



**ASIC**

Australian Securities & Investments Commission

CONSULTATION PAPER 277

# Proposals to consolidate the ASIC market integrity rules

January 2017

## About this paper

This consultation paper seeks feedback from market operators and participants on our proposals to consolidate the ASIC market integrity rules and clarify existing obligations for:

- management requirements and responsible executives;
- dealing 'as principal';
- block trades and large portfolio trades;
- derivatives market contracts and wholesale client disclosure; and
- record keeping by market licensees.

### About ASIC regulatory documents

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

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

**Regulatory guides:** give guidance to regulated entities by:

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

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

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

### Document history

This paper was issued on 24 January 2017 and is based on the Corporations Act and market integrity rules as at the date of issue.

### Disclaimer

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

# Contents

<b>The consultation process</b> .....	<b>4</b>
<b>A Background to the proposals</b> .....	<b>6</b>
ASIC’s market supervision function.....	6
Reviewing the market integrity rules.....	7
<b>B Consolidating the market integrity rules</b> .....	<b>10</b>
ASIC market integrity rules for securities markets.....	10
ASIC market integrity rules for futures markets.....	18
ASIC market integrity rules for capital requirements .....	21
<b>C Clarifying existing market integrity rules</b> .....	<b>22</b>
Management requirements and responsible executives .....	22
Carving out certain trustees from the meaning of dealing ‘as principal’ .....	28
Aggregation of orders for block trades and large portfolio trades .....	32
Derivative market contracts and wholesale client disclosure .....	37
Record keeping for market operators .....	40
<b>D Regulatory and financial impact</b> .....	<b>43</b>
<b>Appendix 1: Comparison of existing market integrity rules and proposed ASIC Market Integrity Rules (Securities Markets) 2017</b> .	<b>44</b>
<b>Appendix 2: Dealing ‘as principal’ in the ASIC market integrity rules</b> ...	<b>77</b>
<b>Key terms</b> .....	<b>78</b>
<b>List of proposals and questions</b> .....	<b>82</b>

## The consultation process

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

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

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

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

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

Your comments will help us develop our policy on consolidating the market integrity rules and clarifying certain obligations. In particular, any information about compliance costs, impacts on competition, and other impacts, costs and benefits will be taken into account if we prepare a Regulation Impact Statement: see Section D, 'Regulatory and financial impact'.

We are also keen to hear from you about any other issues relevant to the market integrity rules which you consider important. This will assist in planning and prioritising our further work to review and consider additional substantive amendments to the consolidated market integrity rules.

### Making a submission

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

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

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

Comments should be sent by 7 March 2017 to:

Merrick Fox, Lawyer  
Market Integrity Group, Legal & Policy  
Australian Securities and Investments Commission  
Level 5, 100 Market Street  
Sydney NSW 2000  
email: [MIRconsolidation@asic.gov.au](mailto:MIRconsolidation@asic.gov.au)

## What will happen next?

<b>Stage 1</b>	24 January 2017	ASIC consultation paper released
<b>Stage 2</b>	7 March 2017	Submissions due on the consultation paper
<b>Stage 3</b>	June 2017	ASIC Market Integrity Rules (Securities Markets), ASIC Market Integrity Rules (Futures Markets), ASIC Market Integrity Rules (Securities Markets – Capital) and ASIC Market Integrity Rules (Futures Markets – Capital) made. Release of amended RGs 214, 215, 223, 224, 238 and 250

## A Background to the proposals

### Key points

ASIC is responsible for supervising domestic licensed markets and making market integrity rules. There are currently 14 market integrity rule books which set out obligations and prohibitions (including capital requirements) applying to activities or conduct on licensed financial markets.

We propose to consolidate 13 of those market integrity rule books (leaving the ASIC Market Integrity Rules (IMB Market) 2010) into four rule books covering:

- ASX, Chi-X, IR Plus, NSXA, SSX and competition between securities markets;
- ASX 24, FEX and competition between futures markets;
- capital requirements for ASX, Chi-X, SSX and NSXA; and
- capital requirements for ASX 24 and FEX.

This will create a single point of reference for market integrity rules that are common between markets. It will also simplify the review and consideration of substantive amendments to the market integrity rules in the future: see Section B.

In consolidating the market integrity rules, we have identified five priority areas that require clarification: see Section C.

### ASIC's market supervision function

- 1 On 24 August 2009, the Australian Government announced its decision to transfer the responsibility for supervising Australia's domestic licensed financial markets from market operators to the Australian Securities and Investments Commission (ASIC).
- 2 Under Pt 7.2A of the *Corporations Act 2001* (Corporations Act), which commenced on 1 August 2010, we assumed responsibility for supervising domestic licensed markets and were given the power to make market integrity rules.
- 3 Each Australian market licensee continued to be responsible for the operation of its markets and for monitoring and enforcing compliance with its operating rules, including listing rules.
- 4 Market integrity rules are legislative instruments subject to parliamentary scrutiny and possible disallowance by parliament. We cannot make a market integrity rule unless we have the written consent of the Minister. An exception applies for making emergency rules that are necessary, or in the public interest, to protect people dealing in a financial product.

## Reviewing the market integrity rules

- 5 Over time, the number of domestic licensed financial markets in Australia has grown. At present, there are six domestic licensed markets for securities, operated by:
- (a) ASX Limited (ASX);
  - (b) Chi-X Australia Pty Limited (Chi-X);
  - (c) IMB Limited (IMB);
  - (d) IR Plus Securities Exchange Limited (IR Plus) (formerly SIM Venture Securities Exchange Limited (SIM VSE));
  - (e) National Stock Exchange of Australia Limited (NSXA); and
  - (f) Sydney Stock Exchange Limited (SSX) (formerly Asia Pacific Stock Exchange Limited (APX)).

- 6 In addition, there are two domestic licensed markets for futures products operated by:
- (a) Australian Securities Exchange Limited (ASX 24) (formerly Sydney Futures Exchange Limited (SFE)); and
  - (b) Financial & Energy Exchange Limited (FEX).

- 7 Each of these markets has a market integrity rule book that applies to the market operator and its participants. A separate rule book addresses competition between markets.

Note: See the ASIC Market Integrity Rules (APX Market) 2013 (ASIC Market Integrity Rules (APX)), ASIC Market Integrity Rules (ASX Market) 2010 (ASIC Market Integrity Rules (ASX)), ASIC Market Integrity Rules (ASX 24 Market) 2010 (ASIC Market Integrity Rules (ASX 24)), ASIC Market Integrity Rules (Chi-X Market) 2011 (ASIC Market Integrity Rules (Chi-X)), ASIC Market Integrity Rules (FEX Market) 2013 (ASIC Market Integrity Rules (FEX)), ASIC Market Integrity Rules (IMB Market) 2010 (ASIC Market Integrity Rules (IMB)), ASIC Market Integrity Rules (NSXA Market) 2010 (ASIC Market Integrity Rules (NSXA)) and ASIC Market Integrity Rules (Competition in Exchange Markets) 2011 (ASIC Market Integrity Rules (Competition)).

- 8 We have also made ASIC market integrity rules for capital and reporting requirements for each of the ASX, ASX 24, Chi-X, FEX and SSX markets.

Note: See the ASIC Market Integrity Rules (ASX Market–Capital) 2014, ASIC Market Integrity Rules (ASX 24 Market–Capital) 2014, ASIC Market Integrity Rules (Chi-X Australia Market–Capital) 2014, ASIC Market Integrity Rules (APX Market–Capital) 2014 and ASIC Market Integrity Rules (FEX Market–Capital) 2014.

- 9 Collectively, these 14 rule books total more than 1,300 pages. Five regulatory guides set out guidance on our approach to regulating these markets.

Note: See [Regulatory Guide 214](#) *Guidance on ASIC market integrity rules for ASX and ASX 24 markets* (RG 214); [Regulatory Guide 215](#) *Guidance on ASIC market integrity rules for IMB, NSXA and SIM VSE markets* (RG 215); [Regulatory Guide 223](#) *Guidance on ASIC market integrity rules for competition in exchange markets* (RG 223); [Regulatory Guide 224](#) *Guidance on ASIC market integrity rules for Chi-X and APX*

markets (RG 224); and [Regulatory Guide 226](#) *Guidance on ASIC market integrity rules for capital and related requirements: ASX, ASX 24, Chi-X and APX markets* (RG 226).

## What have we done so far?

- 10 To reduce the compliance burden on market participants, on 4 May 2015, we repealed a number of obligations in the ASIC market integrity rules for the ASX, ASX 24, Chi-X, IMB, NSXA and SIM VSE markets, and for competition on exchange markets. The repealed obligations:
- (a) required certain market participants to notify ASIC of the details of their professional indemnity insurance cover;
  - (b) required certain market participants to obtain our consent before sharing business connections; and
  - (c) restricted certain transactions such as special crossings during takeovers, schemes of arrangement and buy-backs.

Note: For further details, see [Report 432](#) *Response to submissions on CP 222 Reducing red tape: Proposed amendments to the market integrity rules* (REP 432).

## What are we doing now?

- 11 To simplify review of the market integrity rules, we are proposing to consolidate 13 of the 14 market integrity rule books into four rule books which will cover:
- (a) ASX, Chi-X, IR Plus, NSXA and SSX, and competition between securities markets (see the draft ASIC Market Integrity Rules (Securities Markets) in Attachment 1);
  - (b) ASX 24 and FEX, and competition between futures markets (see the draft ASIC Market Integrity Rules (Futures Markets) in Attachment 2);
  - (c) capital requirements for ASX, Chi-X, NSXA and SSX (see the draft ASIC Market Integrity Rules (Securities Markets – Capital) in Attachment 3); and
  - (d) capital requirements for ASX 24 and FEX (see the draft ASIC Market Integrity Rules (Futures Markets – Capital) in Attachment 4).

Note: IMB has not been included in the consolidation project because of the unique nature of the IMB market (i.e. offers trading solely in IMB securities) and the bespoke nature of the ASIC Market Integrity Rules (IMB).

- 12 This will create a single point of reference for the market integrity rules that are common between markets. It will also streamline consultation on additional substantive amendments to the market integrity rules in the future.
- 13 We have identified five priority areas in the draft ASIC Market Integrity Rules (Securities Markets) for consultation to provide greater clarity to industry about complying with these obligations. Some industry participants



have already taken part in informal consultation to help develop the proposals in this consultation paper. These obligations concern:

- (a) management requirements and responsible executives (see paragraphs 54–79);
- (b) dealing ‘as principal’ (see paragraphs 80–98);
- (c) block trades and large portfolio trades (see paragraphs 99–126);
- (d) notifications about derivatives market contracts (see paragraphs 127–143); and
- (e) record-keeping requirements for market operators (see paragraphs 144–151).

14 We welcome your feedback on the proposals in this consultation paper. We also welcome your feedback on any additional proposals you may have to improve the market integrity rules, particularly where:

- (a) further clarity is needed;
- (b) a rule requires strengthening in order to achieve its objectives; or
- (c) the amendment or repeal of a rule would provide a demonstrated commercial benefit without unduly reducing the fairness and efficiency of Australia’s financial markets.

15 Your feedback and additional proposals (including those already given to ASIC) will assist in planning and prioritising our work in the future. In particular, your feedback will assist the review and consideration of additional substantive amendments to the consolidated market integrity rules.

### **What’s next?**

16 Following this consultation, we propose to review the ASIC market integrity rules in detail to make any further adjustments required as a result of:

- (a) our experience in administering the ASIC market integrity rules;
- (b) developments in the market;
- (c) evolving international regulatory requirements; and
- (d) feedback from market operators and participants (including feedback and proposals we received before this consultation).

17 We will continue to take a multifaceted approach to reducing red tape that is consistent with the government’s regulatory reform agenda. We will review existing regulations to improve and streamline them, cut regulation where appropriate, eliminate unintended consequences of regulation, and ensure efficient and effective operation of regulation.

## B Consolidating the market integrity rules

### Key points

We propose to consolidate 13 of the 14 market integrity rule books (leaving the ASIC Market Integrity Rules (IMB)) into four rule books covering:

- ASX, Chi-X, IR Plus, NSXA, SSX and competition between securities markets;
- ASX 24, FEX and competition between futures markets;
- capital requirements for ASX, Chi-X, SSX and NSXA; and
- capital requirements for ASX 24 and FEX.

This will create a single point of reference for market integrity rules that are common between markets. It will also simplify the review and consideration of substantive amendments to the market integrity rules in the future.

To allow NSXA sufficient time to amend its operating rules, we propose to apply the ASIC Market Integrity Rules (Securities Markets) to the NSXA market in stages.

## ASIC market integrity rules for securities markets

### Scope of the draft ASIC Market Integrity Rules (Securities Markets)

- 18 There are currently six domestic licensed markets for securities (i.e. ASX, Chi-X, IMB, IR Plus, NSXA and SSX), each with their own market integrity rules.
- 19 There are substantial similarities between the ASIC market integrity rules for the ASX, Chi-X and SSX markets. Our approach in making market integrity rules for the Chi-X market was to model the rules, as far as possible, on the ASIC Market Integrity Rules (ASX). Similarly, the ASIC Market Integrity Rules (APX) have been modelled, as far as possible, on the ASIC Market Integrity Rules (Chi-X).
- 20 The reason for this approach was that the same conduct in the same or similar products should be treated in the same manner by the market integrity rules applying to each securities market. This consideration also drives our proposals to consolidate the market integrity rules so that a common set of rules applies to all like markets.
- 21 The operators and participants of ASX and Chi-X are also subject to the ASIC Market Integrity Rules (Competition). These rules apply to orders and trading relating to equity market products and Commonwealth Government

Securities (CGS) depository interests traded on ASX or Chi-X. Currently, they do not apply to similar products traded on SSX or NSXA.

- 22 On 3 August 2016, SIM VSE changed its name to IR Plus to reflect its new focus on interest rate products. Because IR Plus is in the process of revising its operating rules, this is an appropriate time to align the market integrity rules for this market with the other securities markets. IR Plus has agreed to this approach.

## Proposal

**B1** We propose to:

- (a) consolidate the ASIC Market Integrity Rules (APX), ASIC Market Integrity Rules (ASX), ASIC Market Integrity Rules (Chi-X), ASIC Market Integrity Rules (SIM VSE) and ASIC Market Integrity Rules (Competition) into a single rule book: see the draft ASIC Market Integrity Rules (Securities Markets) in Attachment 1;
- (b) in the ASIC Market Integrity Rules (Securities Markets), apply the rules that derive from ASIC Market Integrity Rules (Competition) to SSX, IR Plus and their participants; and
- (c) waive the requirement for SSX, IR Plus and their participants to comply with obligations in the ASIC Market Integrity Rules (Securities Markets) that derive from the ASIC Market Integrity Rules (Competition), until a specified date in the future.

### *Your feedback*

- B1Q1 Do you agree with our proposals? Please give reasons for your answer.
- B1Q2 What benefits and/or costs do you believe would arise from having a consolidated rule book for securities markets?
- B1Q3 In consolidating these rules, have we inadvertently changed any substantive obligations? If so, what are the likely impacts, benefits and/or costs of that change? Please give reasons for your answer.
- B1Q4 When should the ASIC Market Integrity Rules (Securities Markets) commence? Please give reasons for your answer.
- B1Q5 Are there any specific rules in the draft ASIC Market Integrity Rules (Securities Markets) derived from the ASIC Market Integrity Rules (Competition) that should not apply to SSX, IR Plus or their participants? Please give reasons for your answer.
- B1Q6 What is an appropriate period to waive the requirement for SSX, IR Plus and their participants to comply with the ASIC Market Integrity Rules (Securities Markets) derived from the ASIC Market Integrity Rules (Competition)? Would a waiver of six months following commencement or to 31 December 2017 be sufficient? Please give reasons for your answer.

## Rationale

- 23 We consider that the same conduct in relation to the same or similar products should be treated in the same manner by the market integrity rules applying to each securities market. This drives our proposal to create a single set of market integrity rules for the ASX, Chi-X, IR Plus and SSX markets.

Note: With the exception of proposals B1(b), B2 and C1–C11, we do not intend for the substantive obligations in the market integrity rules to change.

- 24 With this in mind, we propose to widen the definition of equity market product to include any like products admitted to quotation on a securities market. We propose to grant a temporary waiver to SSX, IR Plus and their participants to delay the application of corresponding rules in the ASIC Market Integrity Rules (Securities Markets) relating to equity market products. This will provide SSX and IR Plus with sufficient time to amend their operating rules to reflect the extended application of the rules derived from the ASIC Market Integrity Rules (Competition). It will also allow their participants time to comply with those rules and any revised operating rules.

Note: ASIC Market Integrity Rules (Securities Markets) that derive from ASIC Market Integrity Rules (Competition) are identified in Appendix 1.

- 25 Where a rule is the same or substantially similar in the ASIC Market Integrity Rules (APX), (ASX) and (Chi-X), a single, consolidated rule is adopted in the draft ASIC Market Integrity Rules (Securities Markets). In general, where rules differ between the ASIC Market Integrity Rules (APX), (ASX) and (Chi-X), each rule is adopted one after the other with application to one or more markets identified. To ensure clarity, particularly for the rules adopted from the ASIC Market Integrity Rules (Competition), additional application sections have been inserted in the draft ASIC Market Integrity Rules (Securities Markets): see Attachment 1.

Note: In this document ‘ASIC Market Integrity Rules (APX), (ASX) and (Chi-X)’ refers to the ASIC Market Integrity Rules (APX), ASIC Market Integrity Rules (ASX) and ASIC Market Integrity Rules (Chi-X).

- 26 A single market integrity rule book for securities markets will ensure one point of reference for participants. The consolidated ASIC Market Integrity Rules (Securities Markets) will also reduce our administrative burden when amending the market integrity rules in future.

Note: Separate proposals for applying the ASIC Market Integrity Rules (Securities Markets) to NSXA and its participants are set out in proposal B2.

## Application of the ASIC Market Integrity Rules (Securities Markets) to NSXA

- 27 The ASIC Market Integrity Rules (NSXA) were made in 2010 when the responsibility for market supervision transferred to ASIC. The rules were modelled on the market operating rules of NSXA at the time. While the activities that the rules address are similar to other securities markets, the

drafting and structure of the ASIC Market Integrity Rules (NSXA) are significantly different. For this reason, we are proposing to apply the consolidated rules to the NSXA market in stages.

## Proposal

**B2** We propose to:

- (a) apply the ASIC Market Integrity Rules (Securities Markets) to NSXA and participants of NSXA;
- (b) waive the requirement for NSXA and participants of NSXA to comply with the ASIC Market Integrity Rules (Securities Markets) until a specified date in the future, with the exception of the rules in proposal B2(c);
- (c) apply, from commencement, the following rules to participants that may undertake automated order processing (AOP) on NSXA or provide their clients with such capability:
  - (i) AOP rules and associated rules (i.e. Parts 5.5, 5.6 and 5.7 of the draft ASIC Market Integrity Rules (Securities Markets)); and
  - (ii) the ASIC Market Integrity Rules (Securities Markets – Capital) (in the same way as they would apply to Chi-X and SSX, see also proposal B6(a)).

### *Your feedback*

B2Q1 Do you agree with our proposal? Please give reasons for your answer.

B2Q2 Are there any specific rules in the draft ASIC Market Integrity Rules (Securities Markets) that should not apply to NSXA or participants of NSXA? Please give reasons for your answer.

B2Q3 What is an appropriate period to waive the requirement for NSXA and its participants to comply with the ASIC Market Integrity Rules (Securities Markets) and the ASIC Market Integrity Rules (Securities Markets – Capital) (with the exception of proposal B2(c))? Would a waiver of six months following commencement or to 31 December 2017 be sufficient? Please give reasons for your answer.

## Rationale

- 28 We consider the ASIC Market Integrity Rules (Securities Markets) should apply to the NSXA market to ensure equal treatment of the same conduct in similar products. However, we acknowledge the significant differences in the drafting and structure of the ASIC Market Integrity Rules (NSXA).
- 29 We propose to grant a waiver to delay the application of the majority of the ASIC Market Integrity Rules (Securities Markets) to NSXA. This will provide NSXA with sufficient time to amend its operating rules to reflect the ASIC Market Integrity Rules (Securities Markets). It will also allow NSXA's

participants time to comply with the ASIC Market Integrity Rules (Securities Markets) and any revised operating rules.

Note: Many NSXA participants are also participants of ASX and will be subject to the ASIC Market Integrity Rules (Securities Markets) from commencement.

- 30 We are interested in industry feedback on any aspects of the draft ASIC Market Integrity Rules (Securities Markets) that should not apply to NSXA or NSXA participants, or that may need to be modified in order to apply to NSXA or its participants.
- 31 NSXA has advised ASIC that it wishes to offer AOP services to its participants from early 2017. To facilitate this, we are proposing to apply the AOP obligations in the draft ASIC Market Integrity Rules (Securities Markets) and the capital requirements in the draft ASIC Market Integrity Rules (Securities Markets – Capital) to those participants that may undertake AOP on NSXA from commencement.
- 32 It is important these obligations apply from the time NSXA commences offering AOP to ensure a single set of requirements across all markets (including base-level capital requirements) for the following reasons:
- (a) the introduction of AOP and externalising of client orders away from the participant trading desk can create greater financial exposure for the market participant and, by extension, risk to the market. While system filters and controls may be in place to limit a client’s exposure, the automation of trading allows greater frequency of trading and will likely introduce increased volumes and greater participant capital risk;
  - (b) AOP increases the risk of erroneous orders and transactions which, in turn, increases a market participant’s capital risk; and
  - (c) all other market operators that allow AOP have the same base-level capital rules in place.
- 33 NSXA has informed ASIC that the participants that may undertake AOP on its market are also participants of ASX and are already subject to these requirements under the ASIC Market Integrity Rules (ASX).

### **Definitions in the ASIC Market Integrity Rules (Securities Markets)**

- 34 There are a small number of substantive differences between the defined terms used in the ASIC Market Integrity Rules (APX), (ASX) and (Chi-X); and a few conflicts with defined terms in the ASIC Market Integrity Rules (Competition).
- 35 Minor amendments are required to resolve any differences and to apply consistent defined terms across securities markets in the ASIC Market Integrity Rules (Securities Markets).

## Proposal

**B3** We propose to:

- (a) omit the defined terms in Table 1 from the ASIC Market Integrity Rules (Securities Markets):
  - (i) that are defined in the Corporations Act and will have the same meaning;
  - (ii) where it is possible and appropriate to use generic or descriptive terms instead of proprietary terms; or
  - (iii) that do not aid interpretation or are derived from or based on other defined terms we propose to omit; and
- (b) adopt or materially modify the defined terms in Table 2 for use in the ASIC Market Integrity Rules (Securities Markets).

### *Your feedback*

B3Q1 Do you agree with our proposal? Please give reasons for your answer.

## Rationale

36 We have considered the consequences of the proposed amendments to the defined terms and do not intend to make any substantive changes (except as otherwise indicated in this paper (e.g. proposal C4)).

37 Words and expressions defined in the Corporations Act will have the same meaning in the ASIC Market Integrity Rules (Securities Markets) unless otherwise defined or specified: Rule 1.4.2 (APX), (ASX) and (Chi-X). Where the meaning is the same as the term defined in the Corporations Act, we propose to omit these definitions from the ASIC Market Integrity Rules (Securities Markets): see Table 1. However, terms that were more difficult to reference in the Corporations Act may remain as an aid to interpretation.

Note: In this document 'Rule 1.4.2 (APX), (ASX) and (Chi-X)' (for example) refers to a particular rule of the ASIC Market Integrity Rules (APX), ASIC Market Integrity Rules (ASX) and ASIC Market Integrity Rules (Chi-X).

38 In the draft ASIC Market Integrity Rules (Securities Markets), we have sought to accommodate and resolve differences in defined terms with minimal changes. Where necessary, we have adopted terms and expressions that describe activities and functions in a generic manner, rather than in specific terms used by any particular market operator. Our aim is to make the ASIC Market Integrity Rules (Securities Markets) without any particular market operator, proprietary technology, business practice or product type in mind. For this reason, certain proprietary names and terms have been omitted: see Table 1.

39 Terms dependent on a Corporations Act or proprietary definition—or that provide no additional, meaningful aid to interpretation—have been omitted

from the definitions in the draft ASIC Market Integrity Rules (Securities Markets): see Table 1.

40 Defined terms for futures markets have also been omitted from the draft ASIC Market Integrity Rules (Securities Markets) where they are not applicable to securities markets.

**Table 1: Defined terms omitted from the draft ASIC Market Integrity Rules (Securities Markets)**

<b>Included in the Corporations Act</b>	Australian ADI CGS Depository Interest Derivative Financial Market Financial Product Financial Product Advice Listing Rules Operating Rules Related Body Corporate Retail Client Section 1020B Products Securities Lending Arrangement Wholesale Client
<b>Proprietary</b>	APX Market Transaction APX Product ASX Participant ASX SPI 200 Future ASX Trade24 Chi-X Australia Participant Exchange-Traded Fund Special Trade National Voiceline System Non-ASX Contract Non-ASX Market
<b>Consequential or other</b>	Act ASX Market Integrity Rules Chi-X Australia Market Integrity Rules CGS Market Operator Commencement Date Competition Market Integrity Rules Compliance Education Compliance Education Requirements Equilibrium Price Equity Market Equity Market Operator Equity Market Participant



Executing Participant
Futures Market Operator
Investment Product
Investment Product Issuer
Investment Product (MIS)
Investment Product (Warrant)
In Writing
Listed Entity
Managed Fund Product
Market Listing Rules
Market Operating Rules
Market Operator
Market Transaction
NMI
Official List
Opening Transaction
Qualifying Bid or Offer
Relevant Activities
Reportable Short Sale Order
Reportable Short Sale Transaction
Responsible Executive (see Section C)
Retail Client's Instructions
Transaction

41 Some new terms will appear in the definitions of the draft ASIC Market Integrity Rules (Securities Markets), while other terms will be modified so as to apply to more than one market: see Table 2.

**Table 2: Materially modified or new terms in the draft ASIC Market Integrity Rules (Securities Markets)**

Term	Rationale for inclusion or material modification
Cash Market Product	Modified to include Equity Market Products
Equity Market Product	See proposal B1(b)
Pre-Commencement Market Integrity Rules	This term is required for transitional arrangements
Principal	See proposal C4
Takeover Bid	Minor language amendment to clarify reference to terms used in Pt 6.4 of the Corporations Act
Takeover Market Bid	See Takeover Bid
Takeover Off-Market Bid	See Takeover Bid
Warrant	The meaning in the ASIC Market Integrity Rules (Chi-X) has been adopted to align the term with the meaning in the Corporations Regulations

## ASIC market integrity rules for futures markets

### Scope of the ASIC Market Integrity Rules (Futures Markets)

- 42 There are currently two domestic licensed futures market operators in Australia—ASX 24 and FEX. The ASIC Market Integrity Rules (FEX) were modelled on the rules for the ASX 24 market, and are substantially similar.

#### Proposal

**B4** We propose to:

- (a) consolidate the ASIC Market Integrity Rules (ASX 24) and ASIC Market Integrity Rules (FEX) into a single set of ASIC market integrity rules (see the ASIC Market Integrity Rules (Futures Markets) in Attachment 2); and
- (b) where requirements in the ASIC Market Integrity Rules (ASX) or (Competition) currently apply to ASX 24 and/or FEX, replicate them in the ASIC Market Integrity Rules (Futures Markets) (e.g. the extreme price movement rules in the ASIC Market Integrity Rules (Competition)).

#### *Your feedback*

B4Q1 Do you agree with our proposal? Please give reasons for your answer.

#### Rationale

- 43 We do not intend for the substantive obligations in the existing market integrity rules for the ASX 24 and FEX markets to change. Our proposal will streamline compliance with the requirements by introducing a single, consolidated set of ASIC market integrity rules for all market operators and market participants in exchange-traded futures. The ASIC Market Integrity Rules (Futures Markets) will also reduce our administrative burden when amending market integrity rules in future.

- 44 We have included obligations from other market integrity rule books applicable to ASX 24 and/or FEX in the draft ASIC Market Integrity Rules (Futures Markets). This will create a single point of reference for ASX 24 and FEX market operators and their participants.

### Definitions in the ASIC Market Integrity Rules (Futures Markets)

- 45 There are a small number of substantive differences between the defined terms in the ASIC Market Integrity Rules (ASX 24) and (FEX), and a few conflicts with defined terms in the ASIC Market Integrity Rules (Competition). Minor

amendments will be required to apply consistent defined terms for futures markets in the ASIC Market Integrity Rules (Futures Markets).

## Proposal

**B5** We propose to:

- (a) omit the defined terms in Table 3 from the ASIC Market Integrity Rules (Futures Markets):
  - (i) that are defined in the Corporations Act and will have the same meaning;
  - (ii) where it is possible and appropriate to use generic or descriptive terms instead of proprietary terms; or
  - (iii) that do not aid interpretation or are derived from or based on other defined terms we propose to omit;
- (b) adopt or materially modify the defined terms in Table 4 for use in the ASIC Market Integrity Rules (Futures Markets).

### *Your feedback*

B5Q1 Do you agree with these proposals? Please give reasons for your answer.

## Rationale

- 46 We have considered the consequences of the proposed amendments to the defined terms and do not intend to make any substantive changes (except as otherwise indicated in this paper (e.g. proposal C4)).
- 47 Words and expressions defined in the Corporations Act will have the same meaning in the ASIC Market Integrity Rules (Futures Markets) unless otherwise defined or specified. Where the meaning is the same as the term defined in the Corporations Act, we propose to omit these definitions from the ASIC Market Integrity Rules (Futures Markets): see Table 3. However, terms that are more difficult to reference in the Corporations Act may remain as an aid to interpretation.
- 48 In the draft ASIC Market Integrity Rules (Futures Markets), we have sought to accommodate and resolve differences in defined terms with minimal changes. Where necessary, we have adopted terms and expressions that describe activities and functions in a generic manner, rather than in specific terms used by any particular market operator. Our aim is to make the ASIC Market Integrity Rules (Futures Markets) without any particular market operator, proprietary technology, business practice or product type in mind.
- 49 Terms dependent on a Corporations Act or proprietary definition—or that provide no additional, meaningful aid to interpretation—have been omitted from the definitions in the ASIC Market Integrity Rules (Futures Markets): see Table 3.

**Table 3: Defined terms omitted from the ASIC Market Integrity Rules (Futures Markets)**

<b>Included in the Corporations Act</b>	Acquire
	Australian Financial Services Licensee; AFSL
	Business Day
	Corporation
	Deal, Deal In, Dealing
	Director
	Dispose
	Financial Products
	Operating Rules
	Related Body Corporate
	Trade
<b>Consequential or other</b>	In Writing
	Market Operating Rules
	Market Operator

50 Some new terms will appear in the definitions of the ASIC Market Integrity Rules (Futures Markets), while other terms will be modified so as to apply to more than one market. Modifications have been made for minor drafting or style changes, or to include terms relevant only to futures markets (and not equity securities markets): see Table 4.

**Table 4: Materially modified or new terms in the ASIC Market Integrity Rules (Futures Markets)**

<b>Term</b>	<b>Rationale for inclusion or material modification</b>
Futures Market Contract	Previously 'Futures Contract'
Participant	Previous definition of 'Market Participant' modified. Definition has also been expanded to apply to clearing and settlement facilities, where relevant
Pre-Commencement Market Integrity Rules	Required transitional reference
Trading Pause	Generic language modification so the term no longer refers to any particular class of market, operator or product type

## ASIC market integrity rules for capital requirements

- 51 There are currently five market integrity rule books that set out capital requirements for the ASX, ASX 24, Chi-X, FEX and SSX markets. We propose to consolidate the rules into two rule books—one for securities markets and one for futures markets.

### Proposal

**B6** We propose to:

- (a) consolidate the ASIC Market Integrity Rules (ASX Market–Capital) 2014, ASIC Market Integrity Rules (Chi-X Australia Market–Capital) 2014 and ASIC Market Integrity Rules (APX Market–Capital) 2014 to create a single capital rule book that applies to participants of ASX, Chi-X, IR Plus, NSXA (for NSXA’s AOP participants only) and SSX (see the draft ASIC Market Integrity Rules (Securities Markets – Capital) in Attachment 3); and
- (b) waive the requirement for participants of NSXA who do not offer AOP services to comply with the ASIC Market Integrity Rules (Securities Markets – Capital) until a specified date in the future (see also related proposal B2);
- (c) consolidate the ASIC Market Integrity Rules (ASX 24 Market–Capital) 2014 and ASIC Market Integrity Rules (FEX Market–Capital) 2014 to create a single capital rule book that applies to participants of ASX 24 and FEX (see the draft ASIC Market Integrity Rules (Futures Markets – Capital) in Attachment 4).

#### *Your feedback*

B6Q1 Do you agree with our proposals? Please give reasons for your answer.

B6Q2 What is an appropriate period to waive the requirement for participants of NSXA who do not offer AOP services to comply with the ASIC Market Integrity Rules (Securities Markets – Capital)? Would a waiver of six months following commencement or to 31 December 2017 be sufficient? Please give reasons for your answer.

### Rationale

- 52 Our proposal will streamline compliance with the market integrity rules for capital requirements. The ASIC Market Integrity Rules (Securities Markets – Capital) and ASIC Market Integrity Rules (Futures Markets – Capital) will also reduce our administrative burden when amending the market integrity rules in the future.
- 53 It is important that base-level capital requirements apply to an NSXA participant if it is permitted to offer AOP services to clients. Extending these requirements to NSXA ensures consistency for other securities markets that offer AOP services. NSXA participants who do not undertake AOP or provide their clients with such capability will not have to comply with the ASIC Market Integrity Rules (Securities Markets – Capital) during the period of the proposed waiver.

## C Clarifying existing market integrity rules

### Key points

We have identified five priority areas in the draft ASIC Market Integrity Rules (Securities Markets) that are appropriate for consultation at this time. We propose to provide greater clarity to industry about complying with these obligations. Some industry participants have already taken part in informal consultation to help develop the proposals in this consultation paper. These obligations concern:

- management requirements and responsible executives (see paragraphs 54–79);
- dealing ‘as principal’ (see paragraphs 80–98);
- block trades and large portfolio trades (see paragraphs 99–126);
- notifications about derivatives market contracts (see paragraphs 127–143); and
- record-keeping requirements for market operators (see paragraphs 144–151).

### Management requirements and responsible executives

- 54 The regulatory approach taken in the current market integrity rules on the supervisory function of ‘responsible executives’ differs from the corresponding principles-based obligations that apply to Australian financial services (AFS) licensees.

#### Responsible executives and red-tape reduction

- 55 A market participant must have appropriate management structures in place to ensure compliance with the relevant market operating rules and market integrity rules: Rule 2.1.1(1)(a) (APX), (ASX) and (Chi-X).
- 56 As part of its management structures, a market participant is required to allocate supervisory responsibilities to designated ‘responsible executives’: Rules 2.1.1(b)–(c) and 2.1.1(2) (APX), (ASX) and (Chi-X).
- 57 Part 2.3 (APX), (ASX) and (Chi-X) sets out detailed requirements to ensure that market participants have responsible executives with the requisite knowledge, skills and experience to provide effective supervision of their operations, processes and controls. A market participant is required to notify ASIC about its responsible executives, including notifications about appointment, cessation and self-assessment of satisfaction of competence, character and continuing education requirements: Rules 2.3.1 and 2.3.5 (APX), (ASX) and (Chi-X).

- 58 Under Part 2.3 (APX), (ASX) and (Chi-X), market participants are responsible for ensuring that each responsible executive:
- (a) has passed an examination approved by ASIC (Rule 2.3.1(2)(a) and (c) (APX), (ASX) and (Chi-X));
  - (b) completes an annual review of the responsibilities allocated to the responsible executive (Rule 2.3.3 (APX), (ASX) and (Chi-X)); and
  - (c) completes annual continuing education (Rule 2.3.4 (APX), (ASX) and (Chi-X)).
- 59 Market participants who are AFS licensees are also subject to general, principles-based obligations under s912A of the Corporations Act, including requirements to:
- (a) have adequate resources (including financial, technological and human resources) to:
    - (i) provide the financial services covered by the AFS licence; and
    - (ii) to carry out supervision arrangements;
  - (b) maintain competence to provide those financial services; and
  - (c) ensure their representatives are adequately trained and competent to provide those financial services.
- 60 AFS licensees nominate responsible managers as part of demonstrating their organisational competence to provide financial services. We expect responsible managers to:
- (a) be directly responsible for significant day-to-day decisions about the ongoing maintenance of an AFS licence;
  - (b) have appropriate knowledge and skills for all of the financial services and products provided by the AFS licensee; and
  - (c) demonstrate appropriate knowledge and skills.
- Note: For more information about responsible managers, see [Regulatory Guide 105 Licensing: Organisational competence](#) (RG 105).
- 61 A market participant without an AFS licence is responsible for choosing suitably experienced persons to supervise the design, implementation, functioning and review of its operations and processes: Rules 2.1.1 and 2.3.2 (APX), (ASX) and (Chi-X). The AFS licence requirements to nominate responsible managers and notify ASIC of changes to responsible managers do not apply.

## Proposal

**c1** We propose to:

- (a) remove the following requirements of the market integrity rules that require market participants to:
  - (i) notify ASIC of the appointment or cessation of a responsible executive (Rule 2.3.1(1) (APX), (ASX) and (Chi-X));

- (ii) not appoint a responsible executive unless specific competence and continuing education standards are met (Rules 2.3.1(2) and (3) (APX), (ASX) and (Chi-X));
  - (iii) ensure that its responsible executives complete an annual review of their allocated supervision and control procedures (Rule 2.3.3 (APX), (ASX) and (Chi-X));
  - (iv) ensure its responsible executives meet annual continuing education requirements (Rule 2.3.4 (APX), (ASX) and (Chi-X)); and
  - (v) notify ASIC annually of its responsible executives and self-assess responsible executives' satisfaction of requirements on competence, character and continuing education (Rule 2.3.5 (APX), (ASX) and (Chi-X)); and
- (b) not require staff allocated supervisory responsibilities by a market participant to carry the title 'responsible executive'.

#### *Your feedback*

C1Q1 Do you agree with proposal C1(a) to remove these obligations from the market integrity rules? If not, why not?

C1Q2 What (if any) cost savings would result from the removal of these obligations?

C1Q3 Do you think there could be any unforeseen consequences if these obligations are removed from the market integrity rules? If so, please give reasons for your concerns.

C1Q4 Do you agree with proposal C1(b)? If not, why not?

#### **Rationale**

- 62 By removing several unnecessarily procedural requirements listed in proposal C1(a), we aim to give market participants greater flexibility to carry out their supervisory arrangements. This is consistent with the general, principle-based AFS licensee obligations in s912A.
- 63 With the removal of these rules, we will no longer be responsible for approving examinations written by industry providers that assess the knowledge and competency of supervisory staff. Instead, a market participant will need to satisfy itself that any individual involved in the supervision of its business has the relevant skills, knowledge and experience for the role they are performing. We expect completion of examinations and continuing education should remain key considerations, but consider market participants are best placed to make an overall assessment.
- 64 Our oversight of market participants will not be constrained by the removal of rules requiring notice of the appointment or cessation of supervisory staff; or of self-assessments of competence, character and continuing education requirements. We will continue to take a risk-based approach to our surveillance activities and use our powers to gather information about these



matters as necessary. Importantly, notification of significant breaches of financial services laws is required in accordance with s912D.

65 We also consider market participants are best placed to allocate supervisory functions to individuals in their management structure—and to ensure those individuals are appropriately qualified for the supervisory responsibilities they hold. Staff allocated supervisory responsibilities by a market participant do not need to carry the title ‘responsible executive’.

### Notification of management structures

66 Under Rule 2.1.1(2) (APX), (ASX) and (Chi-X) a market participant is required to keep accurate records of:

- (a) its management structure; and
- (b) the allocation of responsibilities among its responsible executives.

67 A market participant is also required to submit a management structure to ASIC within 10 business days:

- (a) of becoming a market participant (Rule 2.1.2(2) (APX), (ASX) and (Chi-X)); or
- (b) if there has been a significant change in the management structure or the allocation of responsibilities among its responsible executives (Rule 2.1.2(3) (APX), (ASX) and (Chi-X)).

### Proposal

c2 We propose to omit Rule 2.1.2(3) (APX), (ASX) and (Chi-X) from the ASIC Market Integrity Rules (Securities Markets).

#### *Your feedback*

C2Q1 Do you agree with our proposal? Please give reasons for your answer.

### Rationale

68 Market participants must have appropriate, up-to-date management structures in place. Management structures are an integral part of a market participant’s supervisory framework. For this reason, we are proposing to provide further guidance on the content of a compliant management structure: see proposal C3.

69 Approximately 75 market participants are currently required to notify ASIC of significant changes to their management structure. This requirement is an unnecessary administrative burden on market participants of the ASX, Chi-X and APX markets. We consider these market participants may benefit from the proposed removal of this administrative obligation.

70 We conduct regular risk assessments of market participants' businesses, which typically involve review of management structures. We also take a risk-based approach to prioritising our surveillance activities and use our powers to gather information about management structures and other matters as necessary.

### Proposed guidance on management structures

- 71 Rule 2.1.1(1) (APX), (ASX) and (Chi-X) requires a market participant to have appropriate management structures to ensure that:
- (a) it has operations and processes in place that are reasonably designed and implemented, and that achieve compliance by the market participant with the market integrity rules and market operating rules of the relevant market;
  - (b) the design, implementation, functioning and review of those operations and processes are subject to the supervision of one or more responsible executives; and
  - (c) each responsible executive has sufficient seniority and authority to supervise those operations and processes.
- 72 A market participant should have in place a management structure that is appropriate for the nature, scale and complexity of its business. The management structure should reflect the internal operational management of the market participant and its regulatory obligations. It should also consider the perceived, potential or actual risks to its business along with the perceived, potential or actual conflicts within its business.
- 73 A market participant should operate its business in an organised manner so that all parts of its business are adequately supervised and effectively controlled, irrespective of where the business is located or the number of branches or offices it operates.

### Proposal

- c3 We propose to update RG 214 and RG 224 to provide guidance on our expectations of the content of a market participant's management structure.

#### *Your feedback*

- C3Q1 Do you agree with our proposal to provide further guidance on the content of a management structure? If not, why not?

### Rationale

74 Market participants are required to have appropriate management structures and keep accurate records: Part 2.1 (APX), (ASX) and (Chi-X). Our current guidance on the content of management structures, last updated in 2010, states that we do not expect management structure records to differ

significantly from the records that existed and complied with the pre-transfer of supervision obligations.

75 We have observed significant variation in management structures submitted to ASIC under Rule 2.1.2 (APX), (ASX) and (Chi-X). For example, some market participants have only provided a chart showing the key personnel managing the market participant's activities, their titles, roles and reporting lines.

76 Better examples of management structure documentation provide meaningful information about a market participant's supervisory, risk and compliance arrangements.

77 Review of management structure documentation also serves as an opportunity for self-regulation, allowing the market participant to identify and resolve deficiencies in its compliance and supervisory arrangements.

78 For these reasons, we consider it helpful to provide guidance on our expectations of the content of compliant management structure documentation. In particular, we expect market participants to have, at a minimum:

- (a) an overview of their business model and business objectives, including the types of services and products offered by the organisation and physical office addresses;
- (b) a group structure chart which shows the relationship to its parent company and other related bodies corporate;
- (c) the internal structure of its business, including a chart showing the individuals managing the market participant's business, their titles, responsibilities, roles and reporting lines (including alternative arrangements when these individuals are on leave or out of the office);
- (d) a description of internal committees;
- (e) clearing and settlement arrangements;
- (f) details of any outsourcing arrangements;
- (g) frameworks for supervision, risk management, corporate governance and complying with their regulatory obligations;
- (h) monitoring, review and control processes and responsibilities; and
- (i) escalation and reporting processes.

79 As part of this process we will update RG 214 and RG 224 with any guidance that remains relevant from the following ASX Guidance Notes on management structure:

- (a) Guidance Note 6 *Management requirements*;
- (b) Guidance Note 7 *Management requirements—Good fame and character*; and
- (c) Guidance Note 27 *Ongoing compliance and supervision*.

## Carving out certain trustees from the meaning of dealing ‘as principal’

### The meaning of dealing ‘as principal’

- 80 Certain obligations and prohibitions in the ASIC market integrity rules apply only to market transactions entered into by a market participant ‘as principal’. These obligations and prohibitions primarily deal with disclosure and management of conflicts of interest, including disclosure and consent requirements, confirmations to clients, the prohibition on charging brokerage and commission fees to retail clients, and some restrictions on when the market participant may make bids or offers: see Appendix 2 for a list of ASIC market integrity rules affected by the definition of dealing ‘as principal’.
- 81 The meaning of dealing ‘as principal’ is given in Rule 3.2.5(1) (APX), (ASX), (Chi-X) and in the definition of ‘Principal’ in Rule 1.4.3 (Competition). Under Rule 3.2.5(1) (ASX) and (Chi-X), a reference to a market participant dealing or entering into a market transaction ‘as principal’ (except where it is dealing as trustee of a trust in which the market participant has no direct or indirect beneficial interest) includes a reference to a market participant entering into a market transaction on its own behalf or on behalf of:
- (a) a partner of the market participant;
  - (b) a director, company secretary or substantial holder of the market participant;
  - (c) the immediate family, family company or family trust of a partner, director, company secretary or substantial holder of the market participant;
  - (d) a body corporate in which the interests of one or more of the partners singly or together constitute a controlling interest; or
  - (e) any related body corporate of the market participant, except where that related body corporate is dealing as a trustee of a trust in which it, or the market participant, has no direct or indirect beneficial interest.
- Note: In this document ‘Rule 1.4.3 (Competition)’ (for example) refers to a particular rule of the ASIC Market Integrity Rules (Competition).
- 82 Rule 3.2.5 (ASX) and (Chi-X) is modelled on the previous ASX Market Rules, with the exception of the carve-out in Rule 3.2.5(1)(e) (ASX) and (Chi-X) for any related body corporate that is dealing as trustee of a trust and has no direct or indirect beneficial interest in the trust. Rule 3.2.5(1)(e) (APX) and paragraph (e) of the definition of ‘principal’ in Rule 1.4.3 (Competition) do not contain the carve-out.
- 83 In each of these market integrity rules, if a market participant or related body corporate dealing as trustee of a trust has any beneficial interest in the trust, however small, then the transaction is entered into as principal and the corresponding obligations and prohibitions will apply.

- 84 For example, the responsible entity of a managed investment scheme may receive trust units in lieu of fees for administering the trust. While the responsible entity continues to hold the units, any transaction entered into by the market participant on behalf of the responsible entity for the trust is entered into by the market participant as principal.

### Proposal

- c4** We propose to adopt in the ASIC Market Integrity Rules (Securities Markets) a narrower meaning of dealing ‘as principal’ by carving out market participants and related body corporates acting or trading as a trustee of a trust, if:
- (a) the trustee has no beneficial interest in the trust or a beneficial interest in the trust of less than 5%; and
  - (b) all of that interest was acquired by the trustee in lieu of fees for administering the trust.

#### *Your feedback*

- C4Q1 Do you agree with our proposal? If not, why not?
- C4Q2 Are there any other dealings by entities that should be excluded from the meaning of dealing ‘as principal’? If so, please give details.
- C4Q3 Should the carve-out be limited to trustees of listed trusts, rather than apply to all trusts? Please give reasons for your answer.
- C4Q4 Should the carve-out be limited to trustees who can satisfy both C4(a) and (b), or trustees who can satisfy one of C4(a) or (b)?

### Rationale

- 85 We propose to apply a single meaning of dealing ‘as principal’ across securities markets. The existing carve-outs from the meaning of dealing ‘as principal’ for a market participant acting as trustee (and for transactions on the ASX or Chi-X markets, a related body corporate acting as trustee) recognise the significant legal obligations placed on trustees to manage conflicts of interest. The carve-outs also recognise the parties that ultimately benefit from any trading by a trustee are not trustees, but the beneficiaries of the trust.
- 86 It is not unusual for some responsible entities to have small holdings in a scheme, and for trading executed through a related market participant to fall within the meaning of dealing ‘as principal’.
- 87 We propose to extend the carve-out to market participants and related body corporates that are trustees of a trust, if:
- (a) they have a beneficial interest in the trust of less than 5%; and
  - (b) all of that interest was acquired by the trustee in lieu of fees for administering the trust.

- 88 Under our proposal, the obligations and prohibitions that apply to market participants for transactions entered into as principal will not apply to dealings by trustees that fall within the extended carve-out; for example, crossing system disclosure requirements and the rules for minimum thresholds for block trades, large portfolio trades and trades with price improvement.
- 89 Narrowing the meaning of dealing ‘as principal’ by carving out trustees that hold less than 5% of the trust (acquired in lieu of fees) will not undermine the policy rationale of the existing rules. Where the trustee’s holding is less than 5% of the trust, the primary benefit of any trading continues to flow to the beneficiaries of the trust rather than the market participant or related body corporate. Trading by or on behalf of trustees in this situation is more comparable to client trading than principal trading because the market participant or related body corporate receives, at most, a proportionately minor benefit from the trading.

### Exceptions to the trustee carve-out

- 90 We have proposed to include Rule 5.1.7 (ASX) and (Chi-X) in the ASIC Market Integrity Rules (Securities Markets). This rule restricts a trading participant from making a bid or offer to enter into an options market transaction over an underlying financial product as principal if the trading participant has an order to buy or sell the underlying financial product in the underlying market that may materially affect the market price of the underlying product or level of an index.
- 91 The operation of Rule 5.1.7 in the draft ASIC Market Integrity Rules (Securities Markets) is affected by our proposal to carve out certain trustees from the meaning of ‘principal’: see proposal C4. That is, a bid or offer to enter into an options market transaction made by a market participant (or related body corporate) would not be made as principal where they are acting as trustee for a trust, if they meet the conditions in proposal C4(a)–C4(b). In these circumstances, the trustee would not be restricted by Rule 5.1.7 of the ASIC Market Integrity Rules (Securities Markets).

### Proposal

- c5 We propose to not apply the trustee carve-out in proposal C4 to Rule 5.1.7 of the ASIC Market Integrity Rules (Securities Markets).

#### *Your feedback*

- C5Q1 Do you agree with our proposal? Please give reasons for your answer.
- C5Q2 Are there any other rules to which the trustee carve-out in proposal C4 should not apply? If so, please give reasons for your answer.

### Rationale

92 Rule 5.1.7 (ASX) and (Chi-X) addresses front-running and the management of the appearance of conflicts of interest. Conflicts can occur when a principal trades in options while it has a client order for an underlying financial product in an underlying market that is unexecuted and may materially affect the market price of the underlying financial product or index referencing that product.

93 We want to preserve this prohibition to ensure that a material client order in an underlying market will have priority over subsequent orders in related options markets by a trading participant (or related body corporate) who is acting as trustee and has an interest in the trust, even where that interest is less than 5% of units.

94 We acknowledge that there are very limited circumstances where the trustee carve-out (in proposal C4) and Rule 5.1.7 of the ASIC Market Integrity Rules (Securities Markets) would overlap.

95 Not applying the trustee carve-out to Rule 5.1.7 of the ASIC Market Integrity Rules (Securities Markets) will mean that bids or offers to enter into an options market transaction from ‘interested trustees’ will be treated as though they are made as principal. Under this proposal, the requirements of Rule 5.1.7 of the ASIC Market Integrity Rules (Securities Markets) would be unchanged from those in Rule 5.1.7 (ASX) and (Chi-X).

### Application of Rule 3.2.4 (ASX) and (Chi-X) to other securities markets

96 Based on feedback we received to [Consultation Paper 202](#) *Dark liquidity and high-frequency trading: Proposals* (CP 202) about an amendment to Rule 3.2.5(1)(e) (ASX) and (Chi-X) (subsequently introduced in 2013), we made a minor amendment to Rule 3.2.4 (ASX) and (Chi-X).

97 The amendment clarified that the prohibitions in Rule 3.2.4 (ASX) and (Chi-X) on charging a client brokerage, commission or other fees where a market participant enters into a market transaction as principal, should be read with reference to the meaning of dealing ‘as principal’ in Rule 3.2.5 (ASX) and (Chi-X).

### Proposal

c6 We propose to apply the clarified prohibition in Rule 3.2.4 (ASX) and (Chi-X) to all securities markets in the ASIC Market Integrity Rules (Securities Markets).

*Your feedback*

C6Q1 Do you agree with our proposal? If not, why not?

C6Q2 Should a different meaning of dealing 'as principal' apply to Rule 3.2.4 of the ASIC Market Integrity Rules (Securities Markets)? If so, please give reasons for your answer.

**Rationale**

- 98 The policy rationale for the earlier amendment of Rule 3.2.4 (ASX) and (Chi-X) applies equally to other securities markets. To receive the benefit of a single definition of dealing 'as principal', and to ensure consistency among markets, we propose to apply the clarified prohibition in Rule 3.2.4 (ASX) and (Chi-X) to all securities markets in the ASIC Market Integrity Rules (Securities Markets).

**Aggregation of orders for block trades and large portfolio trades**

- 99 Subject to a limited number of exceptions, a market participant must not enter into a transaction for equity market products or CGS depository interests unless the order is first pre-trade transparent. The market operator must make pre-trade information available immediately.
- 100 Pre-trade transparency refers to information on bids and offers being made available before transactions occur. Together with post-trade information, it is essential to the:
- (a) fairness and efficiency of a market; and
  - (b) liquidity and quality of price formation of a market.
- 101 However, there are limited circumstances where pre-trade transparency can adversely affect a market and investors in terms of price volatility and higher execution costs. Pre-trade transparency exceptions for large orders (e.g. block trades and large portfolio trades) reduce the possibility of information leakage of these orders.

**Aggregation of client orders for block trades**

- 102 Under Rule 4.2.1 (Competition), a block trade is a transaction where:
- (a) if the transaction is entered into other than by matching orders on an order book, the participant acts:
    - (i) on behalf of both buying and selling clients to that transaction; or
    - (ii) on behalf of a buying or selling client on one side of that transaction and as principal on the other side;
  - (b) the relevant product of the order is issued by the same issuer, in the same class, with the same paid-up value; and



- (c) the consideration for the transaction meets certain product-specific thresholds.

103 Where a transaction is entered into off-order book as a crossing and the participant does not act as principal, there is ambiguity in the definition of block trade. The ambiguity arises as to whether the participant may act on behalf of:

- (a) only one buying client and one selling client to the transaction;
- (b) only one buying or selling client on one side of the transaction and one or more clients on the other side; or
- (c) one or more buying clients and one or more selling clients to the transaction.

104 There is also some ambiguity in the definition of block trade as to whether the participant may execute a transaction with one or more buying or selling clients on one side of the transaction and the participant acting as principal on the other side.

105 Our position is made clear in RG 223. RG 223.184 states that to meet the block trade consideration threshold in Rule 4.2.1 (Competition):

‘one side of the transaction may include a number of orders from one or more clients, provided the other side of the transaction is the market participant as principal or as agent on behalf of one client.’

106 We propose amendments to clarify that a block trade may be executed off-order book as a crossing between:

- (a) one client and one client;
- (b) one client and multiple clients;
- (c) one client and the participant as principal; and
- (d) multiple clients and the participant as principal.

## Proposal

**c7** We propose to adopt the definition of block trade in Rule 4.2.1 (Competition) in the ASIC Market Integrity Rules (Securities Markets) with amendments to clarify that a block trade:

- (a) cannot include orders from more than one client on both sides of the transaction; and
- (b) may have ‘multiple clients’ on one side of the transaction and a ‘principal’ on the other side of the transaction.

*Your feedback*

C7Q1 Do you agree with our proposal? Please give reasons for your answer.

**Rationale**

- 107 This proposal is consistent with ASX Operating Rules Procedure 4810, which applies to block special crossings and large portfolio trades made by participants of the ASX market. By reducing the risk of misinterpretation of the obligation, the proposed approach will provide greater certainty to market participants.

**Clarification of the pre-trade transparency exception for large portfolio trades**

- 108 A pre-trade transparency exception applies to large portfolio trades (Rule 4.1.1(2)(b) (Competition)): see paragraph 101. A large portfolio trade is defined by Rule 4.2.2 (Competition) to mean a transaction where:
- (a) if the transaction is entered into other than by matching orders on an order book, the participant acts:
    - (i) on behalf of both buying and selling clients to that transaction; or
    - (ii) on behalf of a buying or selling client on one side of that transaction and as principal on the other side;
  - (b) the transaction is entered into under a single agreement between the buyer and the seller for consideration in total of not less than \$5,000,000; and
  - (c) the transaction comprises purchases or sales of relevant products in not less than 10 different classes for which the minimum consideration in each class is \$200,000.
- 109 We propose to make clear that a large portfolio trade may only be executed off-order book as a crossing between:
- (a) one client and one client; or
  - (b) one client and the participant as principal.

**Proposal**

- c8** We propose to adopt the definition of large portfolio trade in Rule 4.2.2 (Competition) in the ASIC Market Integrity Rules (Securities Markets) with amendments to clarify that a large portfolio trade may only be executed off-order book as a crossing with a single party on each side of the transaction.

*Your feedback*

- C8Q1 Do you agree with our proposal? Please give reasons for your answer.

**Rationale**

- 110 Our proposal to clarify the definition of large portfolio trade in existing Rule 4.2.2 (Competition) in the ASIC Market Integrity Rules (Securities Markets) will provide greater certainty to participants and reduce the risk of misinterpretation.

## Aggregation of client and principal orders for block trades

- 111 Until March 2004, the ASX Business Rules for block special crossings for equities appeared to allow aggregation of principal and client orders on the same side of a transaction.
- 112 Currently, a participant acting as principal may be a party to a block trade entered into off-order book as a crossing if the participant acts on behalf of a buying or selling client on one side of the transaction and as principal on the other side: Rule 4.2.1(1)(a)(ii) (Competition).
- 113 A participant cannot use the pre-trade transparency exception for block trades in Rule 4.1.1(2)(a) (Competition) if principal and client orders are aggregated on the same side of an off-order book crossing. This type of transaction would fall outside the meaning of block trade in Rule 4.2.1 (Competition). ASX Operating Rule Procedure 4810 also does not allow aggregation of principal and client orders on the same side of a block trade.
- 114 In these circumstances, to use the pre-trade transparency exception for block trades and to minimise adverse market impacts, the participant may enter into two block trades as principal:
- (a) one transaction where it acts on behalf of the buying client (or clients) on one side of the transaction and as principal on the other side; and
  - (b) another transaction where it acts on behalf of the selling client (or clients) on one side of the transaction and as principal on the other side.
- 115 Unless these principal transactions qualify as large principal transactions (within the meaning of Rule 5.2.1 (Competition)), the participant must report post-trade information immediately after the transactions are executed.
- 116 A number of participants have expressed concern that they are exposed to excessive 'signalling risk' because of the narrow meaning of block trade in Rule 4.2.1 (Competition). When reporting two separate principal block trades to the market in these circumstances, the difference in consideration between the two transactions 'signals' to the market that the participant has taken a principal position.
- 117 To avoid the risk of signalling a principal position, a participant may break down a block-size order and execute a series of smaller transactions on market. However, this approach may cause adverse market impacts.
- 118 Participants have expressed concern that other participants may be aggregating client and principal orders on the same side of a block trade contrary to Rule 4.1.1(1) (Competition); for example, by treating an order from a related body corporate as a client order and not as a principal order.

- 119 We are considering whether we should revise our current policy position in Rule 4.2.1 (Competition) to allow aggregation of principal and client orders on the same side of a block trade transaction. We seek your comments on these options.

### Proposal

- c9 We propose to take one of the following options for Rule 4.2.1 (Competition):
- (a) *Option 1*—amend Rule 4.2.1 (Competition) to allow aggregation of client and principal orders on the same side of a block trade transaction.
  - (b) *Option 2*—amend Rule 4.2.1 (Competition) to allow aggregation of client and principal orders on the same side of a block trade transaction once the block trade consideration threshold has been met by the client orders on each side of the transaction.
  - (c) *Option 3*—maintain the status quo (i.e. a participant cannot use the pre-trade transparency exception for block trades in Rule 4.1.1(2)(a) (Competition) if principal and client orders are aggregated on the same side of an off-order book crossing).

#### *Your feedback*

- C9Q1 What is your preferred option? Please give reasons for your answer.
- C9Q2 Is signalling risk a concern for you? Will allowing aggregation of client and principal orders on one side of a block trade transaction alleviate your signalling risk?
- C9Q3 If options 1 or 2 are implemented what, if any, changes would you expect to see in the volume of block trades executed? What effect might this have on the fairness and efficiency of markets?

### Rationale

- 120 We are considering the potential benefits of allowing aggregation of client and principal orders on the same side of a block trade against the potential risks to market fairness and efficiency. Your feedback will help determine which of the three options will deliver the greatest net regulatory benefit.
- 121 Under options 1 and 2, allowing principal and client orders to be aggregated on the same side of a transaction would prevent participants from needing to separately report the principal and client components of a block trade. This means that a participant could avoid signalling to the market that it has taken a principal position.
- 122 Under option 2, the block trade consideration threshold must be met by the client orders on each side of the transaction. This would prevent a participant from pushing a trade into block trade size by combining a principal order

with client orders that would not otherwise meet the block trade consideration threshold.

- 123 Options 1 and 2 would make it easier for a participant to conduct a block trade where there is no exact match between one large client order and other clients' orders. By crossing off-market, risks of adverse market impacts (e.g. price volatility and higher execution costs) from large orders may be reduced.
- 124 While signalling risk is a concern to some participants, any increase in off-market trading volumes under options 1 and 2 may pose risks to market liquidity and the quality of price formation. Market liquidity and the quality of price formation help to ensure fair and efficient markets. Any risks to them must be weighed up against the potential benefits to some participants of a change in policy.
- 125 Irrespective of the option chosen, the market integrity rules contain protections for clients who transact with a participant as principal. For example:
- (a) disclosure to a client that the participant entered into the transaction as principal (Rules 3.2.2 and 3.2.3 (APX), (ASX) and (Chi-X));
  - (b) the client order priority rules (Part 5.1 (APX), (ASX) and (Chi-X)); and
  - (c) the best execution rule (Rule 3.1.1 (Competition)).
- 126 Even if the market integrity rules were amended (under options 1 and 2) to allow aggregation of principal and client orders on the same side of a block trade transaction, a block trade of this kind would not be permitted on ASX unless ASX Operating Rule Procedure 4810 is also amended.

## Derivative market contracts and wholesale client disclosure

- 127 On 27 October 2014, we issued ASIC Class Rule Waiver [CW 14–1091]: a temporary class waiver affecting the operation of Rules 3.4.1 and 3.4.3 (ASX).
- 128 Rule 3.4.1 (APX), (ASX) and (Chi-X) requires a market participant to give a client a confirmation containing specific information for each market transaction entered into on the client's instructions or on the client's managed discretionary account, unless the exception in Rule 3.4.3 (APX), (ASX) or (Chi-X) applies.

Note: In the ASIC Market Integrity Rules (ASX) a 'market transaction' includes a transaction for a cash market product or a derivatives market contract. In the ASIC Market Integrity Rules (APX) and (Chi-X) a 'market transaction' does not include a transaction in a derivatives market contract.

- 129 For wholesale clients, a market participant is not required to give a confirmation if the market participant notifies the client:
- (a) of certain matters before entering a trading message on the client's behalf (Rule 3.4.3(1)(a) (ASX) and (Chi-X) and Rule 3.4.3(1) (APX)); and

- (b) as soon as practicable (unless the client has agreed not to receive such notifications):
  - (i) if the market participant entered into a client's market transaction as principal, that they did so (Rule 3.4.3(1)(b)(i) (ASX) and (Chi-X)); and
  - (ii) if the client's market transaction was executed as a crossing, the execution code of the execution venue for the crossing (Rule 3.4.3(1)(b)(ii) (ASX) and (Chi-X)).

Note: Rule 3.4.3(1)(b) (ASX) and (Chi-X) commenced on 10 May 2014, but market participants were not required to comply with its provisions until 28 October 2014 (Rule 3.4.3(5) (ASX) and (Chi-X)).

130 Market participants are required to notify a retail client of a market transaction executed with the participant as principal or as a crossing (among other things) in a confirmation that complies with Rule 3.4.1 (APX), (ASX) and (Chi-X). Rule 3.4.3(1)(b) (ASX) and (Chi-X) is intended to give a wholesale client who is not given a confirmation information about how the market transaction was executed.

Note: Rule 3.4.3 (APX) does not contain provisions equivalent to Rule 3.4.3(1)(b) (ASX) and (Chi-X).

131 [CW 14–1091] gives ASX market participants relief until 30 June 2017 from providing a confirmation (or alternative notifications under Rule 3.4.3(1)(b) (ASX), if applicable) to a wholesale client for a market transaction in a derivatives market contract.

132 Temporary relief was granted because market participants had not considered the application of Rule 3.4.3(1)(b) (ASX) to derivatives market contracts and were not in a position to comply with the requirements at the time they came into effect on 28 October 2014.

133 If implemented, our proposal to adopt the provisions of Rule 3.4.3(1)(b) (ASX) and (Chi-X) in the ASIC Market Integrity Rules (Securities Markets) would have the effect of revoking [CW 14-1091] and applying Rule 3.4.3(1)(b) (ASX) and (Chi-X) to other securities markets.

Note: The carve-out in Rule 3.4.3 (APX) from the requirement to give a confirmation to a wholesale client for a market transaction is not conditional upon giving alternative notifications.

134 Market participants have already implemented the technology and process changes required to comply with Rule 3.4.3(1)(b) (ASX) and (Chi-X) for market transactions in cash market products. ASX and Chi-X have built the capability to support the transmission of information back to market participants required by Rule 3.4.3(1)(b) (ASX) and (Chi-X) for both cash market products and derivatives market contracts.

135 We acknowledge that market participants will need to undertake further technology and process updates to be able to provide the notifications in Rule 3.4.3(1)(b) (ASX) and (Chi-X) for derivatives market contracts. This is because many market participants use different front and back office systems for derivatives market contracts and cash market products.

### Proposal

**C10** We propose to remove class waiver relief provided in [CW 14-1091] and apply Rule 3.4.3(1)(b) of the ASIC Market Integrity Rules (Securities Markets) to all securities markets.

#### *Your feedback*

C10Q1 Do you agree with our proposal? Please give reasons for your answer.

C10Q2 Do the notifications in Rule 3.4.3(1)(b) (ASX) and (Chi-X) meet the needs of wholesale clients that are not provided with a confirmation for market transactions in cash market products? Please give reasons for your answer.

C10Q3 Should the provisions of Rule 3.4.3(1)(b) (ASX) and (Chi-X) apply equally to other securities markets? If not, why not?

C10Q4 What, if any, additional information should be provided in a notification to a wholesale client, if:

- (a) a market participant enters into a derivatives market contract transaction with a client as principal; and
- (b) a client's derivatives market contract order is executed as a crossing?

C10Q5 What would be the most practical and cost-effective method of transmitting the information required by Rule 3.4.3(1)(b) in the ASIC Market Integrity Rules (Securities Markets)?

C10Q6 What additional costs will you incur if our proposal is implemented? Please provide an estimate of the time and costs associated with technology and process changes necessary to comply with the notification requirements for:

- (a) derivatives market contracts; and
- (b) transactions on the SSX market and other securities markets.

C10Q7 What is an appropriate transition period to allow for implementation of any necessary technology changes?

### Rationale

136 It is important for retail and wholesale clients to understand the capacity in which a market participant has filled their order, particularly where the transaction is with the participant as principal. This helps ensure conflicts of interest arising from information asymmetry are appropriately managed.

137 For example, a meaningful volume of exchange-traded options (a type of derivatives market contract) are executed as crossings, especially during expiration months where crossings usually amount to 25% of total volume traded. Our research indicates that in the year to April 2016, principal accounts operated by market participants accounted for an average of 44% of total exchange-traded option volume executed as a crossing.

138 This proposal brings the disclosure requirements in line with:

- (a) the International Organization of Securities Commissions [Principles for dark liquidity \(PDF 8.75 MB\)](#) and ensures there is transparency with how client orders are handled; and
- (b) similar disclosures given to retail clients in a confirmation.

139 To allow market participants sufficient time to implement necessary technology and process changes to give the notifications, we deferred the commencement of Rule 3.4.3(1)(b) (ASX) and (Chi-X) for derivatives market contracts: [CW 14-1091]. While certain changes have been implemented, we acknowledge that further changes will be necessary if our proposal is adopted.

140 Informal discussions with participants suggest they would require at least six months to implement any necessary technology changes.

#### **Applying Rule 3.4.3(1)(b) (ASX) and (Chi-X) to the SSX market**

141 Although we amended the ASIC Market Integrity Rules (ASX) and (Chi-X) to include a new Rule 3.4.3(1)(b) (ASX) and (Chi-X), an equivalent amendment was not made to the ASIC Market Integrity Rules (APX) at the time.

142 Our proposal would have the effect of applying the provisions of Rule 3.4.3(1)(b) (ASX) and (Chi-X) to other securities markets, including SSX.

Note: The carve-out in Rule 3.4.3 (APX) from the requirement to give a confirmation to a wholesale client for a market transaction is not conditional on giving alternative notifications.

143 We consider the policy rationale for Rule 3.4.3(1)(b) (ASX) and (Chi-X) applies equally across securities markets, and we propose to apply the requirement consistently for each of the markets covered by the ASIC Market Integrity Rules (Securities Markets).

## **Record keeping for market operators**

144 The ASIC market integrity rules impose a number of obligations on market participants to keep records about their activities: see, for example, Part 4 of the ASIC Market Integrity Rules (ASX). However, there are very few rules that explicitly require market operators to keep records demonstrating compliance with their obligations. For example:

- (a) Rule 5A.2.2 (Competition) requires equity and CGS market operators to keep regulatory data provided by participants, but does not specify a period; and



- (b) Rule 7.2.1 (APX), (ASX) and (Chi-X) requires ASX, Chi-X and SSX to maintain certain identifying information about each market participant.

145

Several other market integrity rules and Corporations Act provisions appear to implicitly require a market operator to keep records to operate the market and effectively carry out supervisory activities. For example:

- (a) a market licensee must have adequate arrangements for operating the market (s792A(c) of the Corporations Act);
- (b) a market licensee must give ASIC an annual report about its compliance with its market licensee obligations (s792F);
- (c) a market licensee must have written procedures dealing with (among other things):
  - (i) arrangements to ensure the integrity and security of systems;
  - (ii) arrangements for monitoring compliance by participants and listed entities with the market's operating rules; and
  - (iii) recording and effective disclosure of transactions;

Note: See reg 7.2.08(b), (c) and (f) of the Corporations Regulations 2001.

- (d) a trading participant may rely on records maintained by the market operator to satisfy certain obligations (Rule 4.1.6 (APX), (ASX) and (Chi-X)); and
- (e) equity and CGS market operators must:
  - (i) make post-trade information available for their markets; and
  - (ii) have arrangements in place for validating that the corresponding transactions met the relevant criteria for a pre-trade transparency exception (Rules 5.1.4, 5.1.4A and 5.1.5 (Competition)).

## Proposal

**c11** We propose to make market integrity rules requiring a market operator to keep records:

- (a) to demonstrate it has complied with its obligations under the ASIC market integrity rules and Pt 7.2 of the Corporations Act (see Part 9.5 of the draft ASIC Market Integrity Rules (Securities Markets) in Attachment 1 and Part 4.3 of the draft ASIC Market Integrity Rules (Futures Markets) in Attachment 2); and
- (b) for a period of at least seven years from the date the record is made or amended (see Rules 6.1.2(1A), 6.3.4(1A), 6.3.6A(1A), 7.1AA.3(1A), 7.1.1(1A) and 9.5.2 in the draft ASIC Market Integrity Rules (Securities Markets) in Attachment 1 and Rules 4.1.1(1A) and 4.3.2 in the draft ASIC Market Integrity Rules (Futures Markets) in Attachment 2).

### *Your feedback*

C11Q1 Do you agree with our proposal? Please give reasons for your view.

C11Q2 Is seven years a reasonable period for records to be retained by market operators? If not, why not?

## Rationale

- 146 Good record keeping is important because it:
- (a) promotes accountability and transparency;
  - (b) facilitates market licensees' supervisory activities; and
  - (c) demonstrates market licensees' compliance with regulatory obligations.
- 147 The retention of records is an implicit component of several market licensee obligations, including the obligation to have adequate arrangements for operating a market under s792A(c).
- 148 Market operators are responsible for critically important infrastructure in the Australian financial economy. We consider it appropriate to impose explicit obligations on market operators to retain records to demonstrate compliance with their obligations in the ASIC market integrity rules and in Pt 7.2. Explicit obligations will provide greater certainty and aid our supervision of market operators' activities.
- 149 Retention of order and trading records is particularly important, as is retention of records about market operators' decisions and supervision of:
- (a) company listing and product admission;
  - (b) participant admission;
  - (c) monitoring of issuers and participants;
  - (d) managing conflicts of interest;
  - (e) trading suspensions;
  - (f) technology resources; and
  - (g) outsourcing arrangements.
- 150 In future, we propose to flesh out our expectations for record keeping in guidance, including the themes mentioned in paragraph 149.
- 151 A seven-year retention period is consistent with many record-keeping obligations applying to market participants and AFS licensees. It is our experience that market operators already typically retain records for at least seven years. We do not expect the proposed retention period to increase the regulatory burden on market operators, particularly with the efficiencies offered by modern electronic record retention and recovery processes.

## D Regulatory and financial impact

- 152 In developing the proposals in this paper, we have carefully considered their regulatory and financial impact. On the information currently available to us we think they will strike an appropriate balance between:
- (a) reducing the regulatory burden for market participants; and
  - (b) ensuring fair and efficient markets.
- 153 Before settling on a final policy, we will comply with the Australian Government's regulatory impact analysis (RIA) requirements by:
- (a) considering all feasible options, including examining the likely impacts of the range of options which could meet our policy objectives;
  - (b) if regulatory options are under consideration, notifying the Office of Best Practice Regulation (OBPR); and
  - (c) if our proposed option has more than minor or machinery impact on business or the not-for-profit sector, preparing a regulation impact statement (RIS).
- 154 All RISs are submitted to the OBPR for approval before we make any final decision. Without an approved RIS, ASIC will not give relief or make any other form of regulation, including issuing a regulatory guide that contains regulation.
- 155 To ensure that we are in a position to properly complete any required RIS, please give us as much information as you can about our proposals or any alternative approaches, including:
- (a) the likely compliance costs;
  - (b) the likely effect on competition; and
  - (c) other impacts, costs and benefits.
- See 'The consultation process', p. 4.

## Appendix 1: Comparison of existing market integrity rules and proposed ASIC Market Integrity Rules (Securities Markets) 2017

Table 5: Composition of proposed ASIC Market Integrity Rules (Securities Markets) 2017

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Chapter 1: Introduction	Not applicable	<i>[Chapter heading]</i>
Part 1.1 Preliminary	Not applicable	<i>[Part heading]</i>
Rule 1.1.1 Enabling legislation	Not applicable	This is a new market integrity rule that sets out the enabling legislation for these market integrity rules.
Rule 1.1.2 Title	Not applicable	This is a new market integrity rule that sets out the title of these market integrity rules.
Rule 1.1.3 Commencement	Not applicable	This is a new market integrity rule that sets out the commencement date for these market integrity rules.
Rule 1.1.3A Revocation	Not applicable	This is a new market integrity rule that repeals specified market integrity rules that are superseded by these market integrity rules.
Rule 1.1.4 Scope of these Rules	Not applicable	This is a new market integrity rule that sets out the scope of these market integrity rules.
Rule 1.1.5 Entities that must comply with these Rules	Not applicable	This is a new market integrity rule that sets out the entities that must comply with these market integrity rules.
Rule 1.1.6 Conduct by officers, Employees or agents	Rule 1.1.6 (APX), (ASX), (Chi-X), (Competition)	Adopted.
Rule 1.1.7 State of mind of a person	Rule 1.1.7 (APX), (ASX), (Chi-X), (Competition)	Adopted.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Part 1.2 Waiver	Part 1.2 (APX), (ASX), (Chi-X), (Competition)	<i>[Part heading]</i>
Rule 1.2.1 Waiver of Rules	Rule 1.2.1 (APX), (ASX), (Chi-X), (Competition)	Adopted.
Rule 1.2.2 Compliance with conditions	Rule 1.2.2 (APX), (ASX), (Chi-X), (Competition)	Adopted.
Rule 1.2.3 Period during which relief applies	Rule 1.2.3 (APX), (ASX), (Chi-X), (Competition)	Adopted.
Rule 1.2.4 Register	Rule 1.2.4 (APX), (ASX), (Chi-X), (Competition)	Adopted.
Part 1.3 Notice, notification and service of documents	Part 1.3 (APX), (ASX), (Chi-X), (Competition)	<i>[Part heading]</i>
Rule 1.3.1 Market Participant to have email	Rule 1.3.1 (APX), (ASX), (Chi-X), (Competition)	Adopted.
Rule 1.3.2 Methods of giving notice in writing	Rule 1.3.2 (APX), (ASX), (Chi-X), (Competition)	Adopted.
Part 1.4 Interpretation	Part 1.4 (APX), (ASX), (Chi-X), (Competition)	<i>[Part heading]</i>
Rule 1.4.1 References to time	Rule 1.4.1 (APX), (ASX), (Chi-X), (Competition)	Adopted.
Rule 1.4.2 Words and expressions defined in the Corporations Act	Rule 1.4.2 (APX), (ASX), (Chi-X), (Competition)	Adopted.
Rule 1.4.3 Definitions	Rule 1.4.3 (APX), (ASX), (Chi-X), (Competition)	Adopted with drafting amendments. There are new definitions for: <ul style="list-style-type: none"> <li>• 'IR Plus Market'</li> <li>• 'Large Order'</li> <li>• 'NSXA'</li> <li>• 'NSXA Market'</li> <li>• 'Pre-Commencement Market Integrity Rules'</li> <li>• 'Relevant Product'</li> <li>• 'SSX'</li> <li>• 'SSX Market'.</li> </ul>

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
		<p>The following definitions were omitted:</p> <ul style="list-style-type: none"> <li>• 'APX Announcements Office'</li> <li>• 'APX Market Transaction'</li> <li>• 'APX Product'</li> <li>• 'ASX Market Integrity Rules'</li> <li>• 'ASX Participant'</li> <li>• 'Australian ADI'</li> <li>• 'CGS Depository Interest'</li> <li>• 'CGS Market Operator'</li> <li>• 'Chi-X Australia Market Integrity Rules'</li> <li>• 'Chi-X Australia Participant'</li> <li>• 'Commencement Date'</li> <li>• 'Competition Market Integrity Rules'</li> <li>• 'Compliance Education'</li> <li>• 'Compliance Education Requirements'</li> <li>• 'Derivative'</li> <li>• 'Equilibrium Price'</li> <li>• 'Financial Market'</li> <li>• 'Financial Product'</li> <li>• 'Financial Product Advice'</li> <li>• 'Listed Entity'</li> <li>• 'Listing Rules'</li> <li>• 'Investment Product'</li> <li>• 'Investment Product Issuer'</li> <li>• 'Investment Product (MIS)'</li> <li>• 'Investment Product (Warrant)'</li> </ul>

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
		<ul style="list-style-type: none"> <li>• 'In Writing'</li> <li>• 'Managed Fund Product'</li> <li>• 'Market Operating Rules'</li> <li>• 'Market Operator'</li> <li>• 'Market Transaction'</li> <li>• 'National Voicemail System'</li> <li>• 'Non-ASX Contract'</li> <li>• 'Non-ASX Market'</li> <li>• 'Official List'</li> <li>• 'Operating Rules'</li> <li>• 'Qualifying Bid or Offer'</li> <li>• 'Related Body Corporate'</li> <li>• 'Relevant Activities'</li> <li>• 'Reportable Short Sale Order'</li> <li>• 'Reportable Short Sale Transaction'</li> <li>• 'Responsible Executive'</li> <li>• 'Retail Client'</li> <li>• 'Section 1020B Products'</li> <li>• 'Securities Lending Arrangement'</li> <li>• 'Wholesale Client'.</li> </ul>
Rule 1.4.4 Responsible Market Operator for CGS Depository Interests	Rule 1.4.4 (APX), (ASX), (Chi-X), (Competition)	Adopted with drafting amendments.
Rule 1.4.5 Responsible Market Operator for Equity Index Futures	Rule 1.4.5 (APX), (ASX), (Chi-X), (Competition)	Adopted with drafting amendments.

<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Rule 1.4.6 Responsible Market Operator for Equity Market Products	Rule 1.4.3 (Competition)	Adopted from the definition of Responsible Market Operator in Rule 1.4.3 (Competition), with drafting amendments.
Part 1.5 Participants of multiple markets	Not applicable	<i>[Part heading]</i>
Rule 1.5.1 Participants may rely on notifications	Not applicable	This is a new market integrity rule that provides that a Market Participant or CGS Market Participant may give ASIC the same document in relation to more than one Market or CGS Market in satisfaction of an obligation under the rules to give a document to ASIC if it has given ASIC notice and the document contains all the required information.
Part 1.6 Transitional	Not applicable	<i>[Part heading]</i>
Rule 1.6.1 Status of notifications and certifications given by a Market Participant under the Pre-Commencement Market Integrity Rules	Not applicable	This is a new market integrity rule that deems a notification or certification given by a Market Participant to ASIC under the Pre-Commencement Market Integrity Rules to have been given under the corresponding provision in these rules and that it will continue in its existing form and have continuing effect.
Chapter 2 Market Participants and Representatives	Chapter 2 (APX), (ASX), (Chi-X) Participants and Representatives	<i>[Chapter heading]</i>
Part 2.1 Management requirements	Part 2.1 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 2.1.1 Management structure	Rule 2.1.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.1.2 Notification of management structure	Rule 2.1.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments. Rule 2.1.2(2) (APX), (ASX), (Chi-X) is omitted.
Rule 2.1.3 Supervisory procedures	Rule 2.1.3 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.1.4 Persons involved in the business— Good fame and character requirement	Rule 2.1.4 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.



ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 2.1.5 Unprofessional Conduct	Rule 2.1.5 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.1.6 Responsibility for individuals involved in business	Rule 2.1.6 (APX), (ASX), (Chi-X)	Adopted.
Part 2.2 Insurance and information requirements	Part 2.2 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 2.2.1 Insurance requirements—Obligation to have insurance	Rule 2.2.1 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.2.2 Insurance requirements—Insurance with related body corporate	Rule 2.2.2 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.2.4 Insurance requirements—Notification of claims	Rule 2.2.4 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.2.5 Information requirements—Obligation to notify of legal proceedings	Rule 2.2.5 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 2.3 Supervisory staff	Part 2.3 (APX), (ASX), (Chi-X) Responsible Executives	<p><i>[Part heading]</i></p> <p>The following market integrity rules are omitted from Part 2.3 of these market integrity rules:</p> <ul style="list-style-type: none"> <li>• Rule 2.3.1 (APX), (ASX), (Chi-X) Appointment or resignation of Responsible Executives;</li> <li>• Rule 2.3.3 (APX), (ASX), (Chi-X) Annual review and representation to Market Participant;</li> <li>• Rule 2.3.4 (APX), (ASX), (Chi-X) Continuing education requirements for Responsible Executives; and</li> <li>• Rule 2.3.5 (APX), (ASX), (Chi-X) Annual continuing education and compliance self-assessment.</li> </ul>

<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Rule 2.3.2 Ongoing responsibilities of Market Participants in relation to supervisory staff	Rule 2.3.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 2.4 Retail client Adviser Accreditation	Part 2.4 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 2.4.1 Accreditation required	Rule 2.4.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments. Rule 2.4.1(3) (APX), (ASX), (Chi-X) is omitted.
Rule 2.4.2 Extent of advice to clients—Level One Accredited Derivatives Adviser	Rule 2.4.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.3 Covered Call Option Strategy	Rule 2.4.3 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.4.4 Extent of advice to clients—Level Two Accredited Derivatives Adviser	Rule 2.4.4 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.5 Extent of advice to clients—Accredited Futures Adviser	Rule 2.4.5 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.6 Accreditation—Accredited Futures Adviser	Rule 2.4.6 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.7 Accreditation—Level One Accredited Derivatives Adviser	Rule 2.4.7 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.8 Accreditation—Level Two Accredited Derivatives Adviser	Rule 2.4.8 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.9 Acceptance of application	Rule 2.4.9 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.4.10 Rejection of application	Rule 2.4.10 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.4.11 Exemption for other accreditation and experience	Rule 2.4.11 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 2.4.12 Examinations	Rule 2.4.12 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.13 Renewal of accreditation	Rule 2.4.13 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.14 Acceptance of application	Rule 2.4.14 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.4.15 Rejection of application or renewal subject to conditions	Rule 2.4.15 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.4.16 Effect of non-renewal	Rule 2.4.16 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.4.17 Automatic withdrawal of accreditation	Rule 2.4.17 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.4.18 Voluntary withdrawal of accreditation	Rule 2.4.18 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.19 Suspension or withdrawal by ASIC	Rule 2.4.19 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.20 Re-accreditation after withdrawal or expiry	Rule 2.4.20 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.21 Continuing Professional Education Requirements for Accredited Advisers	Rule 2.4.21 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.4.22 Managed Discretionary Accounts—Derivatives Market Transactions and Warrants	Rule 2.4.22 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 2.5 Designated Trading Representatives (DTRs)	Part 2.5 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 2.5.1 Trading in a Trading Platform	Rule 2.5.1 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.5.2 Trading Participant must have a DTR	Rule 2.5.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 2.5.3 DTRs may submit Trading Messages	Rule 2.5.3 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.5.4 Responsibility of Trading Participant	Rule 2.5.4 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.5.5 DTR criteria	Rule 2.5.5 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 2.5.6 Trading Participant must allocate unique identifier	Rule 2.5.6 (APX), (ASX), (Chi-X)	Adopted.
Rule 2.5.7 Records—DTRs	Rule 2.5.7 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 2.6 Foreign Participants	Part 2.6 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 2.6.1 Minimum presence requirements	Rule 2.6.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Chapter 3 Client relationships	Not applicable	<i>[Chapter heading]</i>
Part 3.1 Clients trading in products for first time	Part 3.1 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 3.1.1 Documents to be given to a client	Rule 3.1.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.1.2 Documents to be given to a client: Options, LEPOs and Warrants	Rule 3.1.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.1.3 Information to be given to a client: Execution arrangements	Rule 3.1.3 (APX), (ASX), (Chi-X) Rule 3.1.3(2) (Chi-X)	Adopted with drafting amendments. Rule 3.1.3(2)(e) (Chi-X) is omitted.
Rule 3.1.4 Information to be given to a client: Clearing arrangements for Equity Securities, Loan Securities or Warrants	Rule 3.1.4 (APX), (ASX), (Chi-X) Rule 3.1.4(3) (Chi-X)	Adopted with drafting amendments. Rule 3.1.4(3)(e) (Chi-X) is omitted.
Rule 3.1.4A Information to be given to a client: Settlement arrangements	Rule 3.1.4A (APX)	Adopted.

<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Rule 3.1.5 Information to be given to a client: Clearing arrangements for Futures Market Transactions	Rule 3.1.5 (APX), (ASX), (Chi-X)	Adopted with drafting amendments. Subrule (2) is a new provision which provides a carve-out similar to that in Rule 3.1.3(3) of the proposed ASIC Market Integrity Rules (Securities Markets) 2017.
Rule 3.1.6 Minimum terms of Client Agreement for Futures Market Contracts	Rule 3.1.6 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.1.7 Minimum terms of Client Agreement for Options Market Contracts	Rule 3.1.7 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.1.8 Client Agreement for Warrants	Rule 3.1.8 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.1.9 Client Agreement for Partly Paid Securities	Rule 3.1.9 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.1.10 Other terms of Client Agreements	Rule 3.1.10 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.1.11 Market Participant to keep copy of Client Agreement and disclosures	Rule 3.1.11 (APX), (ASX), (Chi-X)	Adopted.
Rule 3.1.12 Client agreement where Market Participant is not the Clearing Participant (Options Market Transactions only)	Rule 3.1.12 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.1.13 Client agreement where Market Participant is the Clearing Participant (Options Market Transactions only)	Rule 3.1.13 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Part 3.2 Trading as Principal	Part 3.2 (APX), (ASX), (Chi-X)	<p><i>[Part heading]</i></p> <p>Rule 3.2.5 (APX), (ASX), (Chi-X) Extended meaning of dealing as Principal is omitted from Part 3.2 of these market integrity rules and a narrower meaning of 'Principal' is adopted in Rule 1.4.3. The meaning of 'Principal' in Rule 1.4.3 is narrowed by carving out market participants and related body corporates acting or trading as a trustee of a trust, if:</p> <ul style="list-style-type: none"> <li>• the trustee has no beneficial interest in the trust or a beneficial interest in the trust of less than 5%; and</li> <li>• all of that interest was acquired by the trustee in lieu of fees for administering the trust.</li> </ul>
Rule 3.2.1 Application	Rule 3.2.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.2.2 Disclosure and consent	Rule 3.2.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.2.3 Confirmation must include disclosure	Rule 3.2.3 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.2.4 Brokerage and commission	Rule 3.2.4 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.2.6 Register of persons who are regarded as Principal	Rule 3.2.6 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 3.3 Client instructions	Part 3.3 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 3.3.1 Market Participant restrictions	Rule 3.3.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.3.2 Excessive trading	Rule 3.3.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 3.4 Reporting to Clients	Part 3.4 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 3.4.1 Confirmations—Form and timing	Rule 3.4.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 3.4.2 Confirmations—accumulation and price averaging	Rule 3.4.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.4.3 Confirmations—clients other than retail clients	Rule 3.4.3 (APX), (ASX), (Chi-X)	Adopted with drafting amendments. The ASIC Market Integrity Rules (APX) do not contain provisions corresponding to Rules 3.4.3(1)(b) or (4).
Part 3.4A Multiple Markets—Single trade confirmations	Part 7.3 (Competition)	<i>[Part heading]</i>
Rule 3.4A.1 Multiple markets—Participant may produce single trade confirmation	Rule 7.3.1 (Competition)	Adopted with drafting amendments.
Part 3.5 Client Money and Property	Part 3.5	<i>[Part heading]</i>
Rule 3.5.1 Trust accounts—Cash Market Transactions and Options Market Transactions	Rule 3.5.1 (APX), (ASX), (Chi-X)	Adopted.
Rule 3.5.2 Segregated accounts or trust accounts—Futures Market Transaction	Rule 3.5.2 (APX), (ASX), (Chi-X)	Adopted.
Rule 3.5.3 Bank accounts to be with Australian ADI	Rule 3.5.3 (APX), (ASX), (Chi-X)	Adopted.
Rule 3.5.4 Approved foreign banks	Rule 3.5.4 (APX), (ASX), (Chi-X)	Adopted.
Rule 3.5.5 Change of rating or approval of ADI	Rule 3.5.5 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.5.6 Liquidity requirement—clients' segregated accounts—Futures Market Transactions	Rule 3.5.6 (APX), (ASX), (Chi-X)	Adopted.

<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Rule 3.5.7 Top up requirement—clients' segregated accounts—Futures Market Transactions	Rule 3.5.7 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.5.8 Reconciliation of clients' segregated accounts	Rule 3.5.8 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.5.9 Reconciliation of trust accounts	Rule 3.5.9 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.5.10 Obligation to notify ASIC in respect of reconciliation	Rule 3.5.10 (APX), (ASX), (Chi-X)	Adopted.
Rule 3.5.11 Schedule of trust amounts	Rule 3.5.11 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 3.6 Prohibition of advice to Client	Part 3.6 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 3.6.1 Definition used in this Part 3.6	Rule 3.6.1 (APX), (ASX), (Chi-X)	Adopted.
Rule 3.6.2 Market Participant possesses information that is not generally available	Rule 3.6.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.6.3 Information barriers in place	Rule 3.6.3 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 3.6.4 Certain actions do not constitute giving advice	Rule 3.6.4 (APX), (ASX), (Chi-X)	Adopted.
Part 3.7 Dealing in Cash Market Products	Part 5.10 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 3.7.1 Disclosure of shortfall—Must disclose to Client	Rule 5.10.5 (APX), (ASX), (Chi-X)	Adopted.
Rule 3.7.2 Expenses—Reimbursement for out-of-pocket expenses	Rule 5.10.6 (APX), (ASX), (Chi-X)	Adopted.



ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 3.7.3 Nominee holdings—Restrictions on when an Equity Security can be recorded in the name of a nominee company	Rule 5.10.7 (APX), (ASX), (Chi-X)	Adopted.
Part 3.8 Best execution obligation	Part 3.1 (Competition)	<i>[Part heading]</i>
Rule 3.8.1AA Application of Part	Rule 3.1A.1 (Competition)	Adopted with drafting amendments.
Rule 3.8.1 Best execution obligation—Best outcome	Rule 3.1.1 (Competition)	Adopted with drafting amendments.
Rule 3.8.2 No inducement	Rule 3.1.2 (Competition)	Adopted with drafting amendments.
Rule 3.8.3 Prohibition on discriminatory commission structure	Rule 3.1.3 (Competition)	Adopted with drafting amendments.
Part 3.9 Policies and procedures	Part 3.2 (Competition)	<i>[Part heading]</i>
Rule 3.9.1AA Application of Part	Rule 3.1A.1 (Competition)	Adopted with drafting amendments.
Rule 3.9.1 Market Participant must have adequate policies and procedures in place	Rule 3.2.1 (Competition)	Adopted with drafting amendments.
Rule 3.9.2 Participant must comply with its policies and procedures	Rule 3.2.2 (Competition)	Adopted with drafting amendments.
Rule 3.9.3 Best execution arrangements—Review	Rule 3.2.3 (Competition)	Adopted with drafting amendments.
Part 3.10 Disclosure to clients of best execution obligation	Part 3.3 (Competition)	<i>[Part heading]</i>
Rule 3.10.1AA Application of Part	Rule 3.1A.1 (Competition)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 3.10.1 Disclosure of best execution obligation	Rule 3.3.1 (Competition)	Adopted with drafting amendments.
Rule 3.10.2 Disclosure of best execution obligation under the Pre-Commencement Market Integrity Rules	Rule 3.3.2 (Competition)	Adopted with drafting amendments.
Part 3.11 Evidencing execution performance	Part 3.4 (Competition)	<i>[Part heading]</i>
Rule 3.11.1AA Application of Part	Rule 3.1A.1 (Competition)	Adopted with drafting amendments.
Rule 3.11.1 Demonstrating execution performance and Order transmission by Participants—On request by a client	Rule 3.4.1 (Competition)	Adopted with drafting amendments.
Rule 3.11.2 Demonstrating execution performance and Order transmission by Participants—Evidencing adequacy of arrangements	Rule 3.4.1 (Competition)	Adopted with drafting amendments.
Chapter 4 Records	Not applicable	<i>[Chapter heading]</i>
Part 4.1 Trading records	Part 4.1 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 4.1.1 Records of dealings for clients	Rule 4.1.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 4.1.2 Records of dealings on Own Account	Rule 4.1.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 4.1.3 Records to be made immediately	Rule 4.1.3 (APX), (ASX), (Chi-X)	Adopted.
Rule 4.1.4 Records to be retained for prescribed period	Rule 4.1.4 (APX), (ASX), (Chi-X)	Adopted.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 4.1.5 Certain records maintained by the Market operator	Rule 4.1.5 (APX), (ASX), (Chi-X)	Adopted.
Rule 4.1.6 Conditions for reliance on the Market operator records	Rule 4.1.6 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 4.1.7 Records of dealings for clients by a Market Participant who instructs another Trading Participant to execute the dealings	Rule 4.1.7 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 4.1.8 Records of dealings on its Own Account by a Market Participant who instructs another Trading Participant to execute the dealings	Rule 4.1.8 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 4.1.9 Records regarding Authorised Persons	Rule 4.1.9 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 4.1.10 Telephone recording of client dealings—Futures Market Transactions	Rule 4.1.10 (APX), (ASX), (Chi-X)	Adopted.
Part 4.2 Records—General	Part 4.2 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 4.2.1 General recordkeeping requirements	Rule 4.2.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 4.2.2 Client complaints—Records of complaints and correspondence	Rule 4.2.2 (APX), (ASX), (Chi-X)	Adopted.
Part 4.3 Access to records	Part 4.3 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 4.3.1 Records to be in writing and in English	Rule 4.3.1. (APX), (ASX), (Chi-X)	Adopted.
Rule 4.3.2 Records kept outside of Australia	Rule 4.3.2 (APX), (ASX), (Chi-X)	Adopted.

<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Chapter 5 Trading	Not applicable	<i>[Chapter heading]</i>
Part 5.1AA Transactions to be under the operating rules of a Market operator	Part 7.1 (Competition)	<i>[Part heading]</i>
Rule 5.1AA.1 Transactions to be under the operating rules of a Market operator	Rule 7.1.1 (Competition)	Adopted with drafting amendments.
Part 5.1 Client order priority	Part 5.1 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.1.1 Application and meaning of dealing on 'Own Account'	Rule 5.1.1 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.1.2 Exceptions	Rule 5.1.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.1.3 Fairness and priority in dealing	Rule 5.1.3 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.1.4 Relevant factors	Rule 5.1.4 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.1.5 Fairness and priority in allocation	Rule 5.1.5 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.1.6 Relevant factors	Rule 5.1.6 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.1.7 Unexecuted order in Underlying Financial Products—Trading Participant not to make Bids or Offers	Rule 5.1.7 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.1.8 Allocation policy and Automated Client Order Processing Crossings—disclosure to Client	Rule 5.1.8 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.

<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Part 5.3 Large Order facilitation	Part 5.3 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.3.1 Futures Market Contracts—Action a Market Participant may take when insufficient opposite orders	Rule 5.3.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.3.2 Application	Rule 5.3.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 5.4 Transactions by connected persons (including persons connected with other Market Participants)	Part 5.4 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.4.1 Application	Rule 5.4.1 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.4.2 Internal consent required for trading by connected persons	Rule 5.4.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 5.4A Managing confidential Order information	Part 7.4 (Competition)	<i>[Part heading]</i>
Rule 5.4A.1 Protection of Order information	Rule 7.4.1 (Competition)	Adopted with drafting amendments.
Part 5.4B Order incentives	Part 7.5 (Competition)	<i>[Part heading]</i>
Rule 5.4B.1 Prohibition on Order incentives	Rule 7.5.1 (Competition)	Adopted with drafting amendments.
Part 5.5 Participant's trading infrastructure	Part 5.5 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.5.1 Knowledge of Trading Participant	Rule 5.5.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.5.2 Organisational and technical resources	Rule 5.5.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.5.3 Trading management arrangements	Rule 5.5.3 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.

<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Rule 5.5.4 Trading management arrangements—Records	Rule 5.5.4 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 5.6 Automated Order Processing—Filters, conduct, and infrastructure	Part 5.6 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.6.1 Responsible use of system for Automated Order Processing	Rule 5.6.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.6.2 Authorised Persons for Automated Client Order Processing	Rule 5.6.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.6.3 Automated Order Processing system requirements	Rule 5.6.3 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.6.4 Review of documentation and systems prior to use of Automated Order Processing system	Rule 5.6.4 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.6.5 Representations as to organisational and technical resources, trading management arrangements and security arrangements, prior to use of Automated Order Processing system	Rule 5.6.5 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.6.6 Certification of Automated Order Processing system	Rule 5.6.6 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.6.8 AOP Material Change Review	Rule 5.6.8 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.6.8A AOP Annual Review	Rule 5.6.8A (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.6.8B AOP Annual Notification	Rule 5.6.8B (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.6.11 Further certification	Rule 5.6.11 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 5.6.12 Limitations on Automated Order Processing	Rule 5.6.12 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 5.7 Manipulative trading	Part 5.7 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.7.1 False or misleading appearance	Rule 5.7.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.7.2 Circumstances of Order	Rule 5.7.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments. The ASIC Market Integrity Rules (APX) do not contain provisions corresponding to Rules 5.7.2(i)–(k).
Rule 5.7.3 Obligations apply to Automated Order Processing	Rule 5.7.3 (APX), (ASX), (Chi-X)	Adopted.
Part 5.8 Prohibition on wash trades, pre-arranged trades and dual trading—Futures	Part 5.8 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.8.1 Application of Part 5.8	Rule 5.8.1 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.8.2 Wash trades	Rule 5.8.2 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.8.3 Pre-arranged trades	Rule 5.8.3 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.8.4 Dual trading	Rule 5.8.4 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.8.5 Corners—Postponement of deliveries	Rule 5.8.5 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.8.6 Establishment of a fair settlement price	Rule 5.8.6 (APX), (ASX), (Chi-X)	Reference to NSW legislation updated.
Part 5.9 Fair and orderly markets	Part 5.9 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.9.1 Market must remain fair and orderly	Rule 5.9.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 5.9.2 Representative must be available	Rule 5.9.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.9.3 Must not take advantage of breakdown or malfunction	Rule 5.9.3 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 5.9A Trading Suspensions	Part 7.2 (Competition)	<i>[Part heading]</i>
Rule 5.9A.1 Prohibition on trading during Trading Suspensions	Rule 7.2.1 (Competition)	Adopted with drafting amendments.
Part 5.10 Dealing in Cash Market Products	Part 5.10 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.10.1 Trading Participants may not deal in Cash Market Products for which Official Quotation will be sought	Rule 5.10.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.10.2 When Trading Participants may deal in Cash Market Products for which Official Quotation will be sought	Rule 5.10.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.10.3 Dealings in Securities for which Official Quotation will not be sought	Rule 5.10.3 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.10.4 Dealings in Cash Market Products suspended from Official Quotation	Rule 5.10.4 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 5.11 Suspicious activity reporting	Part 5.11 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.11.1 Notification requirement	Rule 5.11.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.11.2 Confidentiality	Rule 5.11.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.



<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Part 5.12 Market Bid—Announcements by Market Participant	Part 6.1 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.12.1 Announcement of a Takeover Market Bid	Rule 6.1.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.12.2 Announcement of variations to a Takeover Market Bid	Rule 6.1.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 5.13 Acquisition of Cash Market Products during the Bid Period	Part 6.2 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.13.1 Acquisition of Cash Market Products by Bidder	Rule 6.2.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 5.13.2 Acquisition of Cash Market Products by another Bidder	Rule 6.2.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 5.14 Market Participant acting for Bidder or Issuer	Part 6.3 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.14.1 Market Participant to advise seller if acting for Bidder or Issuer	Rule 6.3.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 5.15 Futures Market Transactions—Payment by client	Part 10.1 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.15.1AA Definitions	Rule 10.A.1 (ASX)	Adopted.
Rule 5.15.1 Application	Rule 10.1.1 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.15.2 Initial Margin	Rule 10.1.2 (APX), (ASX), (Chi-X)	Adopted.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 5.15.3 Close out, settlement or daily settlement of Open Contracts	Rule 10.1.3 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.15.4 Exception	Rule 10.1.4 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.15.5 Arrangements with client—Payment and security	Rule 10.1.5 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.15.6 Arrangements with client—Default timing	Rule 10.1.6 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.15.7 Arrangements with client—Maximum time	Rule 10.1.7 (APX), (ASX), (Chi-X)	Adopted.
Part 5.16 Futures Market Transactions—Death of client and other circumstances	Part 10.2 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.16.1 Application	Rule 10.2.1 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.16.2 Death of client—Where legal representative unable to be identified	Rule 10.2.2 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.16.3 Death of client—Where no undertaking by legal representative	Rule 10.2.3 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.16.4 Other circumstances—Where client unable to be contacted	Rule 10.2.4 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.16.5 Death of client and other circumstances—Prior arrangements with client	Rule 10.2.5 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.16.6 Records	Rule 10.2.6 (APX), (ASX), (Chi-X)	Adopted.

<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Part 5.17 Default by client	Part 10.3 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 5.17.1 Application	Rule 10.3.1 (APX), (ASX), (Chi-X)	Adopted.
Rule 5.17.2 Default by client—Prior arrangements with client	Rule 10.3.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Chapter 5A Crossing Systems	Not applicable	<i>[Chapter heading]</i>
Part 5A.1 Application	Part 4A.1 (Competition)	<i>[Part heading]</i>
Rule 5A.1.1 Application of Chapter	Rule 4A.1.1 (Competition)	Adopted with drafting amendments.
Part 5A.2 Reporting requirements for Crossing Systems	Part 4A.2 (Competition)	<i>[Part heading]</i>
Rule 5A.2.1 Reporting requirements for Crossing Systems—Crossing System Initial Report	Rule 4A.2.1 (Competition)	Adopted with drafting amendments.
Rule 5A.2.2 Reporting Requirements for Crossing Systems—Crossing System Monthly Report	Rule 4A.2.2 (Competition)	Adopted with drafting amendments.
Part 5A.3 Disclosure Requirements for Crossing Systems	Part 4A.3 (Competition)	<i>[Part heading]</i>
Rule 5A.3.1 Disclosure requirements for Crossing Systems—Information on a website	Rule 4A.3.1 (Competition)	Adopted with drafting amendments.
Rule 5A.3.2 Disclosure requirements for Crossing Systems—Information for users	Rule 4A.3.2 (Competition)	Adopted with drafting amendments.
Rule 5A.3.3 Notification of Crossing System outages	Rule 4A.3.3 (Competition)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Part 5A.4 Fair treatment, fairness and priority in dealing and opting out by users of Crossing Systems	Part 4A.4 (Competition)	<i>[Part heading]</i>
Rule 5A.4.1 Fair treatment of all users of a Crossing System	Rule 4A.4.1 (Competition)	Adopted with drafting amendments.
Rule 5A.4.2 Fairness and priority in dealing	Rule 4A.4.2 (Competition)	Adopted with drafting amendments.
Rule 5A.4.3 Relevant factors	Rule 4A.4.3 (Competition)	Adopted with drafting amendments.
Rule 5A.4.4 Opting out of Crossing Systems	Rule 4A.4.4 (Competition)	Adopted with drafting amendments.
Part 5A.5 Crossing Systems—Monitoring and suspicious activity reporting	Part 4A.5 (Competition)	<i>[Part heading]</i>
Rule 5A.5.1 Monitoring activities in a Crossing System	Rule 4A.5.1 (Competition)	Adopted.
Rule 5A.5.2 Crossing System suspicious activity reporting	Rule 4A.5.2 (Competition)	Adopted.
Rule 5A.5.3 Confidentiality	Rule 4A.5.3 (Competition)	Adopted.
Part 5A.6 Crossing System Tick Sizes and system controls	Part 4A.6 (Competition)	<i>[Part heading]</i>
Rule 5A.6.1 Crossing System operators to use standard Tick Sizes	Rule 4A.6.1 (Competition)	Adopted with drafting amendments.
Rule 5A.6.2 Crossing System—efficiency and integrity controls	Rule 4A.6.2 (Competition)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Chapter 6 Pre- and Post-Trade Transparency	Not applicable	<i>[Chapter heading]</i>
Part 6.1 Orders must be Pre-Trade Transparent	Part 4.1 (Competition)	<i>[Part heading]</i>
Rule 6.1.1AA Application of Part	Rule 4.1A.1 (Competition) Application of Chapter	Adopted with drafting amendments.
Rule 6.1.1 Relevant Participants to enter into transactions on Pre-Trade Transparent Order Book, subject to exceptions	Rule 4.1.1 (Competition)	Adopted with drafting amendments.
Rule 6.1.2 Operator to immediately make available Pre-Trade Information subject to exceptions	Rule 4.1.2 (Competition)	Adopted with drafting amendments. Subrule (1A) is a new provision that requires an Operator to keep records of the Pre-Trade Information referred to in subrule (1) for a period of seven years.
Rule 6.1.3 Operator to make available Pre-Trade Information on reasonable commercial terms and on a non-discriminatory basis	Rule 4.1.3 (Competition)	Adopted with drafting amendments.
Rule 6.1.4 Pre-Trade Information—Equity Market Products	Rule 4.1.4 (Competition)	Adopted with drafting amendments.
Rule 6.1.4A Pre-Trade Information—CGS Depository Interests	Rule 4.1.4A (Competition)	Adopted with drafting amendments.
Rule 6.1.5 Partly Disclosed Orders	Rule 4.1.5 (Competition)	Adopted with drafting amendments.
Rule 6.1.6 Application to partly filled Orders	Rule 4.1.6 (Competition)	Adopted.
Rule 6.1.7 Priority for Disclosed Orders and Partly Disclosed Orders	Rule 4.1.7 (Competition)	Adopted with drafting amendments.
Rule 6.1.8 Dealings to which this Part does not apply	Rule 4.1.8 (Competition)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Part 6.2 Pre-Trade Information—Exceptions	Part 4.2 (Competition)	<i>[Part heading]</i>
Rule 6.2.1AA Application of Part	Rule 4.1A.1 (Competition) Application of Chapter	Adopted with drafting amendments.
Rule 6.2.1 Exception—Block Trades	Rule 4.2.1 (Competition)	Adopted with drafting amendments to clarify that a Block Trade may be executed off-Order Book as a Crossing between: <ul style="list-style-type: none"> <li>• one client and one client;</li> <li>• one client and multiple clients;</li> <li>• one client and the participant as principal; or</li> <li>• multiple clients and the participant as principal.</li> </ul>
Rule 6.2.2 Exception—Large Portfolio Trades	Rule 4.2.2 (Competition)	Adopted with drafting amendments to clarify that a Large Portfolio Trade may be executed off-Order Book as a Crossing between: <ul style="list-style-type: none"> <li>• one client and one client; or</li> <li>• one client and the participant as principal.</li> </ul>
Rule 6.2.3 Exception—Trades with Price Improvement	Rule 4.2.3 (Competition)	Adopted with drafting amendments.
Rule 6.2.4 Exception—Permitted Trades during the Post-Trading Hours Period	Rule 4.2.4 (Competition)	Adopted with drafting amendments.
Rule 6.2.5 Exception—Permitted Trades during the Pre-Trading Hours Period	Rule 4.2.5 (Competition)	Adopted with drafting amendments.
Rule 6.2.6 Exception—Out of Hours Trade	Rule 4.2.6 (Competition)	Adopted with drafting amendments.
Part 6.3 Transactions must be post-trade transparent	Part 5.1 (Competition)	<i>[Part heading]</i>
Rule 6.3.1AA Application of Part	Rule 5.1A.1 (Competition) Application of Chapter	Adopted with drafting amendments.

<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Rule 6.3.1AB Dealing to which this Part does not apply	Rule 5.2.2 (Competition) Dealings to which this Chapter does not apply	Adopted with drafting amendments.
Rule 6.3.1 Relevant Participants to report transactions done other than on an Order Book of a Market	Rule 5.1.1 (Competition)	Adopted with drafting amendments.
Rule 6.3.2 Reporting Participant	Rule 5.1.2 (Competition)	Adopted with drafting amendments.
Rule 6.3.3 Application to constituent parts of portfolio trade	Rule 5.1.3 (Competition)	Adopted with drafting amendments.
Rule 6.3.4 Operator to immediately make available Post-Trade Information	Rule 5.1.4 (Competition)	Adopted with drafting amendments. Subrule (1A) is a new provision that requires an Operator to keep records of the Post-Trade Information referred to in subrule (1) for a period of seven years.
Rule 6.3.4A Operator to validate Post-Trade Information	Rule 5.1.4A (Competition)	Adopted with drafting amendments.
Rule 6.3.5 Operator to make available Post-Trade Information on reasonable commercial terms and on a non-discriminatory basis	Rule 5.1.5 (Competition)	Adopted with drafting amendments.
Rule 6.3.6 Operator to make available Trading Information on a website within 20 minutes	Rule 5.1.6 (Competition)	Adopted with drafting amendments.
Rule 6.3.6A Operator to make available Course of Sales information within three days	Rule 5.1.6A (Competition)	Adopted with drafting amendments. Subrule (1A) is a new provision that requires an Operator to keep records of the Course of Sales Information referred to in subrule (1) for a period of seven years.
Rule 6.3.7 Post-Trade Information—Equity Market Products	Rule 5.1.7 (Competition)	Adopted with drafting amendments.

<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Rule 6.3.7A Post-Trade Information—CGS Depository Interests	Rule 5.1.7A (Competition)	Adopted with drafting amendments.
Part 6.4 Delayed reporting	Part 5.2 (Competition)	<i>[Part heading]</i>
Rule 6.4.1AA Application of Part	Rule 5.1A.1 (Competition) Application of Chapter	Adopted with drafting amendments.
Rule 6.4.1 Delayed reporting—Large Principal Transaction	Rule 5.2.1 (Competition)	Adopted with drafting amendments.
Rule 6.4.2 Dealings to which this Part does not apply	Rule 5.2.2 (Competition)	Adopted with drafting amendments.
Chapter 7 Regulatory Data and data feeds	Chapter 5A (Competition); Chapter 7 (APX), (ASX), (Chi-X)	<i>[Chapter heading]</i>
Part 7.1AA Requirement to record and provide Regulatory Data	Part 5A.2 (Competition)	<i>[Part heading]</i>
Rule 7.1AA.1 Application of Part	Rule 5A.1.1 (Competition)	Adopted with drafting amendments.
Rule 7.1AA.2 Participant to provide Regulatory Data with Orders and Trade Reports	Rule 5A.2.1 (Competition)	Adopted with drafting amendments.
Rule 7.1AA.3 Market operator to record Regulatory Data	Rule 5A.2.2 (Competition)	Adopted with drafting amendments. Subrule (1A) is a new provision that requires an Operator to keep records of the Regulatory Data referred to in subrule (1) for a period of seven years.
Rule 7.1AA.4 Regulatory Data	Rule 5A.2.3 (Competition)	Adopted with drafting amendments.



<b>ASIC Market Integrity Rules (Securities Markets) 2017</b>	<b>Corresponding existing market integrity rule</b>	<b>Notes</b>
Part 7.1 Data feeds	Part 7.1 (APX), (ASX), (Chi-X)	<i>[Part heading]</i>
Rule 7.1.1 Provision of live electronic data from the Trading Platform	Rule 7.1.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments. Subrule (1A) is a new provision that requires an Operator to keep records of the electronic data referred to in subrule (1) for a period of seven years.
Rule 7.1.2 Notification	Rule 7.1.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 7.2 Information	Part 7.2 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Rule 7.2.1 Provision of information about Market Participants	Rule 7.2.1 (APX), (ASX), (Chi-X)	Adopted with drafting amendments.
Part 7.3 Material changes to operating rule procedures	Part 6.5 (Competition)	<i>[Part heading]</i>
Rule 7.3.1 Market operator to notify material changes to operating rule procedures	Rule 6.5.1 (Competition)	Adopted with drafting amendments.
Chapter 8 Extreme price movements	Chapter 2 (Competition)	<i>[Chapter heading]</i>
Part 8.1AA Application	Part 2.1A (Competition)	<i>[Part heading]</i>
Rule 8.1AA.1 Application of Chapter	Rule 2.1A.1 (Competition)	Adopted with drafting amendments.
Part 8.1 Order entry controls for Anomalous Orders	Part 2.1 (Competition)	<i>[Part heading]</i>
Rule 8.1.1 Requirement to have Anomalous Order Thresholds	Rule 2.1.1 (Competition)	Adopted with drafting amendments.
Rule 8.1.2 Requirement to make Anomalous Order Thresholds publicly available	Rule 2.1.2 (Competition)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 8.1.3 Requirement to prevent Anomalous Orders from entering Markets	Rule 2.1.3 (Competition)	Adopted with drafting amendments.
Rule 8.1.4 Requirement to have adequate arrangements in relation to Anomalous Order Thresholds	Rule 2.1.4 (Competition)	Adopted with drafting amendments.
Part 8.2 Extreme Trade Range	Part 2.2 (Competition)	<i>[Part heading]</i>
Rule 8.2.1 Extreme Trade Range	Rule 2.2.1 (Competition)	Adopted with drafting amendments.
Rule 8.2.2 Obligation on Market Operator to determine and notify Reference Price	Rule 2.2.2 (Competition)	Adopted with drafting amendments.
Rule 8.2.2A Requirement to prevent extreme price movements	Rule 2.2.2A (Competition)	Adopted with drafting amendments.
Rule 8.2.2B Requirement to identify and notify of ETR Event	Rule 2.2.2B (Competition)	Adopted with drafting amendments.
Rule 8.2.2C Requirement to impose Trading Pause	Rule 2.2.2C (Competition)	Adopted with drafting amendments.
Rule 8.2.3 Notification of transactions in Extreme Trade Range	Rule 2.2.3 (Competition)	Adopted with drafting amendments.
Rule 8.2.4 Market Operator arrangements in relation to Extreme Trade Range	Rule 2.2.4 (Competition)	Adopted with drafting amendments.
Part 8.3 Transparent cancellation policies	Part 2.3 (Competition)	<i>[Part heading]</i>
Rule 8.3.1 Market Operator to have transparent cancellation policies	Rule 2.3.1 (Competition)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Chapter 9 Market Operators—other obligations	Chapter 6 (Competition)	<i>[Chapter heading]</i>
Part 9.1 Trading Suspensions	Part 6.1 (Competition)	<i>[Part heading]</i>
Rule 9.1.1AA Application	Rule 6.1A.1 (Competition)	Adopted with drafting amendments.
Rule 9.1.1 Market operator to notify of Trading Suspensions	Rule 6.1.1 (Competition)	Adopted with drafting amendments.
Rule 9.1.2 Market operator to place Relevant Products into a Trading Suspension	Rule 6.1.2 (Competition)	Adopted with drafting amendments.
Rule 9.1.3 Market operator to notify of system outages	Rule 6.1.3 (Competition)	Adopted with drafting amendments.
Part 9.2 Information Sharing	Part 6.2 (Competition)	<i>[Part heading]</i>
Rule 9.2.1AA Application	Rule 6.1A.1 (Competition)	Adopted with drafting amendments.
Rule 9.2.1 Provision of information by electronic data feed to other Market operators	Rule 6.2.1 (Competition)	Adopted with drafting amendments.
Rule 9.2.2 Market operator must assign unique identifiers to each Participant	Rule 6.2.2 (Competition)	Adopted with drafting amendments.
Rule 9.2.3 Market operator must use unique symbols for Relevant Products	Rule 6.2.3 (Competition)	Adopted with drafting amendments.
Part 9.3 Synchronised clocks	Part 6.3 (Competition)	<i>[Part heading]</i>
Rule 9.3.1AA Application	Rule 6.1A.1 (Competition)	Adopted with drafting amendments.
Rule 9.3.1 Market operators to synchronise clocks	Rule 6.3.1 (Competition)	Adopted with drafting amendments.

ASIC Market Integrity Rules (Securities Markets) 2017	Corresponding existing market integrity rule	Notes
Rule 9.3.2 Market operator to have arrangements for compliance	Rule 6.3.2 (Competition)	Adopted with drafting amendments.
Part 9.4 Tick Sizes	Part 6.4 (Competition)	<i>[Part heading]</i>
Rule 9.4.1AA Application	Rule 6.1A.1 (Competition)	Adopted with drafting amendments.
Rule 9.4.1 Market operators to use standard Tick Sizes	Rule 6.4.1 (Competition)	Adopted with drafting amendments.
Part 9.5 Record keeping	Not applicable	<i>[Part heading]</i>
Rule 9.5.1 Market operators to keep records which demonstrate compliance	Not applicable	This is a new market integrity rule that requires a Market operator to keep records that enable it to demonstrate that it has complied with its obligations under these market integrity rules and Part 7.2 of the <i>Corporations Act 2001</i> .
Rule 9.5.2 Records to be retained for prescribed period	Not applicable	This is a new market integrity rule that requires a Market operator to retain the records referred to in this Part for seven years from the date the record is made.
Rule 9.5.3 Records kept outside of Australia	Not applicable	This is a new market integrity rule that requires a Market operator to comply with any written direction given by ASIC to produce a record that is required to be kept under Chapter 9 and that is kept outside Australia to a place in Australia.

## Appendix 2: Dealing ‘as principal’ in the ASIC market integrity rules

**Table 6: Dealing ‘as principal’ in the ASIC Market Integrity Rules (APX), (ASX) and (Chi-X)**

<b>Rule 3.2.2</b>	Disclosure and consent
<b>Rule 3.2.3</b>	Confirmation must include disclosure
<b>Rule 3.2.4</b>	Brokerage and commission
<b>Rule 3.2.5</b>	Extended meaning of dealing as principal
<b>Rule 3.2.6</b>	Register of persons who are regarding as principal
<b>Rule 3.4.3</b>	Confirmations—clients other than retail clients (not applicable to APX)
<b>Rule 5.1.7</b>	Unexecuted order in underlying financial products—trading participant not to make bids or offers
<b>Rule 5.1.8</b>	Allocation policy and automated client order processing crossings—disclosure to client
<b>Rule 5.7.1</b>	False or misleading appearance
<b>Rule 5.10.2</b>	When trading participants may deal in cash market products for which official quotation will be sought

**Table 7: Dealing ‘as principal’ in the ASIC Market Integrity Rules (Competition)**

<b>Rule 1.4.3</b>	Definitions
<b>Rule 4.2.1</b>	Exception—block trades
<b>Rule 4.2.2</b>	Exception—large portfolio trades
<b>Rule 4.2.3</b>	Exception—trades with price improvement
<b>Rule 4.2.5</b>	Exception—permitted trades during the pre-trading hours period
<b>Rule 4.2.6</b>	Exception—out of hours trade
<b>Rule 4A.2.1</b>	Reporting requirements for crossing systems—crossing system initial report
<b>Rule 4A.3.2</b>	Disclosure requirements for crossing systems—information for users
<b>Rule 4A.4.2</b>	Fairness and priority dealing
<b>Rule 4A.4.3</b>	Relevant factors
<b>Rule 5.1.1</b>	Participants to report transactions done other than on an order book of a market
<b>Rule 5.1.3</b>	Application to constituent parts of portfolio trade
<b>Rule 5.2.1</b>	Delayed reporting—large principal transaction
<b>Rule 5A.2.1</b>	Participant to provide regulatory data with orders and trade reports
<b>Rule 5A.2.3</b>	Regulatory data

## Key terms

Term	Meaning in this document
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries out a financial services business to provide financial services  Note: This is a definition contained in s761A of the Corporations Act
AFS licensee	A person who holds an Australian financial services licence under s913B of the Corporations Act  Note: This is a definition contained in s761A of the Corporations Act
AOP (automated order processing)	The process by which orders are registered in a market participant's system, which connects it to a market. Client or principal orders are submitted to an order book without being manually keyed in by an individual (referred to in the rules as a DTR). It is through AOP systems
APX	Asia Pacific Exchange Limited changed its name to Asia Pacific Stock Exchange Limited on 28 February 2014 and to Sydney Stock Exchange Limited (SSX) on 11 November 2015
ASIC	Australian Securities and Investments Commission
ASIC Market Integrity Rules (APX)	ASIC Market Integrity Rules (APX Market) 2013—rules made by ASIC under s798G of the Corporations Act for trading on SSX (formerly APX)
ASIC Market Integrity Rules (ASX)	ASIC Market Integrity Rules (ASX Market) 2010—rules made by ASIC under s798G of the Corporations Act for trading on ASX
ASIC Market Integrity Rules (APX), (ASX) and (Chi-X)	In this document, the ASIC Market Integrity Rules (APX), ASIC Market Integrity Rules (ASX) and ASIC Market Integrity Rules (Chi-X)
ASIC Market Integrity Rules (Chi-X)	ASIC Market Integrity Rules (Chi-X Market) 2011 rules made by ASIC under s798G of the Corporations Act for trading on Chi-X
ASIC Market Integrity Rules (Competition)	ASIC Market Integrity Rules (Competition in Exchange Markets) 2011—rules made by ASIC under s798G of the Corporations Act
ASIC Market Integrity Rules (FEX)	ASIC Market Integrity Rules (FEX Market) 2013—rules made by ASIC under s798G of the Corporations Act
ASIC Market Integrity Rules (Futures Markets)	The proposed ASIC Market Integrity Rules (Futures Markets) 2017, see Attachment 2

Term	Meaning in this document
ASIC Market Integrity Rules (Futures Markets – Capital)	The proposed ASIC Market Integrity Rules (Futures Markets – Capital) 2017, see Attachment 4
ASIC Market Integrity Rules (NSXA)	ASIC Market Integrity Rules (NSXA Market) 2010—rules made by ASIC under s798G of the Corporations Act
ASIC Market Integrity Rules (Securities Markets)	The proposed ASIC Market Integrity Rules (Securities Markets) 2017, see Attachment 1
ASIC Market Integrity Rules (Securities Markets – Capital)	The proposed ASIC Market Integrity Rules (Securities Markets – Capital) 2017, see Attachment 3
ASX	ASX Limited or the exchange market operated by ASX Limited
ASX 24	The exchange market formerly known as Sydney Futures Exchange (SFE), operated by Australian Securities Exchange Limited
ASX Limited	The market licensee that operates the exchange market known as 'ASX'
ASX Market Rules	Previous operating rules made by ASX Limited dealing with activities or conduct of its market and of persons in relation to the market
Australian domestic licensed financial market	A financial market licensed under s795B(1) of the Corporations Act
Australian market licence	Australian market licence under s795B of the Corporations Act that authorises a person to operate a financial market
block trade	Has the meaning given to it by Rule 4.2.1 of the ASIC Market Integrity Rules (Competition)
block trade consideration threshold	Means the consideration thresholds set out in paragraph 4.2.1(1)(c) of the ASIC Market Integrity Rules (Competition) or paragraph 6.2.1(1)(c) of the draft ASIC Market Integrity Rules (Securities Markets), as applicable
buy-back	A share buy-back under Div 2 of Pt 2J.1 of the Corporations Act
CGS (Commonwealth Government Securities)	All securities issued by the Australian Government, comprising Treasury Bonds, Treasury Notes, Treasury Indexed Bonds and, previously, Treasury Adjustable Rate Bonds. These securities are issued either by tender or syndication
CGS depository interest	A depository interest in a class of CGS

Term	Meaning in this document
Chi-X	Chi-X Australia Pty Limited or the exchange market operated by Chi-X
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
crossing	A transaction where the market participant is the same for both the buyer and seller. The market participant may be acting on behalf of the buying client and the selling client, or acting on behalf of a client on one side of the transaction and as principal on the other side of the transaction
crossing system	An automated service provided by a market participant to its clients which matches or executes client orders with orders of: <ul style="list-style-type: none"> <li>• the market participant (i.e. against the market participant's own account);</li> <li>• other clients of the market participant; or</li> <li>• any other person whose orders access the automated service</li> </ul> <p>These orders are not matched on an order book of a licensed market</p>
DTR	Designated trading representative
FEX	Financial & Energy Exchange Limited or the market operated by FEX
financial market	As defined in s767A of the Corporations Act, a facility through which offers to acquire or dispose of financial products are regularly made or accepted
IMB	IMB Limited or the market operated by IMB
IR Plus (formerly SIM VSE)	IR Plus Securities Exchange Limited or the market operated by IR Plus <p>Note: IR Plus was formerly known as SIM Venture Securities Exchange Limited (SIM VSE).</p>
market integrity rules	Rules made by ASIC, under s798G of the Corporations Act, for trading on domestic licensed markets
market licensee	Holder of an Australian market licence
market operator	An operator of a licensed market
market participant	As defined in s761A of the Corporations Act
NSXA	National Stock Exchange of Australia Limited, or the exchange market operated by NSXA
Part 2.3 (APX), (ASX) and (Chi-X) (for example)	A part of the ASIC Market Integrity Rules (APX), ASIC Market Integrity Rules (ASX) and ASIC Market Integrity Rules (Chi-X) (in this example numbered 2.3)



Term	Meaning in this document
Pt 7.2 (for example)	A part of the Corporations Act (in this example numbered 7.2), unless otherwise specified
RG 214 (for example)	An ASIC regulatory guide (in this example numbered 214)
retail client	Has the meaning given to it by s761G and 761GA of the Corporations Act
Rule 3.2.4 (APX)	A rule of the ASIC Market Integrity Rules (APX) (in this example, numbered 3.2.4)
Rule 4.1.4 (ASX) (for example)	A rule of the ASIC Market Integrity Rules (ASX) (in this example, numbered 4.1.4)
Rule 3.2.5 (ASX) and (Chi-X)	A rule of the ASIC Market Integrity Rules (ASX) and ASIC Market Integrity Rules (Chi-X) (in this example numbered 3.2.5)
Rule 1.4.2 (APX), (ASX) and (Chi-X)	A rule of the ASIC Market Integrity Rules (APX), ASIC Market Integrity Rules (ASX) and ASIC Market Integrity Rules (Chi-X) (in this example numbered 1.4.2)
Rule 1.4.3 (Competition)	A rule of the ASIC Market Integrity Rules (Competition) (in this example numbered 1.4.3)
s912 (for example)	A section of the Corporations Act (in this example numbered 912), unless otherwise specified
scheme	A compromise or arrangement that gives rise to a scheme of arrangement under Pt 5.1 of the Corporations Act
SIM VSE	SIM Venture Securities Exchange Ltd, or the exchange market operated by SIM VSE
SSX (formerly APX)	Sydney Stock Exchange Limited or the exchange market operated by SSX <p>Note: SSX was formerly known as Asia Pacific Exchange Limited (APX) and Asia Pacific Stock Exchange Limited.</p>
wholesale client	Has the meaning given to it by s761G of the Corporations Act

## List of proposals and questions

Proposal	Your feedback
<p>B1 We propose to:</p> <ul style="list-style-type: none"> <li>(a) consolidate the ASIC Market Integrity Rules (APX), ASIC Market Integrity Rules (ASX), ASIC Market Integrity Rules (Chi-X), ASIC Market Integrity Rules (SIM VSE) and ASIC Market Integrity Rules (Competition) into a single rule book: see the draft ASIC Market Integrity Rules (Securities Markets) in Attachment 1;</li> <li>(b) in the ASIC Market Integrity Rules (Securities Markets), apply the rules that derive from ASIC Market Integrity Rules (Competition) to SSX, IR Plus and their participants; and</li> <li>(c) waive the requirement for SSX, IR Plus and their participants to comply with obligations in the ASIC Market Integrity Rules (Securities Markets) that derive from the ASIC Market Integrity Rules (Competition), until a specified date in the future.</li> </ul>	<p>B1Q1 Do you agree with our proposals? Please give reasons for your answer.</p> <p>B1Q2 What benefits and/or costs do you believe would arise from having a consolidated rule book for securities markets?</p> <p>B1Q3 In consolidating these rules, have we inadvertently changed any substantive obligations? If so, what are the likely impacts, benefits and/or costs of that change? Please give reasons for your answer.</p> <p>B1Q4 When should the ASIC Market Integrity Rules (Securities Markets) commence? Please give reasons for your answer.</p> <p>B1Q5 Are there any specific rules in the draft ASIC Market Integrity Rules (Securities Markets) derived from the ASIC Market Integrity Rules (Competition) that should not apply to SSX, IR Plus or their participants? Please give reasons for your answer.</p> <p>B1Q6 What is an appropriate period to waive the requirement for SSX, IR Plus and their participants to comply with the ASIC Market Integrity Rules (Securities Markets) derived from the ASIC Market Integrity Rules (Competition)? Would a waiver of six months following commencement or to 31 December 2017 be sufficient? Please give reasons for your answer.</p>

Proposal	Your feedback
<p>B2 We propose to:</p> <ul style="list-style-type: none"> <li>(a) apply the ASIC Market Integrity Rules (Securities Markets) to NSXA and participants of NSXA;</li> <li>(b) waive the requirement for NSXA and participants of NSXA to comply with the ASIC Market Integrity Rules (Securities Markets) until a specified date in the future, with the exception of the rules in proposal B2(c);</li> <li>(c) apply, from commencement, the following rules to participants that may undertake automated order processing (AOP) on NSXA or provide their clients with such capability: <ul style="list-style-type: none"> <li>(i) AOP rules and associated rules (i.e. Parts 5.5, 5.6 and 5.7 of the draft ASIC Market Integrity Rules (Securities Markets)); and</li> <li>(ii) the ASIC Market Integrity Rules (Securities Markets – Capital) (in the same way as they would apply to Chi-X and SSX, see also proposal B6(a)).</li> </ul> </li> </ul>	<p>B2Q1 Do you agree with our proposal? Please give reasons for your answer.</p> <p>B2Q2 Are there any specific rules in the draft ASIC Market Integrity Rules (Securities Markets) that should not apply to NSXA or participants of NSXA? Please give reasons for your answer.</p> <p>B2Q3 What is an appropriate period to waive the requirement for NSXA and its participants to comply with the ASIC Market Integrity Rules (Securities Markets) and the ASIC Market Integrity Rules (Securities Markets – Capital) (with the exception of proposal B2(c))? Would a waiver of six months following commencement or to 31 December 2017 be sufficient? Please give reasons for your answer.</p>
<p>B3 We propose to:</p> <ul style="list-style-type: none"> <li>(a) omit the defined terms in Table 1 from the ASIC Market Integrity Rules (Securities Markets): <ul style="list-style-type: none"> <li>(i) that are defined in the Corporations Act and will have the same meaning;</li> <li>(ii) where it is possible and appropriate to use generic or descriptive terms instead of proprietary terms; or</li> <li>(iii) that do not aid interpretation or are derived from or based on other defined terms we propose to omit; and</li> </ul> </li> <li>(b) adopt or materially modify the defined terms in Table 2 for use in the ASIC Market Integrity Rules (Securities Markets).</li> </ul>	<p>B3Q1 Do you agree with our proposal? Please give reasons for your answer.</p>

Proposal	Your feedback
<p>B4 We propose to:</p> <ul style="list-style-type: none"> <li>(a) consolidate the ASIC Market Integrity Rules (ASX 24) and ASIC Market Integrity Rules (FEX) into a single set of ASIC market integrity rules (see the ASIC Market Integrity Rules (Futures Markets) in Attachment 2); and</li> <li>(b) where requirements in the ASIC Market Integrity Rules (ASX) or (Competition) currently apply to ASX 24 and/or FEX, replicate them in the ASIC Market Integrity Rules (Futures Markets) (e.g. the extreme price movement rules in the ASIC Market Integrity Rules (Competition)).</li> </ul>	<p>B4Q1 Do you agree with our proposal? Please give reasons for your answer.</p>
<p>B5 We propose to:</p> <ul style="list-style-type: none"> <li>(a) omit the defined terms in Table 3 from the ASIC Market Integrity Rules (Futures Markets): <ul style="list-style-type: none"> <li>(i) that are defined in the Corporations Act and will have the same meaning;</li> <li>(ii) where it is possible and appropriate to use generic or descriptive terms instead of proprietary terms; or</li> <li>(iii) that do not aid interpretation or are derived from or based on other defined terms we propose to omit;</li> </ul> </li> <li>(b) adopt or materially modify the defined terms in Table 4 for use in the ASIC Market Integrity Rules (Futures Markets).</li> </ul>	<p>B5Q1 Do you agree with these proposals? Please give reasons for your answer.</p>

Proposal	Your feedback
<p>B6 We propose to:</p> <ul style="list-style-type: none"> <li>(a) consolidate the ASIC Market Integrity Rules (ASX Market–Capital) 2014, ASIC Market Integrity Rules (Chi-X Australia Market–Capital) 2014 and ASIC Market Integrity Rules (APX Market–Capital) 2014 to create a single capital rule book that applies to participants of ASX, Chi-X, IR Plus, NSXA (for NSXA’s AOP participants only) and SSX (see the draft ASIC Market Integrity Rules (Securities Markets – Capital) in Attachment 3); and</li> <li>(b) waive the requirement for participants of NSXA who do not offer AOP services to comply with the ASIC Market Integrity Rules (Securities Markets – Capital) until a specified date in the future (see also related proposal B2);</li> <li>(c) consolidate the ASIC Market Integrity Rules (ASX 24 Market–Capital) 2014 and ASIC Market Integrity Rules (FEX Market–Capital) 2014 to create a single capital rule book that applies to participants of ASX 24 and FEX (see the draft ASIC Market Integrity Rules (Futures Markets – Capital) in Attachment 4).</li> </ul>	<p>B6Q1 Do you agree with our proposals? Please give reasons for your answer.</p> <p>B6Q2 What is an appropriate period to waive the requirement for participants of NSXA who do not offer AOP services to comply with the ASIC Market Integrity Rules (Securities Markets – Capital)? Would a waiver of six months following commencement or to 31 December 2017 be sufficient? Please give reasons for your answer.</p>

Proposal	Your feedback
<p>C1 We propose to:</p> <p>(a) remove the following requirements of the market integrity rules that require market participants to:</p> <p>(i) notify ASIC of the appointment or cessation of a responsible executive (Rule 2.3.1(1) (APX), (ASX) and (Chi-X));</p> <p>(ii) not appoint a responsible executive unless specific competence and continuing education standards are met (Rules 2.3.1(2) and (3) (APX), (ASX) and (Chi-X));</p> <p>(iii) ensure that its responsible executives complete an annual review of their allocated supervision and control procedures (Rule 2.3.3 (APX), (ASX) and (Chi-X));</p> <p>(iv) ensure its responsible executives meet annual continuing education requirements (Rule 2.3.4 (APX), (ASX) and (Chi-X)); and</p> <p>(v) notify ASIC annually of its responsible executives and self-assess responsible executives' satisfaction of requirements on competence, character and continuing education (Rule 2.3.5 (APX), (ASX) and (Chi-X)); and</p> <p>(b) not require staff allocated supervisory responsibilities by a market participant to carry the title 'responsible executive'.</p>	<p>C1Q1 Do you agree with proposal C1(a) to remove these obligations from the market integrity rules? If not, why not?</p> <p>C1Q2 What (if any) cost savings would result from the removal of these obligations?</p> <p>C1Q3 Do you think there could be any unforeseen consequences if these obligations are removed from the market integrity rules? If so, please give reasons for your concerns.</p> <p>C1Q4 Do you agree with proposal C1(b)? If not, why not?</p>
<p>C2 We propose to omit Rule 2.1.2(3) (APX), (ASX) and (Chi-X) from the ASIC Market Integrity Rules (Securities Markets).</p>	<p>C2Q1 Do you agree with our proposal? Please give reasons for your answer.</p>
<p>C3 We propose to update RG 214 and RG 224 to provide guidance on our expectations of the content of a market participant's management structure.</p>	<p>C3Q1 Do you agree with our proposal to provide further guidance on the content of a management structure? If not, why not?</p>

Proposal	Your feedback
<p>C4 We propose to adopt in the ASIC Market Integrity Rules (Securities Markets) a narrower meaning of dealing 'as principal' by carving out market participants and related body corporates acting or trading as a trustee of a trust, if:</p> <p>(a) the trustee has no beneficial interest in the trust or a beneficial interest in the trust of less than 5%; and</p> <p>(b) all of that interest was acquired by the trustee in lieu of fees for administering the trust.</p>	<p>C4Q1 Do you agree with our proposal? If not, why not?</p> <p>C4Q2 Are there any other dealings by entities that should be excluded from the meaning of dealing 'as principal'? If so, please give details.</p> <p>C4Q3 Should the carve-out be limited to trustees of listed trusts, rather than apply to all trusts? Please give reasons for your answer.</p> <p>C4Q4 Should the carve-out be limited to trustees who can satisfy both C4(a) and (b), or trustees who can satisfy one of C4(a) or (b)?</p>
<p>C5 We propose to not apply the trustee carve-out in proposal C4 to Rule 5.1.7 of the ASIC Market Integrity Rules (Securities Markets).</p>	<p>C5Q1 Do you agree with our proposal? Please give reasons for your answer.</p> <p>C5Q2 Are there any other rules to which the trustee carve-out in proposal C4 should not apply? If so, please give reasons for your answer.</p>
<p>C6 We propose to apply the clarified prohibition in Rule 3.2.4 (ASX) and (Chi-X) to all securities markets in the ASIC Market Integrity Rules (Securities Markets).</p>	<p>C6Q1 Do you agree with our proposal? If not, why not?</p> <p>C6Q2 Should a different meaning of dealing 'as principal' apply to Rule 3.2.4 of the ASIC Market Integrity Rules (Securities Markets)? If so, please give reasons for your answer.</p>
<p>C7 We propose to adopt the definition of block trade in Rule 4.2.1 (Competition) in the ASIC Market Integrity Rules (Securities Markets) with amendments to clarify that a block trade:</p> <p>(a) cannot include orders from more than one client on both sides of the transaction; and</p> <p>(b) may have 'multiple clients' on one side of the transaction and a 'principal' on the other side of the transaction.</p>	<p>C7Q1 Do you agree with our proposal? Please give reasons for your answer.</p>
<p>C8 We propose to adopt the definition of large portfolio trade in Rule 4.2.2 (Competition) in the ASIC Market Integrity Rules (Securities Markets) with amendments to clarify that a large portfolio trade may only be executed off-order book as a crossing with a single party on each side of the transaction.</p>	<p>C8Q1 Do you agree with our proposal? Please give reasons for your answer.</p>

Proposal	Your feedback
C9 We propose to take one of the following options for Rule 4.2.1 (Competition):	C9Q1 What is your preferred option? Please give reasons for your answer.
(a) Option 1—amend Rule 4.2.1 (Competition) to allow aggregation of client and principal orders on the same side of a block trade transaction.	C9Q2 Is signalling risk a concern for you? Will allowing aggregation of client and principal orders on one side of a block trade transaction alleviate your signalling risk?
(b) Option 2—amend Rule 4.2.1 (Competition) to allow aggregation of client and principal orders on the same side of a block trade transaction once the block trade consideration threshold has been met by the client orders on each side of the transaction.	C9Q3 If options 1 or 2 are implemented what, if any, changes would you expect to see in the volume of block trades executed? What effect might this have on the fairness and efficiency of markets?
(c) Option 3—maintain the status quo (i.e. a participant cannot use the pre-trade transparency exception for block trades in Rule 4.1.1(2)(a) (Competition) if principal and client orders are aggregated on the same side of an off-order book crossing).	



Proposal	Your feedback
<p>C10 We propose to remove class waiver relief provided in [CW 14-1091] and apply Rule 3.4.3(1)(b) of the ASIC Market Integrity Rules (Securities Markets) to all securities markets.</p>	<p>C10Q1 Do you agree with our proposal? Please give reasons for your answer.</p> <p>C10Q2 Do the notifications in Rule 3.4.3(1)(b) (ASX) and (Chi-X) meet the needs of wholesale clients that are not provided with a confirmation for market transactions in cash market products? Please give reasons for your answer.</p> <p>C10Q3 Should the provisions of Rule 3.4.3(1)(b) (ASX) and (Chi-X) apply equally to other securities markets? If not, why not?</p> <p>C10Q4 What, if any, additional information should be provided in a notification to a wholesale client, if:</p> <ul style="list-style-type: none"> <li>(a) a market participant enters into a derivatives market contract transaction with a client as principal; and</li> <li>(b) a client's derivatives market contract order is executed as a crossing?</li> </ul> <p>C10Q5 What would be the most practical and cost-effective method of transmitting the information required by Rule 3.4.3(1)(b) in the ASIC Market Integrity Rules (Securities Markets)?</p> <p>C10Q6 What additional costs will you incur if our proposal is implemented? Please provide an estimate of the time and costs associated with technology and process changes necessary to comply with the notification requirements for:</p> <ul style="list-style-type: none"> <li>(a) derivatives market contracts; and</li> <li>(b) transactions on the SSX market and other securities markets.</li> </ul> <p>C10Q7 What is an appropriate transition period to allow for implementation of any necessary technology changes?</p>

Proposal	Your feedback
<p>C11 We propose to make market integrity rules requiring a market operator to keep records:</p> <p>(a) to demonstrate it has complied with its obligations under the ASIC market integrity rules and Pt 7.2 of the Corporations Act (see Part 9.5 of the draft ASIC Market Integrity Rules (Securities Markets) in Attachment 1 and Part 4.3 of the draft ASIC Market Integrity Rules (Futures Markets) in Attachment 2); and</p> <p>(b) for a period of at least seven years from the date the record is made or amended (see Rules 6.1.2(1A), 6.3.4(1A), 6.3.6A(1A), 7.1AA.3(1A), 7.1.1(1A) and 9.5.2 in the draft ASIC Market Integrity Rules (Securities Markets) in Attachment 1 and Rules 4.1.1(1A) and 4.3.2 in the draft ASIC Market Integrity Rules (Futures Markets) in Attachment 2).</p>	<p>C11Q1 Do you agree with our proposal? Please give reasons for your view.</p> <p>C11Q2 Is seven years a reasonable period for records to be retained by market operators? If not, why not?</p>