance with Rule 5.6.10A 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 material changes, if any, set out in the annual attestation do not detract from the certification of the Automated Order Processing system previously provided to the Market Operator or ASIC; and
 - (iii) the Market Participant has in place organisational and technical resources, trading management arrangements and security arrangements that meet the requirements of Rule 5.6.3;
 - (iv) the Market Participant has in place controls, filters and monitoring systems that meet the requirements of Rule 5.6.3A;
 - (v) the Market Participant has complied with Rule 5.6.3B; and
 - (vi) the Market Participant has in place business continuity arrangements that meet the requirements of Rule 5.6.3C.

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

(4) In this Rule, "**Relevant Period**" means the period from 1 November each calendar year until 31 October in the following calendar year.

Note: See Proposal C3 (4)(e).

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

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~~
- (ga) [information for the order or trade recorded by the Market Operator in accordance with Rule 5A.1.4 of the Competition Market Integrity Rules; 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.

C Proposed amendments to ASIC Market Integrity Rules (Competition)

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

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

Chapter 1: Introduction

Part 1.1 Preliminary

1.1.4 Scope of these Rules

These Rules apply to:

- (a) the activities or conduct of a Market;
- (b) the activities or conduct of persons in relation to a Market; and
- (c) the activities or conduct of persons in relation to ~~Equity Market Products~~ Financial Products,
as specified in each Rule.

Note: There is no penalty for this Rule.

Part 1.4 Interpretation

1.4.3 Definitions

In these Rules, unless the contrary intention appears:

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

Anomalous Order means an Order for which the price is above the maximum or below the minimum Anomalous Order Threshold for the relevant ~~Equity Market Product~~ Financial Product.

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

Anomalous Order Threshold means a threshold for an ~~Equity Market Product~~ Financial Product determined under subrule 2.1.1(1).

AOP Client means an Authorised Person who is a client of a Participant, other than a Retail Client.

ASIC Act means the *Australian Securities and Investments Commission Act 2001*.

Authorised Person means a person who:

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

AQUA Product means a Financial Product which is:

- (a) a Managed Fund Product;
- (b) an ETF Security; or
- (c) a Structured Product,

which is admitted to Trading Status as an AQUA Product or to the AQUA Quote Display Board.

AQUA Product Issuer means an entity which issues, distributes or makes available AQUA Products and which has been admitted as an AQUA Product Issuer.

AQUA Quote Display Board means the facility provided by the Listing Market Operator for AQUA Product Issuers and Participants to advertise their interest in acquiring or disposing of AQUA Products.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691).

~~Best Available Bid~~, in relation to a Transaction, means the highest Pre-Trade Transparent Bid, for ~~Equity Market Products~~Financial Products in the same class as the ~~Equity Market Products~~Financial Products the subject of the Transaction, available across all Order Books at the time the Transaction is executed.

~~Best Available Offer~~, in relation to a Transaction, means the lowest Pre-Trade Transparent Offer, for ~~Equity Market Products~~Financial Products in the same class as the ~~Equity Market Products~~Financial Products the subject of the Transaction, available across all Order Books at the time the Transaction is executed.

Best Available Bid, in relation to a Transaction, means:

- (a) if the total volume of the Transaction is less than or equal to the volume available at the Best Bid, the Best Bid;
- (b) if the total volume of the Transaction is greater than the volume available at the Best Bid either:
 - (i) the Best Bid; or
 - (ii) the average price per Financial Product at which the Transaction would be executed if it were matched against the Best Bid and each successive Best Bid until the total volume of the Transaction was executed or until there was no further volume available.

Best Available Offer, in relation to a Transaction, means:

- (a) if the total volume of the Transaction is less than or equal to the volume available at the Best Offer, the Best Offer;
- (b) if the total volume of the Transaction is greater than the volume available at the Best Offer either:

- (i) the Best Offer; or
- (ii) the average price per Financial Product at which the Transaction would be executed if it were matched against the Best Offer and each successive Best Offer until the total volume of the Transaction was executed or until there was no further volume available.

Best Mid-Point means:

$$(\text{Best ~~Available~~ Bid} + \text{Best ~~Available~~ Offer}) \div 2.$$

Bid, in relation to an ~~Equity Market Product~~Financial Product, means a price or quantity of the ~~Equity Market Product~~Financial Product to be purchased.

Block Trade has the meaning given by Rule 4.2.1.

Buy Order means an Order to buy ~~Equity Market Products~~Financial Products.

Calculation Time:

- (a) in relation to each 5 minute period after the first 5 minute period following the start of Trading Hours for a Volatility Control Product, has the meaning given by paragraph 2.4.2(2)(b).
- (b) in relation to each 5 minute period after the 5 minute period following the end of a Trading Pause or Trading Suspension for a Volatility Control Product, has the meaning given by paragraph 2.4.7(2)(b).

Category A Equity Market Product has the meaning given by paragraph 5.2.1(3)(a).

Category B Equity Market Product has the meaning given by paragraph 5.2.1(3)(b).

Category C Equity Market Product has the meaning given by paragraph 5.2.1(3)(c).

Category D Equity Market Product has the meaning given by paragraph 5.2.1(3)(d).

CHESSE 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).

Client Order means an instruction, provided by a client to a Participant, to enter into a Transaction or Transactions.

Confirmation has the meaning given by Rule 7.3.1.

Continuously and in Real-Time, in relation to Pre-Trade Information or Post-Trade Information, means that the information is:

- (a) made available through an electronic data feed and in a machine-readable format; and
- (b) updated immediately as:
 - (i) new Orders are received and existing Orders are amended, matched, executed or cancelled; or
 - (ii) Transactions are executed, reported or cancelled,

as applicable.

[Convertible Note](#) has the meaning given by Division 3A of Part III of the *Income Tax Assessment Act 1936*.

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

- (a) the Participant; or
- (b) other clients of the Participant,
otherwise than on an Order Book.

Crossing System Initial Report has the meaning given by Rule 4.3.1.

Crossing System Monthly Report has the meaning given by Rule 4.3.2.

Crossing System Reporting Information has the meaning given by Rule 4.3.3.

[Derivative](#) has the meaning given by section 761D of the Act.

Disclosed, in relation to an Order on an Order Book, means the Pre-Trade Information referred to in both items 4 (*volume*) and 6 (*price*) in the Table in Rule 4.1.4 is made available for the Order.

[Domestic Index ETF](#) means an ETF Security where the Underlying Instruments include 15 or more of the Equity Market Products included in the S&P/ASX 200.

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

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;
- (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); or
 - (ii) a financial product covered by paragraph (b); or
- (d) a CHESS Depository Interest,

admitted to quotation on the Listing Market.

[Equity Securities](#) means:

- (a) [shares in a body corporate or an unincorporated body other than redeemable preference shares which are Interest Rate Securities in accordance with paragraph \(c\) of the definition of Interest Rate Securities;](#)

- (b) interests in a managed investment scheme, except those referred to in paragraph (d) of the definition of Interest Rate Securities;
- (c) renounceable and non-renounceable rights to subscribe for Securities other than Interest Rate Securities;
- (d) options over unissued Securities other than Interest Rate Securities;
- (e) Convertible Notes; or
- (f) any Securities which are determined by the Listing Market Operator to be Equity Securities.

but does not include Options Market Contracts, or Securities determined to be Interest Rate Securities by the Market Operator.

ETF Security means an interest in a Managed Fund:

- (a) which is listed on the Listing Market or admitted to Trading Status as an AQUA Product or to the AQUA Quote Display Board;
- (b) with power and approval to continuously issue and have quoted on the Listing 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 Underlying Instrument is continuously disclosed or can be immediately ascertained.

Exchange-Traded Fund Special Trade has the meaning given to the term “ETF Special Trade” by the Operating Rules of the Listing Market.

Executing Participant has the meaning given by Rule 5.1.2.

Extreme Cancellation Range has the meaning given by Rule 2.2.1.

Family Company, in the definition of “Principal”, 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, in the definition of “Principal”, 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 Market has the meaning given by section 767A of the Act.

Financial Product means a financial product, within the meaning of section 761A of the Act, admitted to quotation on the Listing Market or, in the case of the SPI 200 Future, on the Futures Market.

Funds Manager means an entity whose primary business is to invest moneys and manage assets and other investments allocated to it by clients for that purpose.

Futures Market means the market operated by the Futures Market Operator under the Australian Market Licence (Australian Securities Exchange Limited) 2002.

Futures Market Operator means Australian Securities Exchange Limited (ACN 000 943 377).

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 a Market Operator.

Hidden, in relation to an Order on an Order Book, means the Pre-Trade Information referred to in both items 4 (*volume*) and 6 (*price*) in the Table in Rule 4.1.4 is not made available for the Order.

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

In Writing, in Chapters 2, 3 and 5 of these Rules, means in printed or electronic form.

Initiating Market Operator has the meaning given by subrule 2.4.5(3).

Interest Rate Securities means:

- (a) debentures, stocks or bonds issued or proposed to be issued by a government;
- (b) debentures of a body corporate;
- (c) redeemable preference shares which have a fixed and certain date for redemption, other than shares having a participating entitlement to rights to subscribe for securities other than Interest Rate Securities or options over unissued securities other than Interest Rate Securities;
- (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 Interest Rate Securities, mortgages and cash;
- (e) Convertible Notes; or
- (f) any other securities which are determined by the Listing Market Operator to be Interest Rate Securities,

admitted to quotation on the Listing Market.

Large Portfolio Trade has the meaning given by Rule 4.2.2.

Large Principal Transaction has the meaning given by Rule 5.2.1.

Limit Order means an Order to buy or sell at a specified price or better.

Limit State has the meaning given by subrule 2.4.5(2).

Listing Market means the Financial Market operated by ASX.

Listing Market Operator means ASX.

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

Lower Volatility Limit has the meaning given by subrule 2.4.4(3).

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

Managed Fund Product means a Financial Product issued by or provided pursuant to a Managed Fund.

Market means a Financial Market, on or through which offers to acquire or dispose of ~~Equity Market Products~~Financial Products are made or accepted, the operator of which is licensed under subsection 795B(1) of the Act.

Market Operator means an entity that is licensed under subsection 795B(1) of the Act to operate a Market, but in Chapters 3, 4, 5, 5A, 6 and 7 does not include the Futures Market Operator.

Market Operator's Trading System means the technical infrastructure used by the Market Operator for the purposes of receiving Trading Messages, matching and executing Orders and reporting Transactions.

NMI means the National Measurement Institute division of the Commonwealth Department of Innovation, Industry, Science and Research.

Normal Trading Hours, in relation to a Participant and a Transaction, means Trading Hours for all Markets:

- (a) on which the ~~Equity Market Products~~Financial Products the subject of the Transaction are quoted; and
- (b) to which the Participant has access, either directly or indirectly through another Participant.

Offer, in relation to an ~~Equity Market Product~~Financial Product, means a price or quantity of the ~~Equity Market Product~~Financial Product to be sold.

Off-Market Bid has the meaning given by section 9 of the Act and in respect of an issuer incorporated or established outside Australia, means any similar form of bid.

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

Order means an instruction to purchase or sell ~~Equity Market Products~~Financial Products, or an instruction to amend or cancel a prior instruction to purchase or sell ~~Equity Market Products~~Financial Products.

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

Option Series means a set of contractual terms on which options are authorised for trading by the Listing Market Operator.

Order Book means an electronic list of Buy Orders and Sell Orders, maintained by or on behalf of a Market Operator, on which those Orders are matched with other Orders in the same list.

Out of Hours Trade has the meaning given by Rule 4.2.6.

Participant means a person that is a participant, within the meaning of section 761A of the Act, of a Market other than the Futures Market.

Partly Disclosed, in relation to an Order on an Order Book, has the meaning given by Rule 4.1.5.

Passive Order means an Order that, if entered into an Order Book, would not be capable of being immediately matched and executed against existing Orders in the Order Book and includes:

- (a) a Limit Order to buy at a price below the Best Offer; and
- (b) a Limit Order to sell at a price above the Best Bid.

Permitted Trade during the Post-Trading Hours Period has the meaning given by Rule 4.2.4.

Permitted Trade during the Pre-Trading Hours Period has the meaning given by Rule 4.2.5.

Post-Trade Information has the meaning given by Rule 5.1.7.

Post-Trading Hours Period means:

- (a) where all Markets have the same Trading Hours, the 30-minute period following the end of Trading Hours; or
- (b) where any Market has different Trading Hours to any other Market, the period from the earliest time on a Trading Day that Trading Hours end on any Market, until 30 minutes after the latest time on a Trading Day that Trading Hours end on any Market.

Pre-Trade Threshold has the meaning given by Rule 4.1.8.

Pre-Trade Information has the meaning given by Rule 4.1.4.

Pre-Trade Transparent:

- (a) in relation to an Order, means Pre-Trade Information is made available for the Order by a Market Operator;
- (b) in relation to a Bid or Offer, means the Bid or Offer is part of an Order for which the Pre-Trade Information referred to in item 6 (*price*) of the Table in Rule 4.1.4 is made available by a Market Operator.

Pre-Trading Hours Period means the period on a Trading Day from three hours before the start of Trading Hours for the Listing Market to 15 minutes before the start of Trading Hours for the Listing Market.

Price Step means a difference in price of one Tick Size.

Principal, in the context of a Participant acting or trading on its own behalf “as Principal”, includes a reference to a Participant acting or trading on its own behalf or on behalf of any of the following persons:

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

but does not include where a Participant is acting or trading as a trustee of a trust in which the Participant has no direct or indirect beneficial interest.

Recognised Stock Exchange has the meaning given by the Operating Rules of the Listing Market.

~~**Reference Bid**, in relation to a Transaction, means the highest Bid, for Equity Market Products in the same class as the Equity Market Products the subject of the Transaction, available at the time the Transaction is executed, where that Bid is referenced from a reliable, widely available source specified in the Operating Rules (including written procedures made under the Operating Rules) of the relevant Market.~~

~~**Reference Mid-Point** means:~~

~~_____ (Reference Bid + Reference Offer) : 2.~~

~~**Reference Offer**, in relation to a Transaction, means the lowest Offer, for Equity Market Products in the same class as the Equity Market Products the subject of the Transaction, available at the time the Transaction is executed, where that Offer is referenced from a reliable, widely available source specified in the Operating Rules (including written procedures made under the Operating Rules) of the relevant Market.~~

Reference Price has the meaning given by subrule 2.2.2(4).

Regulatory Data has the meaning given by Rule 5A.1.5.

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

Reporting Participant has the meaning given by Rule 5.1.2.

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

Retail Client means a person who is a retail client within the meaning of subsection 761G(1) of the Act in relation to the handling and execution by the Participant of that person's Order or Orders.

Retail Client's Instructions has the meaning given by subrule 3.1.1(3).

Rules mean these market integrity rules.

S&P/ASX 200 means the market index known as the S&P/ASX 200.

Securities Lending Arrangement has the meaning given by subsection 1020AA(1) of the Act.

Security or **security** means:

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

Sell Order means an Order to sell ~~Equity Market Products~~ Financial Products.

SPI 200 Future means the Futures Market Contract over the S&P/ASX 200 known as the "SPI 200 Future", admitted to quotation on the Futures Market.

Structured Product means a Security or Derivative:

- (a) which gives the holder financial exposure to the performance of one or more Underlying Instruments;
- (b) the value of which is linked to the performance of those Underlying Instruments; and
- (c) whereby investors do not have day to day control over the operation of the entity which issues or provides the Security or Derivative.

Substantial Holder in the definition of "Principal", 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 Act applied to that corporation.

Tick Size means the minimum increment by which the price for an ~~Equity Market Product~~ Financial Product may increase or decrease, in accordance with Rule 6.4.1.

Tier 1 Equity Market Product has the meaning given by paragraph 4.2.1(3)(a).

Tier 2 Equity Market Product has the meaning given by paragraph 4.2.1(3)(b).

Tier 3 Equity Market Product has the meaning given by paragraph 4.2.1(3)(c).

Time Priority, in relation to an Order Book, means that Orders to buy or sell ~~Equity Market Products~~ Financial Products in the same class for the same price are queued in the Order Book for matching and execution, with priority in the queue being given to the Order that was entered into the Order Book at the earlier time.

Total Consideration means:

- (a) for a Buy Order, the purchase price paid by a client in respect of performance of a Client Order, plus Transaction Costs; or
- (b) for a Sell Order, the sale price received by a client in respect of performance of a Client Order less Transaction Costs.

~~*Trade At or Within the Spread*~~ *Trade with Price Improvement* has the meaning given by Rule 4.2.3.

Trade Report, in Chapter 5A, has the meaning given by Rule 5A.1.2.

Trading Algorithm means a computerised system or process that generates Trading Messages without human intervention, based on a predetermined set of instructions or rules.

Trading Day, in relation to a Market, means a day on which ~~Equity Market Products~~ *Financial Products* may be traded on that Market.

Trading Hours, in relation to a Market, means the times on a Trading Day during which:

- (a) Orders may be entered, amended or cancelled on the Order Books of the Market; and
- (b) Orders are matched and Transactions are executed on a continuous basis on the Market, and includes a time during which an auction is conducted on the Market.

Trading Information has the meaning given by Rule 5.1.6.

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

Trading Pause has the meaning given by subrule 2.4.6(5).

Trading Status means authorisation by the Listing Market Operator for a Warrant or AQUA Product to be traded on the Listing Market.

Trading Suspension means a halt or suspension in trading on a Market pursuant to the exercise of a power by a Market Operator under its Operating Rules during which Orders may not be matched or executed on the relevant Market, but does not include:

(a) -a halt or suspension caused by a technical problem (including a power outage) affecting a Market Operator's Trading System; or

(b) -a Trading Pause.

Transaction means a transaction in an ~~Equity Market Product~~ *Financial Product*.

Transaction Costs means all costs paid by a client that are directly related to a particular Transaction including, without limitation, any trade execution costs imposed by a Market, Crossing System or Participant, clearing and settlement costs and commissions paid to the Participant by a client.

Under the Rules of a Market means executed on an Order Book or reported to a Market Operator in accordance with these Rules and the Operating Rules (including written procedures made under the Operating Rules) of the relevant Market.

Underlying Instrument means:

- (a) in relation to Option Series, the instrument which underlies that Option Series;
- (b) in relation to Warrants means the financial product, index, foreign or Australian currency or commodity which underlies that Warrant;
- (c) in relation to AQUA Products means the Financial Product, index, foreign or Australian currency, commodity or other point of reference for determining the value of the AQUA Product;
- (d) in relation to Futures Market Contracts means the Financial Product, index, foreign or Australian currency, commodity or other point of reference for determining the value of the Futures Market Contract.

Upper Volatility Limit has the meaning given by subrule 2.4.4(3).

UTC(AUS) means the output of the caesium atomic clock designated by the NMI as UTC(AUS).

Volatility Control Product means each of:

- (a) an Equity Market Product included in the S&P/ASX 200;
- (b) a Domestic Index ETF; and
- (c) a SPI 200 Future.

Volatility Reference Price means a price calculated in accordance with Rule 2.4.2, 2.4.3 or 2.4.7.

Warrant means:

- (a) a financial instrument which gives the holder of the instrument the right:
 - (i) to acquire the Underlying Instrument; or
 - (ii) to require the warrant-issuer to acquire the Underlying Instrument;
 - (iii) to be paid by the warrant-issuer an amount of money to be determined by reference to the amount by which a specified number is greater or less than the number of an index; or
 - (iv) to be paid by the warrant-issuer an amount of money to be determined by reference to the amount by which the price or value of the Underlying Instrument is greater than or less than a specified price or value,in accordance with the terms of issue and the Operating Rules of the Listing Market that apply to warrant-issuers; or
- (b) any other financial product that is a “warrant” within the meaning given to that term in Corporations Regulation 1.0.02 and which the Listing Market Operator determines and notifies to Participants is a Warrant.

Wholesale Client means a person who is a wholesale client within the meaning of subsection 761G(4) of the Act in relation to the handling and execution by the Participant of that person's Order or Orders.

Wholesale Client's Instructions has the meaning given by subrule 3.1.1(4).

Note: There is no penalty for this Rule.

Chapter 2: Extreme price movements

Part 2.1 Order entry controls for Anomalous Orders

2.1.1A Application of Part

This Part applies to Equity Market Products and SPI 200 Futures.

Note: There is no penalty for this Rule.

Note: See Proposal D2 (2).

2.1.1 Requirement to have Anomalous Order Thresholds

- (1) A Market Operator must determine an Anomalous Order Threshold for each Equity Market Product and SPI 200 Future that is quoted on its Market.
- (2) A Market Operator must notify ASIC In Writing of the Anomalous Order Threshold for each Equity Market Product and SPI 200 Future that is quoted on its Market, not less than 45 days before first adopting the Anomalous Order Threshold for the purposes of Rule 2.1.3.
- (3) ASIC may notify a Market Operator that an Anomalous Order Threshold the Market Operator has notified to ASIC or adopted for the purposes of Rule 2.1.3 is not appropriate to promote market integrity or a fair, orderly or transparent market.
- (4) If ASIC notifies a Market Operator under subrule (3), the Market Operator must, as soon as practicable, determine a new Anomalous Order Threshold for the relevant Equity Market Product or SPI 200 Future and notify ASIC In Writing of the new Anomalous Order Threshold before adopting the Anomalous Order Threshold for the purposes of Rule 2.1.3.
- (5) In determining an Anomalous Order Threshold for an Equity Market Product or SPI 200 Future a Market Operator must take into account, at a minimum:
 - (a) the price at which a single Order deviates substantially from:
 - (i) prevailing market conditions for the relevant Equity Market Product or SPI 200 Future;
 - (ii) historical trading patterns; and
 - (b) the Tick Size for the relevant Equity Market Product or the relevant index multiplier for the SPI 200 Future.

Maximum penalty: \$1,000,000

Note: See Proposal D2 (2).

2.1.2 Requirement to make Anomalous Order Thresholds publicly available

A Market Operator must make an Anomalous Order Threshold determined under Rule 2.1.1 publicly available before adopting the Anomalous Order Threshold for the purposes of Rule 2.1.3.

Maximum penalty: \$100,000

2.1.3 Requirement to prevent Anomalous Orders from entering Markets

A Market Operator must have in place adequate controls to prevent Anomalous Orders from entering its Market.

Maximum penalty: \$1,000,000

2.1.4 Requirement to have adequate arrangements in relation to Anomalous Order Thresholds

(1) A Market Operator must have in place adequate arrangements for:

- (a) determining Anomalous Order Thresholds in accordance with Rule 2.1.1;
- (b) regularly reviewing, and if necessary, amending, the Anomalous Order Threshold for each Equity Market Product [and SPI 200 Future](#) quoted on its Market, to take into account changes to the matters set out in subrule 2.1.1(5); and
- (c) monitoring, and if necessary, adjusting, the controls referred to in Rule 2.1.3 to ensure that the controls are adequate to prevent Anomalous Orders from entering its Market.

(2) A Market Operator must notify ASIC In Writing:

- (a) of the arrangements that the Market Operator has in place under paragraph (1)(a), not less than 45 days before first adopting an Anomalous Order Threshold for the purposes of Rule 2.1.3 in accordance with those arrangements; and
- (b) each time the Market Operator revises the arrangements it has in place under paragraph (1)(a).

(3) ASIC may notify a Market Operator that its arrangements for determining Anomalous Order Thresholds under paragraph (1)(a) are not appropriate to promote market integrity or a fair, orderly or transparent market.

(4) If ASIC notifies a Market Operator under subrule (3), the Market Operator must, as soon as practicable, revise its arrangements and notify ASIC In Writing of the new arrangements before adopting them for the purposes of paragraph (1)(a).

(5) A Market Operator must record In Writing the arrangements required by subrule (1).

Maximum penalty: \$1,000,000

Note: See [Proposal D2 \(2\)](#).

Part 2.2 Extreme Cancellation Range

2.2.1A Application of Part

This Part applies to Equity Market Products other than Equity Market Products that are Volatility Control Products.

Note: There is no penalty for this Rule.

Note: See Proposal D1.

2.2.1 Extreme Cancellation Range for Equity Market Products

The *Extreme Cancellation Range* for an Equity Market Product means all prices which are greater than or equal to:

- (a) the number of Price Steps set out in the following Table; or
- (b) the percentage amount set out in the following Table,

as the case may be, away from the Reference Price for the Equity Market Product.

Where Reference Price for Equity Market Product is in the following price range:	Tick	Extreme Cancellation Range (Price Steps or percentage away from Reference Price)
0.1–9.9 cents	0.1 cent	≥21 Price Steps
10–99.5 cents	0.5 cent	≥61 Price Steps
100–199.5 cents	0.5 cent	≥101 Price Steps
200–499 cents	1 cent	≥50.1%
500–699 cents	1 cent	≥40.1%
700–999 cents	1 cent	≥35.1%
1000–1999 cents	1 cent	≥30.1%
2000–4999 cents	1 cent	≥25.1%
5000 cents	1 cent	≥20.1%

Note: There is no penalty for this Rule.

2.2.2 Obligation on Listing Market to notify Reference Price

(1) The Listing Market Operator must determine the Reference Price for each Equity Market Product, for each Trading Day.

(2) Subject to Rule 6.2.1, the Listing Market Operator must notify ASIC and each other Market Operator of the Reference Price for each Equity Market Product, for each Trading Day, as soon as practicable after:

- (a) first determining the Reference Price for that Trading Day; and
- (b) a change to the Reference Price during that Trading Day.

(3) Where Trading Hours for a Market other than the Listing Market (*other Market*) commence before the Listing Market notifies the Reference Prices for that Trading Day, the Market Operator of the other Market must determine the Reference Prices for its Market in accordance with paragraph (4)(c), until such time as the Listing Market Operator notifies the Reference Price for the Trading Day in accordance with paragraph (2)(a).

(4) In these Rules, *Reference Price* means:

- (a) the price established by the opening auction, any subsequent auction, or after a Trading Suspension on the Listing Market for that Equity Market Product for that Trading Day; or
- (b) if there is no opening auction for the Equity Market Product, the price of the first Transaction executed on the Listing Market for that Equity Market Product for that Trading Day; or
- (c) where a Market Operator other than the Listing Market Operator is required to determine a Reference Price in accordance with subrule (3), the price of the first Transaction executed on its Market for that Equity Market Product for that Trading Day.

Maximum penalty: \$100,000

2.2.3 Notification of Transactions in Extreme Cancellation Range

If a Transaction is executed on a Market within the Extreme Cancellation Range for an Equity Market Product, the relevant Market Operator must, as soon as practicable after becoming aware that the Transaction was executed:

- (a) notify ASIC and the Market Operators of all other Markets on which that Equity Market Product is quoted, of the price and time at which the relevant Transaction was executed;
- (b) notify the Participants that executed the relevant Transaction, that the Transaction was executed in the Extreme Cancellation Range; and
- (c) make publicly available the price and time of the relevant Transaction, or, where more than one Transaction in the same Equity Market Product was executed in the Extreme Cancellation Range on the Market of the relevant Market Operator at or around the same time, the range of prices and times at which such Transactions were executed, and the total number of such Transactions.

Maximum penalty: \$100,000

2.2.4 Market Operator arrangements in relation to Extreme Cancellation Range

- (1) The Listing Market Operator must have in place adequate arrangements for notifying ASIC and other Market Operators of Reference Prices in accordance with subrule 2.2.2(2).
- (2) A Market Operator must have in place adequate arrangements for:
- (a) identifying when a Transaction is executed on its Market in the Extreme Cancellation Range;
 - (b) notifying ASIC, other Market Operators and the relevant Participants once the Market Operator has become aware that a Transaction was executed on its Market in the Extreme Cancellation Range, in accordance with Rule 2.2.3; and
 - (c) making publicly available the price and time of a Transaction executed in the Extreme Cancellation Range, and, where applicable, the range of prices and times, and total number, of Transactions executed in the Extreme Cancellation Range at or around the same time, in accordance with Rule 2.2.3.

Maximum penalty: \$1,000,000

Part 2.3 Transparent cancellation policies

2.3.1A Application of Part

This Part applies to Equity Market Products, including those Equity Market Products that are Volatility Control Products, and SPI 200 Futures.

Note: There is no penalty for this Rule.

Note: See Proposals D1 and D2 (1).

2.3.1 Market Operator to have transparent cancellation policies

- (1) A Market Operator must have adequate policies and procedures for the cancellation of Transactions entered into on its Market.
- (2) A Market Operator's policies and procedures under subrule (1) must:
- (a) include a policy that all Transactions executed on its Market within the Extreme Cancellation Range and identified by or to the Market Operator within 30 minutes from the time of execution will be cancelled, subject to the Transaction being identified by or to the Market Operator no later than 10 minutes after the end of Trading Hours for the Market;
 - (b) include a policy that all Transactions executed on its Market at a price:
 - (i) more than 15% away from the Volatility Reference Price for a Volatility Control Product that is an Equity Market Product included in the S&P/ASX 200, or a Domestic Index ETF; and

(ii) more than 250 index points away from the Volatility Reference Price for a Volatility Control Product that is a SPI 200 Future, will be cancelled.

~~(c)~~ set out the circumstances, if any, in which Transactions other than Transactions referred to in paragraphs (a) and (b):

- (i) will be cancelled;
- (ii) may be cancelled subject to a discretion; or
- (iii) will not be cancelled;

~~(d)~~ provide for the timely cancellation of Transactions; and

~~(e)~~ describe how the Market Operator will communicate with Participants about the cancellation of Transactions.

Note: See Proposals D1 and D2 (1).

(3) A Market Operator must comply with its policies and procedures required under subrule (1).

(4) A Market Operator must ensure that the policies and procedures it has in place to comply with subrule (1), and any changes to those policies and procedures, are made available to its Participants before those policies and procedures, or those changes, take effect.

Maximum penalty: \$1,000,000

Part 2.4 Volatility controls

2.4.1 Application of Part

This Part applies to Volatility Control Products.

Note: See Proposals D1 and D2 (1).

2.4.2 Market Operator to calculate Volatility Reference Price

(1) A Market Operator must determine a Volatility Reference Price calculated in accordance with subrule (2) for each Volatility Control Product that is quoted on its Market.

(2) The Volatility Reference Price must be calculated by the Market Operator for each Volatility Control Product for each Trading Day as follows:

- (a) for the first 5 minute period following the commencement of Trading Hours on any Order Book in relation to that Volatility Control Product, as the first Opening Price for the Volatility Control Product across all Order Books;
- (b) after the period referred to in paragraph (a), and thereafter at each subsequent 5 minute interval (*Calculation Time*), as the arithmetic mean price of all Transactions in that Volatility Control Product across all Order Books during the 5 minute period

immediately preceding the Calculation Time, unless paragraph (c) or Rule 2.4.4 applies; and

(c) after a Trading Pause or a Trading Suspension, in accordance with Rule 2.4.7.

(3) In this Rule, *Opening Price* means:

(a) if there is an opening auction for the Volatility Control Product on any Order Book, the price established by that opening auction, unless subparagraph (b)(i) applies; or

(b) if:

(i) the price established by the auction referred to in paragraph (a) is not valid; or

(ii) there is no opening auction for a Volatility Control Product on an Order Book, the price of the first Transaction in the Volatility Control Product on any Order Book during the first 5 minute period following the commencement of Trading Hours for that Order Book.

Note: See Proposal D1 (c) and D2 (1)(c).

2.4.3 Changes to Volatility Reference Price

(1) If, at a Calculation Time, there have been no Transactions in a Volatility Control Product across all Order Books during the 5 minute period immediately preceding the Calculation Time, the Market Operator must determine the Volatility Reference Price for that Calculation Time as the Volatility Reference Price calculated at the immediately preceding Calculation Time.

(2) If, at a Calculation Time, the Volatility Reference Price varies from the Volatility Reference Price calculated at the immediately preceding Calculation Time by 1% or less, the Market Operator must determine the Volatility Reference Price for the first-mentioned Calculation Time as the Volatility Reference Price calculated at the immediately preceding Calculation Time.

(3) A Market Operator must not include any Transactions in a Volatility Control Product that the Market Operator is required to cancel under paragraph 2.3.1(b) in the calculation of a Volatility Reference Price for that Volatility Control Product.

Note: See Proposal D1 (c) and D2 (1)(c).

2.4.4 Volatility Limits

(1) A Market Operator must establish systems, policies and procedures reasonably designed to prevent, during any period of continuous trading on its Market, a Transaction in a Volatility Control Product from occurring at a price that is:

(a) more than the Upper Volatility Limit for the Volatility Control Product; or

(b) less than the Lower Volatility Limit for the Volatility Control Product.

(2) A Market Operator must establish systems, policies and procedures reasonably designed to allow the Market Operator to:

- (a) identify that a Volatility Control Product has entered a Limit State, in accordance with Rule 2.4.5;
- (b) impose a Trading Pause on a Volatility Control Product, in accordance with Rule 2.4.6.

(3) In these Rules:

Lower Volatility Limit for a Volatility Control Product means:

- (a) where the Volatility Control Product is an Equity Market Product included in the S&P/ASX 200 or a Domestic Index ETF, a price that is 15% less than the current Volatility Reference Price for that Volatility Control Product; and
- (b) where the Volatility Control Product is a SPI 200 Future, a price that is 250 index points less than the current Volatility Reference Price for the Volatility Control Product.

Upper Volatility Limit for a Volatility Control Product means:

- (a) where the Volatility Control Product is an Equity Market Product included in the S&P/ASX 200 or a Domestic Index ETF, a price that is 15% more than the current Volatility Reference Price for that Volatility Control Product; and
- (b) where the Volatility Control Product is a SPI 200 Future, a price that is 250 index points more than the current Volatility Reference Price for the Volatility Control Product.

Note: See Proposals D1 (a), (d) and (e) and D2 (1)(a) and (d).

2.4.5 Limit State

(1) A Market Operator must identify when a Volatility Control Product enters a Limit State.

(2) In these Rules, a Volatility Control Product enters a **Limit State**:

- (a) when the Best Bid for the Volatility Control Product is equal to the Upper Volatility Limit for the Volatility Control Product; or
- (b) when the Best Offer for the Volatility Control Product is equal to the Lower Volatility Limit for the Volatility Control Product.

(3) A Market Operator (**Initiating Market Operator**) that identifies that a Volatility Control Product has entered a Limit State on its Market must notify ASIC and the Market Operators of all other Markets on which that Volatility Control Product is quoted that the Volatility Control Product has entered a Limit State.

(4) The Initiating Market Operator and each Market Operator that receives a notification under subrule (3) must immediately identify to Participants of its Market that the Volatility Control Product has entered a Limit State.

Note: See Proposal D1 (b), (e), (f) and (g) and D2 (1)(b).

2.4.6 Trading Pause

(1) If, after a 1 minute period after a Volatility Control Product enters a Limit State, the Volatility Control Product remains in a Limit State, the:

- (a) Listing Market Operator, in the case of a Volatility Control Product other than the SPI 200 Future;
- (b) Futures Market Operator, in the case of the SPI 200 Future,

must:

- (c) immediately and for a period of 5 minutes impose a Trading Pause in the Volatility Control Product; and
- (d) immediately notify ASIC and the Market Operators of all other Markets on which that Volatility Control Product is quoted that a Trading Pause has been imposed on the Volatility Control Product.

(2) Each Market Operator that receives a notification under paragraph (1)(d) must immediately impose a Trading Pause on the Volatility Control Product.

(3) The Market Operator referred to in subrule (1) must notify each other Market Operator to which it has given a notification under paragraph (1)(d) when the Trading Pause imposed under paragraph (1)(c) is lifted.

(4) A Market Operator that has imposed a Trading Pause in accordance with subrule (2) must not lift the Trading Pause until it receives a notification subrule (3).

(5) In these Rules, **Trading Pause** means a period during which a Market Operator must prevent Orders for the relevant Volatility Control Product from being matched or executed on its Market, but during which Bids and Offers may be displayed, entered, amended and cancelled.

Note: See Proposal D1 (h) and (i) and (j).

2.4.7 Reopening following Trading Pause or Trading Suspension

(1) Subject to subrule (3), a Market Operator must determine a Volatility Reference Price calculated in accordance with subrule (2) for each Volatility Control Product following a Trading Pause or Trading Suspension in that Volatility Control Product.

(2) The Volatility Reference Price must be calculated by the Market Operator for each Volatility Control Product after a Trading Pause or Trading Suspension as follows:

- (a) for the first 5 minute period following the end of the Trading Pause or Trading Suspension, as the first Re-Opening Price for the Volatility Control Product across all Order Books; and
- (b) after the period referred to in paragraph (a), and thereafter at each subsequent 5 minute interval (**Calculation Time**), as the arithmetic mean price of all Transactions in that

Volatility Control Product across all Order Books during the 5 minute period immediately preceding the Calculation Time, subject to Rule 2.4.4.

(3) Subrule (1) does not apply where Trading Hours for the Volatility Control Product on the Market end during the Trading Pause or Trading Suspension.

(4) In this Rule, *Re-Opening Price* means:

(a) if there is an auction for the Volatility Control Product on any Order Book immediately following the end of the Trading Pause or Trading Suspension, the price established by that auction, unless subparagraph (b)(i) applies; or

(b) if:

(i) the price established by the auction referred to in paragraph (a) is not valid; or

(ii) there is no auction for the Volatility Control Product on an Order Book immediately following the end of the Trading Pause or Trading Suspension,

the price of the first Transaction in the Volatility Control Product on any Order Book following the end of the Trading Pause or Trading Suspension.

Note: See Proposal D1 (b) and (c) and D2 (1)(b) and (c).

Chapter 3: Best execution

Part 3.1A Application

3.1A.1 Application of Chapter

This Chapter applies to Financial Products that are AQUA Products, Equity Market Products, Interest Rate Securities, Options Market Contracts and Warrants.

Note: There is no penalty for this Rule.

Note: See Proposal F1.

Part 3.1 Best execution obligation

3.1.1 Best execution obligation—Best outcome

(1) Subject to subrules (3), (4) and (6), when handling and executing an Order for a client a Participant must take reasonable steps to obtain the best outcome for that client.

(2) For the purposes of subrule (1), when handling and executing an Order for:

- (a) a Retail Client who has not given an instruction under subrule (3), the best outcome means the best Total Consideration; and
- (b) a Wholesale Client who has not given an instruction under subrule (4), the best outcome may be price, costs, Total Consideration, speed, likelihood of execution or any other relevant outcome, or any combination of those outcomes.

(3) If a Retail Client provides a Participant with instructions (*Retail Client's Instructions*) in relation to handling and executing that Retail Client's Order that are inconsistent with the Participant obtaining the best Total Consideration under subrule (1) for the Retail Client and that are:

- (a) clear and unambiguous;
- (b) In Writing, or if provided to the Participant verbally, recorded by the Participant and retained by the Participant for a period of seven years; and
- (c) specific to an Order, and not contained within the terms and conditions of a client agreement or any other standard form agreement provided by the Participant to the client,

the Participant must take reasonable steps to handle and execute the Order in a way which satisfies the Retail Client's Instructions.

(4) If a Wholesale Client provides a Participant with instructions (*Wholesale Client's Instructions*) that are inconsistent with the Participant obtaining the best outcome under subrule (1) for the Wholesale Client and that are:

- (a) clear and unambiguous;
- (b) In Writing, or if provided to the Participant verbally, recorded by the Participant and retained by the Participant for a period of seven years; and
- (c) not contained within the standard terms and conditions of a client agreement provided by the Participant to the client, but which may be standing instructions or specific Order by Order instructions,

the Participant must take reasonable steps to handle and execute the Order or Orders in a way which satisfies the Wholesale Client's Instructions.

(5) If a standing instruction is given to a Participant under paragraph (4)(c), that instruction must be:

- (a) periodically reviewed to ensure it remains possible for the Participant to satisfactorily perform the instruction; and
- (b) if the instruction provides that the Participant is not required to comply with subrule (1), only acted on by the Participant for a period of 12 months.

(6) For the period from commencement of this Rule to 31 October 2012, a Participant may decide to transmit Orders only to the Listing Market, notwithstanding that the Participant may have been able to obtain the best outcome required by this Rule by transmitting Orders to another Market.

Maximum penalty: \$1,000,000

3.1.2 No inducement

(1) Subject to subrule (3), a Participant must not take steps to encourage or induce a client to provide the instructions referred to in subrules 3.1.1(3) or (4).

(2) A Participant must not take steps to encourage or induce a client to agree that the Participant is not required to disclose the matters referred to in subrules 3.3.1(1) and (2).

(3) A Participant who takes steps to inform a Wholesale Client that its standing instructions provided under paragraph 3.1.1(4)(c) are due to expire, does not contravene this Rule.

Maximum penalty: \$1,000,000

3.1.3 Prohibition on discriminatory commission structure

A Participant must not charge a client, or propose to charge a client, brokerage, commission or other fees for executing an Order on a Market that differs from the brokerage, commission or other fees the Participant would charge if the Order was executed on another Market, unless the difference is related to the actual cost of executing Orders on a Market.

Maximum penalty: \$1,000,000

Part 3.2 Policies and procedures

3.2.1 Participant must have adequate policies and procedures in place

(1) A Participant must establish, document and implement adequate policies and procedures to ensure that it complies with Rule 3.1.1.

(2) A Participant's policies and procedures under subrule (1) must, without limitation, set out a description of:

- (a) the Order Books, and (in reliance on an exception to subrule 4.1.1(1)) any place other than an Order Book, to which the Participant may transmit Client Orders;
- (b) how Client Orders will be handled and executed, including the circumstances in which Client Orders will be transmitted for matching or execution to an Order Book or elsewhere (in reliance on an exception to subrule 4.1.1(1)) and the circumstances in which that transmission will be automatic and the circumstances in which that transmission will be manual; and
- (c) arrangements to monitor the policies, procedures and implementation required by subrule (1) to ensure they continue to be adequate to ensure compliance with subrule 3.1.1(1).

Maximum penalty: \$1,000,000

3.2.2 Participant must comply with its policies and procedures

A Participant must comply with the policies and procedures required under Rule 3.2.1.

Maximum penalty: \$1,000,000

3.2.3 Best execution arrangements—Review

(1) A Participant must review the policies and procedures and implementation of them required by Rule 3.2.1 each time:

- (a) there is a material change in circumstances that affects where the Participant may transmit Client Orders; and
- (b) the results of monitoring undertaken under paragraph 3.2.1(2)(c) suggest the policies and procedures under subrule 3.2.1(1) are not adequate to ensure compliance with Rule 3.1.1,

for the purposes of ensuring the policies and procedures and implementation of them continue to be adequate to ensure compliance with subrule 3.1.1(1).

(2) A Participant who relies on subrule 3.1.1(6) to transmit Orders to the Listing Market only for the period until 31 October 2012 must, prior to 31 October 2012:

- (a) review the policies and procedures and implementation of them required by Rule 3.2.1 for the purposes of ensuring they will continue to be adequate to ensure compliance with subrule 3.1.1(1) in the period after 31 October 2012; and
- (b) disclose In Writing to its clients any changes to its policies and procedures arising from the review it undertakes under paragraph (a).

Maximum penalty: \$1,000,000

Part 3.3 Disclosure to clients of best execution obligation

3.3.1 Disclosure of best execution obligation

(1) Before accepting a Client Order from a client for the first time, a Participant must disclose to the client:

- (a) that the Participant is required to handle and execute Client Orders in accordance with Part 3.1;
- (b) how, in general terms, the requirements of Part 3.1 may affect the handling and execution of the Client Orders;
- (c) the Order Books, and (in reliance on an exception to subrule 4.1.1(1)) any place other than an Order Book, to which the Participant may transmit Client Orders;
- (d) the circumstances in which Client Orders may be transmitted to each Order Book and (in reliance on an exception to subrule 4.1.1(1)) to places other than Order Books; and
- (e) that where a client provides a Participant with instructions that are inconsistent with the Participant obtaining the best outcome for the client, the Participant must take reasonable steps to handle and execute the Order or Orders in a way which satisfies those instructions and, as a result, may not achieve the best outcome for the client.

(2) Each time there is a material change that affects any of the matters referred to at paragraph (1)(c) or (d), a Participant must disclose a summary of those changes to clients as soon as practicable after the change occurs.

(3) A Participant must disclose the matters referred to in paragraphs (1)(a) to (e) upon receipt of a request from a client, within a reasonable time of receiving the request.

(4) The disclosure required by subrules (1) and (2) must be In Writing, and be retained by a Participant for a period of seven years.

(5) The disclosure required by subrule (1) must include the level of detail of information about a Participant's handling and execution arrangements that a client would reasonably require to enable the client to make an informed decision about whether to instruct the Participant to handle and execute Orders on its behalf.

(6) A Participant is not required to disclose the matters referred to in subrule (1) and (2) to a Wholesale Client if the Wholesale Client and the Participant agree that disclosure is not required, and the terms of that agreement are:

- (a) clear and unambiguous;
- (b) In Writing and retained by the Participant for a period of seven years; and
- (c) not part of a standard client agreement or any other standard form agreement provided by the Participant to all its Wholesale Clients or to a class of its Wholesale Clients.

Maximum penalty: \$100,000

3.3.2 Disclosure of best execution obligation—Existing clients

(1) A Participant must disclose the matters referred to in paragraphs 3.3.1(1)(a) to (e) to all its existing clients by 31 October 2011.

(2) The disclosure required by subrule (1) must be In Writing, and be retained by a Participant for a period of seven years.

Maximum penalty: \$100,000

Part 3.4 Evidencing execution performance

3.4.1 Demonstrating execution performance and Order transmission by Participants—On request by a client

(1) Subject to Rule 3.4.2, a Participant must, if it receives a reasonable request from a client to do so, demonstrate to the client that the Client's Orders have been executed in accordance with the Participant's policies and procedures required under Part 3.2.

(2) A Participant must comply with subrule (1) within a reasonable time after receiving the request.

Maximum penalty: \$100,000

3.4.2 Demonstrating execution performance and Order transmission by Participants—Evidencing adequacy of arrangements

A Participant must keep, for a period of seven years, records which enable the Participant to demonstrate compliance with the policies and procedures required under Part 3.2 and client instructions.

Maximum penalty: \$100,000

Chapter 4: Pre-trade transparency

Part 4.1A Application

4.1A.1 Application of Chapter

This Chapter applies to Financial Products that are Equity Market Products.

Note: There is no penalty for this Rule.

Part 4.1 Orders must be Pre-Trade Transparent

4.1.1 Participants to enter into Transactions on Pre-Trade Transparent Order Book, subject to exceptions

(1) Subject to subrule (2), a Participant must not enter into a Transaction unless the Transaction is entered into by matching of a Pre-Trade Transparent Order on an Order Book.

(2) A Participant is not required to comply with subrule (1) in relation to:

- (a) Block Trades;
- (b) Large Portfolio Trades;
- (c) Trades At or Within the Spread a Trade with Price Improvement;
- (d) a Permitted Trade during the Post-Trading Hours Period;
- (e) a Permitted Trade during the Pre-Trading Hours Period; and
- (f) Out of Hours Trades.

Note: See Proposal G2.

(3) A Participant that enters into a Transaction in reliance on an exception in subrule (2) must keep, for a period of seven years from the date of the Transaction, records that enable the Participant to demonstrate that the relevant Transaction met the criteria for the relevant exception, including, in relation to a Transaction executed in reliance on an exception in paragraph (2)(c), a record of the Best Available Bid and Best Available Offer at the time the Transaction was executed.

Note: See Proposal G6.

Maximum penalty: \$1,000,000

4.1.2 Market Operator to immediately make available Pre-Trade Information subject to exceptions

(1) Subject to subrules (2) and (3), a Market Operator must make available Pre-Trade Information for its Market:

- (a) for all Orders received during Trading Hours for the Market, Continuously and in Real-Time; and
- (b) for all Orders received outside of Trading Hours for the Market, by no later than the time Trading Hours next resume,

to all persons in this jurisdiction who have entered into an arrangement with the Market Operator to access the Pre-Trade Information on that basis.

(2) A Market Operator is not required to make available Pre-Trade Information in relation to:

- (a) an Order on an Order Book that, if executed, would result in a Block Trade;
- (b) an Order or series of Orders on an Order Book that, if executed, would result in a Large Portfolio Trade; and
- (c) an Order on an Order Book that, if executed, would result in a ~~Trade At or Within the Spread~~ [Trade with Price Improvement](#).

Note: See [Proposal G2](#).

(3) The Market Operator must take reasonable steps to ensure that all Pre-Trade Information it makes available under subrule (1) is and remains complete, accurate and up-to-date.

Maximum penalty: \$1,000,000

4.1.3 Market Operator to make available Pre-Trade Information on reasonable commercial terms and on a non-discriminatory basis

Subject to Rule 6.2.1, where a person in this jurisdiction seeks access to Pre-Trade Information for a Market, the Market Operator must make available the Pre-Trade Information:

- (a) on reasonable commercial terms; and
- (b) on a non-discriminatory basis.

Maximum penalty: \$1,000,000

4.1.4 Pre-Trade Information

For the purposes of these Rules, *Pre-Trade Information*, in relation to an Order, means the information set out in the following Table in relation to that Order.

Item	Label	Pre-Trade Information
1	Order date	The date on which the Order was received by the Market Operator
2	Order time	The time at which the Order was received by the Market Operator
3	Product identification	The symbol, assigned in accordance with Rule 6.2.3, that identifies the Equity Market Product the subject of the Order

Item	Label	Pre-Trade Information
4	Volume	The number of Equity Market Products the subject of the Order, unless the Order is a Partly Disclosed Order and the information in item 6 of this Table has been made available for all or part of the Order
5	Order side	Whether the Order is a Buy Order or Sell Order
6	Price	The price per Equity Market Product of the Order, unless the Order is a Partly Disclosed Order and the information in item 4 of this Table has been made available for all or part of the Order
7	Currency	The currency of the price per Equity Market Product of the Order, unless the Order is in Australian dollars

Note: There is no penalty for this Rule.

4.1.5 Partly Disclosed Orders

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

- (a) the Operating Rules of the Market require the Pre-Trade Information referred to in the Table in Rule 4.1.4 to be made available, with the exception of:
 - (i) item 4 (*volume*) but not item 6 (*price*); or
 - (ii) item 6 (*price*) but not item 4 (*volume*); and
- (b) [where the Order is a Passive Order](#), the consideration for the Order is greater than or equal to the Pre-Trade Threshold ~~-\$0~~.

Note: See Proposal G3.

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

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

[\(3\) A Participant may not aggregate an Order for which the consideration is less than the Pre-Trade Threshold with one or more other Orders for the purposes of meeting the criteria in paragraph \(1\)\(b\).](#)

Note: See Proposal G3.

Note: There is no penalty for this Rule.

4.1.6 Application to partly filled Orders

(1) Subject to subrule (2), ~~W~~where an exception referred to in subrule 4.1.1(2) or 4.1.2(2) applies to an Order and that Order is executed in part, the exception ceases to apply unless the remainder of the Order would have been entitled to the exception if it were a separate Order.

(2) Where an exception referred to in paragraph 4.1.1(2)(c) or 4.1.2(2)(c) applies to an Order and that Order is executed in part, the exception does not cease to apply merely because the remainder of the Order, if executed, would result in a Transaction for which the consideration is less than the Pre-Trade Threshold.

Note: See Proposal G3.

Note: There is no penalty for this Rule.

4.1.7 Priority for Disclosed Orders and Partly Disclosed Orders

A Market Operator must not permit a Hidden Order on an Order Book of the Market to have Time Priority over a Disclosed Order or Partly Disclosed Order on the same Order Book, where the Disclosed Order or Partly Disclosed Order is an Order to buy or sell the same class of Equity Market Products, at the same price, as the Hidden Order.

Maximum penalty: \$1,000,000

4.1.8 Pre-Trade Threshold

In these Rules, *Pre-Trade Threshold* means \$0.

Note: There is no penalty for this Rule.

Note: See Proposal G3.

4.1.9 Dealings to which this Part does not apply

For the avoidance of doubt, this Part does not apply to Transactions arising from:

- (a) the terms of an Equity Market Product, including a redemption;
- (b) primary market actions, including an issue or allotment of, application or subscription for an Equity Market Product, or acceptance of an offer under an Off-Market Bid;
- (c) the delivery of an Equity Market Product under a Securities Lending Arrangement.

Note: There is no penalty for this Rule.

Note: See Proposal G5 (2).

Part 4.2 Pre-Trade Information—Exceptions

4.2.1 Exception—Block Trades

(1) In these Rules, *Block Trade* means a Transaction where:

- (a) the Participant acts:
 - (i) on behalf of both buying and selling clients to that Transaction; or
 - (ii) on behalf of a buying or selling client on one side of that Transaction and as Principal on the other side;
- (b) the Equity Market Products are issued by the same issuer, in the same class, with the same paid-up value; and
- (c) the consideration for the Transaction is ~~not less than~~:
 - (i) \$1,000,000 or more for Tier 1 Equity Market Products;
 - (ii) \$500,000 or more for Tier 2 Equity Market Products;
 - (iii) \$200,000 or more for Tier 3 Equity Market Products.

(2) For the purposes of paragraph (1)(b), Equity Market Products that differ only in relation to the amount of dividend or distribution payable are in the same class.

(3) For the purposes of paragraph (1)(c):

- (a) *Tier 1 Equity Market Products* means those Equity Market Products notified by ASIC under these Rules and in accordance with subrule (4);
- (b) *Tier 2 Equity Market Products* means those Equity Market Products notified by ASIC under these Rules and in accordance with subrule (4); and
- (c) *Tier 3 Equity Market Products* means all Equity Market Products that are not Tier 1 or 2 Equity Market Products.

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

- (a) will be published on its website; and
- (b) takes effect from 10 Business Days following the notification.

Note: There is no penalty for this Rule.

Note: See Proposal G4.

4.2.2 Exception—Large Portfolio Trades

(1) In these Rules, *Large Portfolio Trade* means a Transaction where:

- (a) the Participant acts:
 - (i) on behalf of both buying and selling clients to that Transaction; or
 - (ii) on behalf of a buying or selling client on one side of that Transaction and as Principal on the other side;

- (b) the Transaction is entered into pursuant to a single agreement between the buyer and seller for consideration in total of not less than \$5,000,000; and
- (c) the Transaction comprises purchases or sales of Equity Market Products in not less than 10 different classes for which the minimum consideration in each class is \$200,000.

(2) Nothing in paragraph (1)(c) prevents the Transaction from comprising additional purchases or sales in other classes where the consideration for those classes is less than \$200,000.

Note: There is no penalty for this Rule.

4.2.3 Exception—Trades At or Within the Spread

(1) In these Rules, a Transaction is a *Trade At or Within the Spread* where:

- ~~(a) if the Transaction is entered into other than by matching of an Order on an Order Book, the Participant acts:

 - ~~(i) on behalf of both buying and selling clients to that Transaction; or~~
 - ~~(ii) on behalf of a buying or selling client on one side of that Transaction and as Principal on the other side;~~~~
- ~~(b) if the Transaction is entered into other than by matching of an Order on an Order Book, the Transaction is executed at a price per Equity Market Product which is:

 - ~~(i) the same as the Best Available Bid or Best Available Offer;~~
 - ~~(ii) higher than the Best Available Bid and lower than the Best Available Offer by one or more Price Steps; or~~
 - ~~(iii) at the Best Mid Point;~~~~
- ~~(c) if the Transaction is entered into by matching of Orders on an Order Book, the Transaction is executed at a price per Equity Market Product which is:

 - ~~(i) the same as the Reference Bid or Reference Offer;~~
 - ~~(ii) higher than the Reference Bid and lower than the Reference Offer by one or more Price Steps; or~~
 - ~~(iii) at the Reference Mid Point; and~~~~

~~the consideration for the Transaction is greater than \$0.~~

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

Note: There is no penalty for this Rule.

4.2.3 Exception—Trades with Price Improvement

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

- (a) the Transaction is executed at a price per Equity Market Product which is:

 - (i) higher than the Best Available Bid and lower than the Best Available Offer by one or more Price Steps; or

- (ii) at the Best Mid-Point; and
- (b) for a Transaction that results from a Passive Order, the consideration for the Transaction is greater than or equal to the Pre-Trade Threshold; and
- (c) if the Transaction is entered into other than by matching of an Order on an Order Book, the Participant acts:
 - (i) on behalf of both buying and selling clients to that Transaction; or
 - (ii) on behalf of a buying or selling client on one side of that Transaction and as Principal on the other side.

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

(3) A Participant may not aggregate an Order for which the consideration is less than the Pre-Trade Threshold with one or more other Orders for the purposes of meeting the criteria in paragraph (1)(b).

Note: There is no penalty for this Rule.

Note: See Proposals G2 and G3.

4.2.4 Exception—Permitted Trades during the Post-Trading Hours Period

In these Rules, *Permitted Trade during the Post-Trading Hours Period* means a Transaction during the Post-Trading Hours Period:

- (a) that completes an Order received prior to the end of Trading Hours for the Market (and, if there is an auction at the end of Trading Hours, prior to that auction);
- (b) that comprises a bona fide hedge;
- (c) if there is an auction at the end of Trading Hours for a Market, that completes an Order that narrowly missed execution during that auction;
- (d) that rectifies an error; or
- (e) that results in the Equity Market Products the subject of the Transaction being sold by a nominee that holds those Equity Market Products on behalf of a Funds Manager to another nominee that holds those Equity Market Products on behalf of the same Funds Manager, and where the Participant acts for both clients.

Note: There is no penalty for this Rule.

4.2.5 Exception—Permitted Trades during the Pre-Trading Hours Period

In these Rules, *Permitted Trade during the Pre-Trading Hours Period* means a Transaction during the Pre-Trading Hours Period where:

- (a) the Participant acts:
 - (i) on behalf of both buying and selling clients to that Transaction; or
 - (ii) on behalf of a buying or selling client on one side of that Transaction and as Principal on the other side; and

- (b) either:
 - (i) overseas resident clients are involved in both sides of the Transaction; or
 - (ii) an overseas resident client is involved in one side and the Participant is acting as Principal on the other side of the Transaction; and
- (c) a stock market maintained by a Recognised Stock Exchange either:
 - (i) in the overseas client's country of residence; or
 - (ii) if both sides of the Transaction involve overseas resident clients, in the country of residence of one of those clients,
 - (iii) is open for trading at that time.

Note: There is no penalty for this Rule.

4.2.6 Exception—Out of Hours Trade

In these Rules, *Out of Hours Trade* means a Transaction entered into by a Participant:

- (a) during the period after the Post-Trading Hours Period on a Trading Day and before the Pre-Trading Hours Period on the next Trading Day; and
- (b) if the Transaction is entered into on behalf of a client, where the relevant Order was received from the client during the period set out in paragraph (a) and the Participant entered into the other side of the Transaction as Principal or on behalf of another client whose instructions were received at any time.

Note: There is no penalty for this Rule.

Chapter 5: Post-trade transparency

Part 5.1A Application

5.1A.1 Application of Chapter

This Chapter applies to Financial Products that are Equity Market Products.

Note: There is no penalty for this Rule.

Part 5.1 Transactions must be post-trade transparent

5.1.1 Participants to report Transactions done other than on an Order Book of a Market

(1) The Reporting Participant must report Post-Trade Information for a Transaction entered into otherwise than matching of Orders on an Order Book, to a Market Operator.

(2) The Reporting Participant must report Post-Trade Information for a Transaction referred to in subrule (1):

- (a) subject to paragraph (b):
 - (i) if the Transaction is matched or executed during Normal Trading Hours, immediately after the Transaction is executed;
 - (ii) if the Transaction is matched or executed during a period in which there is an auction on the Market to which the Transaction will be reported, immediately after that auction;
 - (iii) if the Transaction is executed outside of the times referred to in subparagraphs (i) and (ii), by no later than 15 minutes before the time Normal Trading Hours next resume, or at such earlier time as is required by the Operating Rules of the Market under which the Reporting Participant determines the Transaction has taken place;
- (b) if the Transaction is:
 - (i) a Large Principal Transaction; or
 - (ii) a Large Portfolio Trade in which the Participant acts as Principal as either buyer or seller,
as soon as practicable after the Reporting Participant is no longer exposed to risk as Principal in connection with the Transaction, and by no later than the time set out in subrule (3).
- (3) The Reporting Participant must report Post-Trade Information for a Transaction referred to in paragraph (2)(b):
 - (a) if the Transaction is executed before 1.00 pm on a Trading Day, by no later than 15 minutes prior to the next Trading Day; or

(b) if the Transaction is executed after 1.00 pm on a Trading Day, by no later than 1.00 pm on the next Trading Day.

(4) The Reporting Participant must take reasonable steps to ensure that all Post-Trade Information it reports under subrule (2) is and remains complete, accurate and up-to-date.

(4A) Without limiting subrule (4), a Reporting Participant must have in place systems and controls to ensure that each Transaction it reports under subrule (2) meets all of the criteria for the relevant exception to subrule 4.1.1(1) relied upon by the Reporting Participant to enter into the Transaction other than by matching of Orders on an Order Book.

Note: See Proposal G7.

(5) A Participant that enters into more than one Transaction as Principal and in the same class of Equity Market Products, at the same time and for the same price, for the purposes of executing a Buy Order of one client against a Sell Order of another client, must take reasonable steps to ensure that those Transactions are reported as a single Transaction.

Maximum penalty: \$1,000,000

5.1.2 Reporting Participant

(1) In these Rules, **Reporting Participant** means, in relation to a Transaction:

- (a) where a Participant is the only party to the Transaction that is required to comply with these Rules, the Participant; or
- (b) where more than one party to the Transaction is required to comply with these Rules, the **Executing Participant**.

(2) In subrule (1), **Executing Participant** means:

- (a) the Participant that receives the Order and executes the Transaction without transmitting the Order to another Participant (for example, a Participant that executes an Order on its own Crossing System);
- (b) if both Participants satisfy paragraph (a) (for example, Participants that manually negotiate a Transaction), the Participant that is the seller, or is acting on behalf of the seller; or
- (c) as otherwise agreed between the Participants.

(3) If a Participant is determined to be the Executing Participant in accordance with paragraph (2)(c), the Participant that is the seller, or is acting on behalf of the seller, must document the agreement reached.

(4) Each Participant that is a party to a Transaction to which subrule 5.1.1(1) applies must take reasonable steps to determine, prior to the Transaction being executed, which party is the Reporting Participant.

Maximum penalty: \$100,000

5.1.3 Application to constituent parts of portfolio trade

Where a Participant enters into a single agreement to buy or sell more than one class of Equity Market Products, the Participant may consider each class of Equity Market Products to be bought or sold under the agreement as a separate Transaction for the purposes of determining whether that Transaction is a Large Principal Transaction.

Note: There is no penalty for this Rule.

5.1.4A Market Operator to validate Post-Trade Information

(1) Without limiting subrule 5.1.4(2), a Market Operator that receives a report of Post-Trade Information for a Transaction from a Reporting Participant under subrule 5.1.1(1) must have in place systems and controls to determine whether the Transaction as reported meets the criteria for the relevant exception to subrule 4.1.1(1) relied upon by the Reporting Participant.

(2) For the purposes of subrule (1), the Market Operator must have in place, at a minimum, systems and controls that will enable the Market Operator to verify the matters set out in column 3 of the following Table in relation to a Transaction of the kind set out in column 2:

<u>Item</u>	<u>Exception relied upon by Participant</u>	<u>Market Operator must verify that</u>
1	<u>Block Trades (see paragraph 4.1.1(2)(a))</u>	<u>the consideration for the Transaction meets the criteria in Rule 4.2.1</u>
2	<u>Large Portfolio Trades (see paragraph 4.1.1(2)(b))</u>	<u>the consideration for each Transaction and the total consideration for the series of Transactions meets the criteria in Rule 4.2.2</u>
3	<u>Trade with Price Improvement (see paragraph 4.1.1(2)(c))</u>	<u>the price per Equity Market Product for the Transaction meets the criteria in Rule 4.2.3 based on the Market Operator's calculation of the Best Available Bid and Best Available Offer at the time of the Transaction</u>
4	<u>Permitted Trades During Pre-Trading Hours Period (see paragraph 4.1.1(2)(d))</u>	<u>the Transaction was entered into during the Pre-Trading Hours Period as set out in Rule 4.2.4</u>
5	<u>Permitted Trades During Post-Trading Hours Period (see paragraph 4.1.1(2)(e))</u>	<u>the Transaction was entered into during the Post-Trading Hours Period as set out in Rule 4.2.5</u>
6	<u>Out of Hours Trades (see paragraph 4.1.1(2)(f))</u>	<u>the Transaction was entered into outside of Trading Hours as set out in Rule 4.2.6</u>

(3) Where a Market Operator determines under subrule (1) that a Transaction reported to it does not meet any or all of the criteria for the relevant exception, the Market Operator:

(a) must not accept the report of Post-Trade Information for the Transaction;

(b) must notify the Reporting Participant that the Market Operator will not accept the report of Post-Trade Information for the Transaction; and

(c) must not make available Post-Trade Information in relation to the Transaction under Rule 5.1.4.

(4) A Reporting Participant that is notified by a Market Operator under paragraph (3)(b) in relation to a Transaction must immediately amend or cancel the Transaction or take other appropriate measures in relation to the Transaction having regard to the requirements of Rules 4.1.1 and 5.1.1.

Note: See Proposal G7.

5.1.4 Market Operator to immediately make available Post-Trade Information

(1) A Market Operator must make available Post-Trade Information for its Market:

- (a) for Transactions executed or reported during Trading Hours, Continuously and in Real-Time; and
- (b) for Transactions executed or reported outside of Trading Hours, before Trading Hours next resume,

to all persons in this jurisdiction who have entered into an arrangement with the Market Operator to access the Post-Trade Information on that basis.

(2) The Market Operator must take reasonable steps to ensure that Post-Trade Information it makes available under subrule (1) is and remains complete, accurate and up-to-date.

Maximum penalty: \$1,000,000

Chapter 5A: Regulatory Data

5A.1.1 Application

This Chapter applies to Financial Products other than Futures Market Contracts or Options Market Contracts.

Note: See Proposals E1 (1) and (2).

5A.1.2 Definitions

In this Chapter:

Trade Report means:

- (a) in relation to an Equity Market Product, a report of Post-Trade Information for a Transaction entered into otherwise than matching of Orders on an Order Book, required to be made to a Market Operator under subrule 5.1.1(1);
- (b) in relation to a Financial Product other than an Equity Market Product, a report of information in relation to a Transaction entered into otherwise than matching of Orders on an Order Book, required to be made to a Market Operator under the Market Operating Rules.

Note: See Proposal E1 (1).

5A.1.3 Participant to include Regulatory Data with Orders and Trade Reports

(1) A Participant must include Regulatory Data in an Order transmitted to an Order Book.

(2) A Participant must include Regulatory Data in a Trade Report for each side of the Transaction for which the Participant acted on behalf of a client or as Principal.

Note: See Proposal E1 (1).

5A.1.4 Market Operator to record Regulatory Data

A Market Operator must include Regulatory Data provided by a Participant in a record of:

- (a) an Order transmitted to an Order Book of the Market Operator and any Transaction resulting from that Order; and
- (b) a Trade Report made to the Market Operator.

Note: A Market Operator is required to provide Regulatory Data to ASIC (see Rule 7.1.1 of the *ASIC Market Integrity Rules (ASX Market) 2010* and Rule 7.1.1 of the *ASIC Market Integrity Rules (Chi-X Australia Market) 2011*).

Note: See Proposal E1 (2).

5A.1.5 Regulatory Data

(1) In these Rules, ***Regulatory Data*** means:

- (a) in relation to a Trade Report, the information set out in items 1 to 5 of the following Table;
- (b) in relation to an Order transmitted to an Order Book and any Transaction resulting from that Order, the information set out in items 2 to 5 of the following Table,

to the extent that the information is able to be determined by the Participant, taking all reasonable steps, in relation to the Order or Transaction.

(2) ASIC may determine and publish on its website the format for a code, notation or number referred to in the following Table.

(3) Participants and Market Operators must include or record Regulatory Data in an Order or Trade Report in a format, if any, determined and published by ASIC under subrule (2).

<u>Item</u>	<u>Label</u>	<u>Regulatory Data</u>
1	<u>Execution venue ID</u>	<u>A unique code identifying the Crossing System or other venue on which the Orders were matched or the Transaction was entered</u>
2	<u>Category of Order or Transaction</u>	<u>A notation to identify whether the Participant is acting:</u> <ul style="list-style-type: none"> <u>• as Principal;</u> <u>• as agent for a Retail Client; and, or</u> <u>• as agent for a Wholesale Client,</u> <u>in relation to the Order or Transaction</u>
3	<u>Client ID</u>	<u>Where the Participant acts as agent for a client in relation to the Order or Transaction, a unique code identifying the client</u>
4	<u>Intermediary ID</u>	<u>Where the Participant acts on the instructions of the holder of an AFSL in relation to the Order or Transaction and the AFSL holder acts as an intermediary for its own client, a unique code identifying the AFSL holder</u>
5	<u>Algorithm ID</u>	<u>Where the Order or Transaction is generated by a Trading Algorithm used by the Participant or an AOP Client of the Participant, a unique code identifying the Trading Algorithm and the number of the execution instance responsible for the Order or Transaction</u>

Note: See Proposals E1 (1) and (2).

Chapter 6: Market Operators—Other obligations

Part 6.1 Trading Suspensions

6.1.1 Market Operator to notify of Trading Suspensions, Limit States and Trading Pauses

(1) Subject to subrule (2) and Rule 6.2.1, a Market Operator (*first Market Operator*) must immediately notify each other Market Operator (*other Market Operator*) each time the first Market Operator:

- (a) places an Equity Market Product into a Trading Suspension; ~~and~~
- (b) lifts or removes a Trading Suspension on an Equity Market Product;
- (c) identifies a Limit State under Rule 2.4.5 for a Volatility Control Product;
- (d) imposes a Trading Pause on a Volatility Control Product; and
- (e) lifts a Trading Pause imposed on a Volatility Control Product.

(2) Where a technical problem (including a power outage) prevents the first Market Operator from making a notification referred to in ~~paragraph (1)(a) or (b)~~ subrule (1) immediately, the notification must be made to the other Market Operator without delay by another appropriate means.

Maximum penalty: \$1,000,000

6.1.2 Market Operator to place Equity Market Products into a Trading Suspension

(1) A Market Operator that receives a notification under paragraph 6.1.1(1)(a) must immediately place each Equity Market Product the subject of the notification into a Trading Suspension on its Market.

(2) A Market Operator that places an Equity Market Product into a Trading Suspension in accordance with subrule (1) may only lift or remove that Trading Suspension after the Market Operator receives a notification under paragraph 6.1.1(1)(b) in relation to the same Equity Market Product.

Maximum penalty: \$1,000,000

6.1.3 Market Operator to notify of system outages

A Market Operator must notify ASIC, other Market Operators and Participants immediately upon becoming aware of a technical problem (including a power outage) affecting a Market Operator's trading, compliance monitoring and reporting systems that may interfere with the fair, orderly or transparent operation of any Market.

Maximum penalty: \$1,000,000

Part 6.3 Synchronised clocks

6.3.1 Market Operators to synchronise clocks

(1) A Market Operator must set the clock the Market Operator uses for recording the time and date in its trading, compliance monitoring and reporting systems so that it:

(a) is precise to 1 microsecond; and

(b) is synchronised to within 201 milliseconds of the UTC(AUS) maintained by the NMI.

(2) Where a Market Operator relies on another person to provide any aspect of their trading, compliance monitoring or reporting systems that records the time and date, the Market Operator must take reasonable steps to ensure that ~~person synchronises~~ the clock used for that purpose is maintained by that person so that it is:

(a) precise to 1 microsecond; and

~~(b) synchronised~~ to within 201 milliseconds of the UTC(AUS) maintained by the NMI.

Maximum penalty: \$1,000,000

Note: See Proposal E2 (1).

6.3.2 Market Operator to have arrangements for compliance

(1) A Market Operator must have in place adequate arrangements to ensure it complies with Rule 6.3.1, including arrangements for:

- (a) regularly monitoring the clock it uses for recording the time and date in its trading, compliance monitoring and reporting systems to ensure it remains synchronised; and
- (b) when required, re-setting the clock it uses for recording the time and date in its trading, compliance monitoring and reporting systems.

(2) Where a Market Operator relies on another person to provide any aspect of their trading, compliance monitoring and reporting systems, the Market Operator must take reasonable steps to ensure that person has in place arrangements referred to in subrule (1).

Maximum penalty: \$100,000

Part 6.4 Tick Sizes

6.4.1 Market Operators to use standard Tick Sizes

(1) Subject to subrule (2), a Market Operator must not accept, display or queue Orders in an Order Book in Tick Sizes less than:

- (a) \$0.01 for an Equity Market Product priced at equal to or greater than \$2.00;
- (b) \$0.005 for an Equity Market Product priced at equal to or greater than \$0.10 and less than \$2.00; and
- (c) \$0.001 for an Equity Market Product priced at less than \$0.10.

(2) Subrule (1) does not apply to an Order that, if executed, would result in a Block Trade, Large Portfolio Trade or, in the context of Rule 4.2.3, a Transaction at the Reference Mid-Point or at the Best Mid-Point.

Maximum penalty: \$1,000,000

Chapter 7: Participants—Other obligations

Part 7.4 Synchronised clocks

7.4.1 Participants to synchronise clocks

(1) Subject to subrule (3), a Participant must set the clock the Participant uses for recording the time and date in its trading, compliance monitoring and reporting systems so that it is:

- (a) precise to 1 millisecond; and
- (b) synchronised to within 20 milliseconds of the UTC(AUS) maintained by the NMI.

(2) Subject to subrule (3), where a Participant relies on another person to provide any aspect of their trading, compliance monitoring or reporting systems that records the time and date, the Participant must take reasonable steps to ensure that the clock used for that purpose is maintained by the person so that it is:

- (a) precise to 1 millisecond; and
- (b) synchronised to within 20 milliseconds of the UTC(AUS) maintained by the NMI.

(3) Where the trading, compliance monitoring or reporting system is Co-Located, the clock used for recording the time and date in the system must be:

- (a) precise to 1 microsecond; and
- (b) synchronised to within 1 millisecond of the UTC(AUS) maintained by the NMI.

(4) In this Rule, *Co-Located*, in relation to a trading, compliance monitoring or reporting system, means the infrastructure for the system is in the same physical location as the Market Operator's Trading System.

Note: See Proposal E2 (2).

7.4.2 Participant to have arrangements for compliance

(1) A Participant must have in place adequate arrangements to ensure it complies with Rule 7.4.1, including arrangements for:

- (a) regularly monitoring the clock it uses for recording the time and date in its trading, compliance monitoring and reporting systems to ensure it remains synchronised; and
- (b) when required, re-setting the clock it uses for recording the time and date in its trading, compliance monitoring and reporting systems.

(2) Where a Participant relies on another person to provide any aspect of their trading, compliance monitoring and reporting systems, the Participant must take reasonable steps to ensure that person has in place arrangements referred to in subrule (1).

Note: See Proposal E2 (2).