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Australian Securities &
Investments Commission

Commonwealth of Australia Gazette

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Contents

Markets Disciplinary Panel Infringement Notice

Recipient: Commonwealth Securities Limited

The recipient has complied with the infringement notice. Compliance is not an admission of guilt or liability; and the recipient is not taken to have contravened subsection 798H(1) of the Corporations Act 2001.

RIGHTS OF REVIEW

Recipients affected by the decision of the Markets Disciplinary Panel to give them an infringement notice under subsection 798H(1) of the *Corporations Act 2001* and Part 7.2A of the *Corporations Regulations 2001* administered by ASIC may have a right of review or may be entitled to have the infringement notice withdrawn. ASIC has published RG 216 to assist recipients to determine whether they have such rights – see RG 216.71 and RG 216.77 to 216.79. Copies of this document can be obtained from the ASIC website at www.asic.gov.au

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PART 7.2A OF THE CORPORATIONS REGULATIONS 2001 INFRINGEMENT NOTICE

To: Commonwealth Securities Limited
Ground Floor
Tower 1
201 Sussex Street
SYDNEY NSW 2000

TAKE NOTICE: The Australian Securities and Investments Commission ("ASIC") gives this infringement notice to Commonwealth Securities Limited ACN 067 254 399 ("CommSec") under regulation 7.2A.04 of the Corporations Regulations 2001 ("Regulations"). To comply with this notice CommSec must:

Pay a penalty to ASIC, on behalf of the Commonwealth, in the sum of
\$400,000.

This infringement notice is given on 29 July 2016.

The unique code for this notice as required by paragraph 7.2A.06 (b) of the Regulations is MDP 3276/15.

The terms defined in Rule 1.4.3 of the ASIC Market Integrity Rules (ASX Market) 2010 ("ASX MIR 1.4.3") and Rule 1.4.3 of the ASIC Market Integrity Rules (Chi-X Australia Market) 2011 ("Chi-X MIR 1.4.3") have the same meaning when used in this notice, including those set out in the Appendix to this notice. Certain additional defined terms used in this notice are also set out in the Appendix to this notice.

Alleged contravention and penalty

CommSec was a Market Participant in the Markets operated by ASX Limited and Chi-X Australia Pty Ltd ("ASX Market" and "Chi-X Market", respectively) at the relevant times and was therefore an entity required by subsection 798H(1) of the *Corporations Act 2001* ("Act") to comply with the market integrity rules at that time.

CommSec is alleged to have contravened subsection 798H(1) of the Act by reason of contravening Rules 3.2.3 and 3.4.1(3)(f) of the ASIC Market Integrity Rules (ASX Market) 2010 ("ASX MIR 3.2.3" and "ASX MIR 3.4.1(3)(f)"), and Rule 3.4.1(3)(f) of the ASIC Market Integrity Rules (Chi-X Australia Market) 2011 ("Chi-X MIR 3.4.1(3)(f)").

ASX MIR 3.2.3 provides:

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

ASX MIR 3.4.1(3)(f) provides:

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

...

(3) The confirmation must meet the following requirements:

...

(f) where the Market Transaction involved a Crossing, the confirmation must include a statement to that effect;"

Chi-X MIR 3.4.1(3)(f) provides:

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

...

(3) The confirmation must meet the following requirements:

...

(f) where the Market Transaction involved a Crossing, the confirmation must include a statement to that effect;"

On the evidence before it, the Markets Disciplinary Panel ("MDP") was satisfied that:

ASX MIR 3.4.1(3)(f): Reporting to Clients – Confirmations – Form and Timing

- 1) Between 1 August 2010 and 13 February 2014 inclusive, CommSec entered into Market Transactions on the ASX Market on behalf of retail clients, including persons who were retail clients of a New Zealand-based financial services company ("NZ Intermediary") ("Retail Clients"). CommSec subsequently issued 111,100 confirmations to Retail Clients, whose Orders were executed as Crossings, which did not include a statement that the Market Transactions had involved a Crossing ("Crossing Disclosure"), as described further in paragraphs 2 to 13 below.

Contravention 1 – NZ Intermediary Crossing Issue

- 2) Between 1 August 2010 and 13 February 2014, CommSec issued 6,579 confirmations to the Retail Clients which failed to contain Crossing Disclosure.
- 3) CommSec became aware of its failure to include such disclosure on 14 February 2013 during a scheduled compliance review and notified ASIC on 12 June 2013. The cause of the confirmations not containing Crossing Disclosure and Principal Disclosure was different fields being used by CommSec's systems and the NZ Intermediary's systems to identify Crossings and Principal transactions for the purposes of marking confirmations. Initial fixes implemented by CommSec to address the issue were not effective. The issue was resolved by CommSec implementing changes to its system on 13 February 2014.
- 4) By reason of CommSec's failure to issue 6,579 confirmations to Retail Clients between 1 August 2010 and 13 February 2014 which included the necessary Crossing Disclosure, the MDP has reasonable grounds to believe that CommSec has contravened ASX MIR 3.4.1(3)(f) and thereby contravened subsection 798H(1) of the Act.

Contravention 2 - Condition Code Crossing Issue

- 5) Between 1 August 2011 and 9 October 2012, CommSec issued 56,522 confirmations to its Retail Clients which failed to contain Crossing Disclosure.
- 6) CommSec became aware of its failure to include such disclosures on 26 September 2012 during the course of completing a compliance review of confirmations, and notified ASIC on 20 March 2013. The failure to include Crossing Disclosure on 56,522 of the 102,753 confirmations was due to the CommSec system used to produce confirmations not being able to interpret all of the different condition codes relating to Crossings. On 10 October 2012, CommSec implemented a code change to correctly interpret all relevant condition codes and rectify its error and CommSec notified ASIC on 20 March 2013.
- 7) By reason of CommSec's failure to issue 56,522 confirmations to Retail Clients between 1 August 2011 and 9 October 2012, which included the necessary Crossing Disclosure, the MDP has reasonable grounds to believe that CommSec has contravened ASX MIR 3.4.1(3)(f) and thereby contravened subsection 798H(1) of the Act.

Contravention 3 - Configurations Flag Crossing Issue

- 8) Between 15 August 2011 and 9 October 2012, CommSec issued 46,231 confirmations to its Retail Clients, which failed to contain Crossing Disclosure.
- 9) CommSec became aware of its failure to include such disclosures on 10 October 2012. The failure to include the Crossing Disclosure on 46,231 confirmations was caused by a configuration flag within CommSec's settlement system not being turned on. These issues were resolved by CommSec implementing a code change and turning on the configuration flag on 10 October 2012.
- 10) By reason of CommSec's failure to issue 46,231 confirmations to Retail Clients between 15 August 2011 and 9 October 2012, which included the necessary Crossing Disclosure, the

MDP has reasonable grounds to believe that CommSec has contravened ASX MIR 3.4.1(3)(f) and thereby contravened subsection 798H(1) of the Act.

Contravention 4 - System Change Crossing Issue

- 11) Between 17 October 2011 and 18 December 2013, CommSec issued 1,768 confirmations to its Retail Clients in relation to Market Transactions in Option Market Contracts which failed to contain Crossing Disclosure.
- 12) CommSec became aware of its failure to include the disclosure on 16 December 2013 after conducting a check of confirmations involving Option Market Contracts and notified ASIC on 10 January 2014. The cause of the confirmations not containing Crossing Disclosure was a system platform change for the settlement of Options Market Contracts implemented by CommSec on 17 October 2011. The new system contained an incorrect data field, as a result of which it was unable to correctly identify that a Crossing had taken place. The issue was resolved by CommSec implementing a fix on 18 January 2014 to the system coding.
- 13) By reason of CommSec's failure to issue 1,768 confirmations to Retail Clients between 17 October 2011 and 18 December 2013, which included the necessary Crossing Disclosure, the MDP has reasonable grounds to believe that CommSec has contravened ASX MIR 3.4.1(3)(f) and thereby contravened subsection 798H(1) of the Act.

ASX MIR 3.2.3: Trading as Principal – Confirmation must include disclosure

- 14) In addition, in the period between 16 May 2011 to 13 February 2014, CommSec issued 50,484 confirmations to Retail Clients for transactions where CommSec had entered into the Market Transaction as Principal, which did not contain a statement disclosing this ("Principal Disclosure"), as described further in paragraphs 15 to 23 below.

Contravention 5 - NZ Intermediary Principal Issue

- 15) Between 16 May 2011 and 13 February 2014, CommSec issued 3,949 confirmations to its Retail Clients, which failed to contain Principal Disclosure.
- 16) CommSec became aware of its failure to include the disclosure on 14 February 2013 during analysis conducted for a Compliance review. Between 1 August 2010 and 27 May 2013, CommSec's system was not compatible with the NZ Intermediary's system, which used different fields to identify Principal transactions for the purposes of marking confirmations. This issue affected the 3,949 confirmations between 16 May 2011 and 27 May 2013.
- 17) By reason of CommSec's failure to issue 3,949 confirmations to Retail Clients between 16 May 2011 and 13 February 2014 which included the necessary Principal Disclosure, the MDP has reasonable grounds to believe that CommSec has contravened ASX MIR 3.2.3 and thereby contravened subsection 798H(1) of the Act.

Contravention 6 - Configurations Flag Principal Issue

- 18) Between 15 August 2011 and 9 October 2012, CommSec issued 46,231 confirmations to its Retail Clients, which failed to contain Principal Disclosure.

- 19) CommSec became aware of its failure to include such disclosures on 10 October 2012. The failure to include the Principal Disclosure on 46,231 confirmations was caused by a configuration flag within CommSec's settlement system not being turned on. These issues were resolved by CommSec implementing a code change and turning on the configuration flag on 10 October 2012.
- 20) By reason of CommSec's failure to issue 46,231 confirmations to Retail Clients between 15 August 2011 and 9 October 2012, which included the necessary Principal Disclosure, the MDP has reasonable grounds to believe that CommSec has contravened ASX MIR 3.2.3 and thereby contravened subsection 798H(1) of the Act.

Contravention 7 - Operator Reference Principal Issue

- 21) Between 26 February 2013 and 6 March 2013, CommSec issued 304 confirmations to its Retail Clients which failed to contain Principal Disclosure.
- 22) CommSec became aware of its failure to include the disclosure on 5 March 2013. The cause of the confirmations not containing Principal Disclosure was commencement of the use of five new operator references in CommSec's booking system which did not contain the phrase "CST", being the phrase typically used by CommSec to indicate when a related entity was the originator of any Orders. Following the close of trading on 6 March 2013, CommSec made sure that the five new operator references could no longer be entered for Market Transactions where Retail Clients were on the opposite side of the transaction. Further, on 19 March 2013 the number of operator references recognisable as being Principal Orders by CommSec's settlements system was expanded. CommSec also strengthened the governance process around the creation of new operator references for Orders from its related entity. CommSec notified the matter to ASIC on 3 April 2013.
- 23) By reason of CommSec's failure to issue 304 confirmations to Retail Clients between 26 February 2013 and 6 March 2013 which included the necessary Principal Disclosure, the MDP has reasonable grounds to believe that CommSec has contravened ASX MIR 3.2.3 and thereby contravened subsection 798H(1) of the Act.

Chi-X MIR 3.4.1(3)(f): Reporting to Clients – Confirmations – Form and Timing

Contravention 8 – Participant Identifier Issue

- 24) Between 15 March 2012 and 26 April 2013 inclusive, CommSec executed Market Transactions on the Chi-X Market on behalf of Retail Clients. CommSec subsequently issued 3,741 confirmations to Retail Clients whose Orders were executed as Crossings during that period which did not contain a Crossing Disclosure.
- 25) CommSec became aware of this failure on 19 February 2013. The cause of the confirmations not containing Crossing Disclosure was that CommSec's retail and institutional participant identifier numbers, which are used in the process of settling Market Transactions, were treated as two separate participants by Chi-X Australia's systems. On 26 April 2013, Chi-X Australia implemented an automated fix to its system so that Crossings executed by CommSec between its retail and institutional businesses would be recognised as Crossings between a common Market Participant. CommSec notified the matter to ASIC on 12 June 2013.

- 26) By reason of CommSec's failure to issue 3,741 confirmations to Retail Clients between 15 March 2012 and 26 April 2013, which included the necessary Crossing Disclosure with respect to the relevant Market Transactions executed on the Chi-X Market, the MDP has reasonable grounds to believe that CommSec has contravened Chi-X MIR 3.4.1(3)(f) and thereby contravened subsection 798H(1) of the Act.

Maximum pecuniary penalty that a Court could order

The maximum pecuniary penalty that a Court could order CommSec to pay for contravening subsection 798H(1) of the Act:

- by reason of contravening ASX MIR 3.2.3 is \$100,000;
- by reason of contravening ASX MIR 3.4.1(3)(f) is \$100,000; and
- by reason of contravening Chi-X MIR 3.4.1(3)(f) is \$100,000.

The maximum pecuniary penalty that may be payable by CommSec under an infringement notice given pursuant to subsection 798K(2) of the Act:

- for an alleged contravention of ASX MIR 3.2.3 is \$60,000;
- for an alleged contravention of ASX MIR 3.4.1(3)(f) is \$60,000; and
- for an alleged contravention of Chi-X MIR 3.4.1(3)(f) is \$60,000.

Penalty under the Infringement Notice

The penalties imposed by the MDP under this infringement notice for the 8 alleged contraventions of subsection 798H(1) of the Act were as follows:

- Contravention 1 - ASX MIR 3.4.1(3)(f) - \$55,000;
- Contravention 2 - ASX MIR 3.1.4(3)(f) - \$55,000;
- Contravention 3 - ASX MIR 3.1.4(3)(f) - \$55,000;
- Contravention 4 - ASX MIR 3.1.4(3)(f) - \$55,000;
- Contravention 5 - ASX MIR 3.2.3 - \$55,000;
- Contravention 6 - ASX MIR 3.2.3 - \$55,000;
- Contravention 7 - ASX MIR 3.2.3 - \$55,000; and
- Contravention 8 - Chi-X MIR 3.4.1(3)(f) - \$60,000.

However, the MDP considered it appropriate in this matter, to make an adjustment to the total sum of the separate penalties set out above, to ensure that the final penalty payable was just and appropriate, and not excessive, having regard to the totality of the conduct, and other relevant factors. In doing so, the MDP had regard to paragraphs RG 216.125 and RG 216.126 of ASIC Regulatory Guide 216-*Markets Disciplinary Panel* ("RG 216"), and applied the totality principle in arriving at the appropriate pecuniary penalty to apply in this matter.

On this basis, and in accordance with subparagraphs 7.2A.06(g)(i) and (ii) and paragraph 7.2A.07(2) of the Regulations, for the alleged contraventions of subsection 798H(1) of the Act, the MDP imposed a total pecuniary penalty of \$400,000 comprised of as follows:

- Contravention 1 - ASX MIR 3.4.1(3)(f) - \$49,375;
- Contravention 2 - ASX MIR 3.1.4(3)(f) - \$49,375;
- Contravention 3 - ASX MIR 3.1.4(3)(f) - \$49,375;
- Contravention 4 - ASX MIR 3.1.4(3)(f) - \$49,375;
- Contravention 5 - ASX MIR 3.2.3 - \$49,375;
- Contravention 6 - ASX MIR 3.2.3 - \$49,375;
- Contravention 7 - ASX MIR 3.2.3 - \$49,375; and
- Contravention 8 - Chi-X MIR 3.4.1(3)(f) - \$54,375.

Therefore, the total penalty that CommSec must pay to the Commonwealth is **\$400,000** being the penalty payable under this infringement notice for the 8 alleged contraventions of subsection 798H(1) of the Act.

The penalty is payable to ASIC on behalf of the Commonwealth. Payment is made by bank cheque to the order of the "Australian Securities and Investments Commission".

In determining this matter and the appropriate penalty to be applied, the MDP took into account all relevant guidance, including ASIC RG 216 and noted in particular the following:

27) That the remedies applied should:

- promote market integrity and the confident and informed participant of investors in financial markets; and
- act as a deterrent to any future misconduct by the subject person; and
- also act as a general deterrent to others from engaging in the same or similar conduct.

28) Transparency through disclosure is a fundamental aspect of ensuring the fair and efficient functioning of Australia's financial markets. Proper disclosure is essential to empowering investors to make confident, informed investment decisions which are themselves a necessary contributing factor to maintaining fair and efficient markets;

29) Any failure to comply with the standard of disclosure is serious and causes, or at least gives rise to the potential for, the interests of clients and the integrity of, and public confidence in, the market to be adversely affected;

30) Each of the contraventions of ASX MIR 3.4.1, ASX MIR 3.2.3 and Chi-X MIR 3.4.1 constituted negligent misconduct on the part of CommSec, in the MDP's view, due to its failure to ensure that confirmations had the appropriate disclosures;

31) It is a Market Participant's responsibility to ensure that its confirmations have the appropriate disclosures, and to that end that its systems are able to correctly identify transactions for the purpose of marking confirmations with the requisite disclosures under the market integrity rules;

- 32) ASX MIR 3.4.1, ASX MIR 3.2.3 and Chi-X MIR 3.4.1 are directed at the timely sending of confirmations with all mandatory disclosure to retail clients to ensure client protection and also in order to protect the integrity of the market. The rules also provide safeguards against possible unauthorised trading activity (including potential fraudulent activity). Without such safeguards, clients are unable to identify, for example, unauthorised transactions in a timely manner. For these reasons, the disclosure requirements are accepted as essential, standard practice by the market, in the MDP's view;
- 33) The disclosure requirements apply to every Market Transaction that is entered into on behalf of a retail client. A retail client cannot opt out of receiving such disclosure nor can a Market Participant elect to not provide all relevant disclosure.;
- 34) Generally, a confirmation will be timely where despatched to a client on the day on which the Market Transaction is executed;
- 35) Furthermore, the rules are intended to ensure that a client is notified in a timely manner of a potential conflict of interest where a Market Participant is executing trades in a Crossing on both sides for its respective clients or when trading as Principal, because this allows clients to make an informed decision about how the potential conflict may affect their financial interests.
- 36) Market Participants need to manage conflicts between the interests of clients as well as conflict between the licensee's own interests and those of their clients. ASIC Regulatory Guide 181 – *Licensing: Managing conflicts of interest* ("RG 181") sets out at RG 181.27 that *"...the conflicts management obligation requires that all conflicts of interests be adequately managed. Many conflicts of interest can be managed by a combination of (a) internal controls and (b) disclosures."* RG 181.34 then states that for conflicts management arrangements to be adequate, they must be *"..regularly reviewed (internally or by a third party such as an auditor, where appropriate) and, where necessary, updated to ensure that the arrangements are adequate to identify, assess, and evaluate and successfully control conflicts of interest..."*
- 37) The non-disclosures affected large numbers of confirmations and Retail Clients and occurred for a period of approximately:
- a. three and a half years for Contravention 1;
 - b. one year for Contravention 2;
 - c. one year for Contravention 3;
 - d. two years for Contravention 4;
 - e. three years for Contravention 5;
 - f. one year for Contravention 6;
 - g. one week for Contravention 7; and
 - h. one year for Contravention 8.
- 38) This is despite the requirement that Market Participants must send a client a confirmation as soon as practicable after the Market Participant enters into the Market Transaction. The MDP viewed these periods of time in which the contraventions occurred and the time taken for detection of the contraventions to be significant and completely unacceptable. Upon detection of one contravention, CommSec should have undertaken an extensive system review that may have alerted them to the presence of other contraventions;

- 39) The contraventions resulted from multiple, overlapping, systemic issues and poor internal procedures within CommSec for ensuring compliance with the relevant market integrity rules and to detect any breaches and remedy them promptly, which was of considerable concern to the MDP;
- 40) While the MDP had regard to CommSec's determination that the breach was not significant such as to require notification to ASIC pursuant to section 912D of the Act, it also noted that CommSec's Auditors considered the breach to be significant and reported it to ASIC pursuant to section 311 of the Act;
- 41) This is the fifth occasion on which the MDP has found that CommSec has not complied with the market integrity rules. Since 2008, CommSec has also been sanctioned on three occasions by the ASX Disciplinary Tribunal for non-compliance with the ASX Market Rules and on one occasion before ASX Compliance for non-compliance with the ASX Settlement Operating Rules;
- 42) ASIC also accepted an enforceable undertaking from CommSec on 17 December 2013 which related to concerns that ASIC held that CommSec may not have complied with its obligations in relation to the handling of client money under the Act. This enforceable undertaking was varied on 2 February 2015, to require CommSec to engage an independent expert to undertake ongoing reviews and provide monthly reports on the progress on a remediation plan developed under the original undertaking;
- 43) CommSec has undertaken significant remediation, including the implementation of improved governance processes, increased monitoring, and additional process controls in relation to confirmations;
- 44) Following discussions with ASIC in November 2014, CommSec agreed to voluntarily refund the portion of brokerage charged where CommSec was buying or selling for a related entity and the confirmation did not contain Principal Disclosure. Between 16 December 2014 and 10 March 2015, CommSec voluntarily refunded approximately \$1.1 million in brokerage to over 25,000 customers;
- 45) CommSec also agreed to voluntarily notify all clients about the lack of disclosure on the affected confirmations. Between 17 November 2014 and 10 March 2015, CommSec contacted 48,205 affected customers to notify them of the lack of disclosure and to provide corrective disclosure;
- 46) CommSec did not gain any benefit as a result of the contraventions;
- 47) CommSec co-operated with ASIC throughout its investigation and did not dispute any material facts; and
- 48) CommSec agreed not to contest the matter, thereby saving time and costs that would otherwise have been expended.

Compliance with the Infringement Notice

CommSec may choose not to comply with this infringement notice, but if CommSec does not comply, civil proceedings may be brought against CommSec in relation to the alleged contravention.

To comply with this infringement notice, CommSec must pay the penalty within the compliance period. The compliance period:

- (a) starts on the day on which the infringement notice is given to CommSec; and
- (b) ends 27 days after the day on which the infringement notice is given to CommSec;

unless an application is made for its extension.

CommSec may apply to ASIC for an extension of time to comply with this notice under regulation 7.2A.09 of the Regulations. If CommSec does so, and the application is granted, the compliance period ends at the end of the further period allowed.

If CommSec applies for a further period of time in which to comply with this notice, and the application is refused, the compliance period ends on the later of:

- (a) 28 days after the day on which the infringement notice was given to CommSec; and
- (b) 7 days after the notice of refusal is given to CommSec.

CommSec may apply to ASIC for withdrawal of this notice under regulation 7.2A.11 of the Regulations. If CommSec does so, and the application is refused, the compliance period ends 28 days after the notice of refusal is given to CommSec.

Effect of issue and compliance with the Infringement Notice

The effects of compliance with this infringement notice are:

- (a) any liability of CommSec to the Commonwealth for the alleged contraventions of subsection 798H(1) of the Act is discharged;
- (b) no civil or criminal proceedings may be brought or continued by the Commonwealth against CommSec for the conduct specified in the infringement notice as being the conduct that made up the alleged contraventions of subsection 798H(1) of the Act;
- (c) no administrative action may be taken by ASIC under section 914A, 915B, 915C or 920A of the Act against CommSec for the conduct specified in the infringement notice as being the conduct that made up the alleged contraventions of subsection 798H(1) of the Act;
- (d) CommSec is not taken to have admitted guilt or liability in relation to the alleged contraventions; and
- (e) CommSec is not taken to have contravened subsection 798H(1) of the Act.

Publication

ASIC may publish details of this infringement notice under regulation 7.2A.15 of the Regulations.

**Susan Humphreys**

Counsel to the Markets Disciplinary Panel

with the authority of a Division of the Australian Securities & Investments Commission

Note: Members of the Markets Disciplinary Panel constitute a Division of ASIC as delegates of the members of the Division for the purposes of considering the allegations covered by this notice.

Dated: 29 July 2016

Appendix – Defined Terms

The terms defined in ASX MIR 1.4.3 have the same meaning when used in this notice, including:

"ASX" means ASX Limited (ACN 008 624 691).

"ASX Market" means the market operated by ASX.

"Crossing" means a transaction in respect of which a Trading Participant acts:

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

"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.

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

"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..

"Principal" has the meaning given to that term in ASX MIR 3.2.5.

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

The terms defined in Chi-X MIR 1.4.3 have the same meaning when used in this notice, including

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

"Chi-X Market" means the market operated by the Chi-X Australia.

"Crossing" means a transaction in respect of which a Market Participant acts:

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

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

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

"Principal" has the meaning given to that term in Chi-X MIR 3.2.5.

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

The notice adopts the following additional definitions of terms:

"Crossing Disclosure" means the disclosure required on a confirmation in circumstances where the Market Transaction(s) the subject of the confirmation involved a Crossing.

"Principal Disclosure" means the disclosure required on a confirmation in circumstances where the Market Participant entered into the relevant Market Transaction(s) with the Retail Client as Principal.