Attachment 2 to CS 63: Summary of draft updated RG 265

This table indicates where guidance has changed in draft RG 265 *Guidance on ASIC market integrity rules for participants of securities markets*, and provides a summary of the new guidance. See the draft updated Regulatory Guide 265 at Attachment 1 to CS 63.

> Note: Updated guidance drawn from RG 241 and RG 265 to streamline content and to reflect amendments to the *ASIC Market Integrity Rules (Securities Markets) 2017* consulted on under Consultation Paper 386 *Proposed amendments to the ASIC market integrity rules: Trading systems and automated trading* (CP 386).

Draft RG 265: *Guidance on ASIC market integrity rules for participants of securities markets*

Where the guidance has changed	Summary of the updated guidance	Relevant rules	Sources of updated guidance
Sections A-C			
Draft RG 265.1-40	Overview, supervision, communication with ASIC and ASIC market integrity rules.	N/A	Existing RG 265 Sections A–D simplified, with existing Section D content ('Communicating with ASIC') moved into Section B of Draft RG 265.
Section D: Governance and risk management requirements			Previously: RG 265 Section E: Operational requirements
Supervisory policies and procedures *Draft RG 265.41–60*	Sets out ASIC's expectations on effective supervisory arrangements, including governance, risk management, compliance and supervisory procedures. Includes good fame and character requirement, PI insurance and use of AI and machine learning.	Part 2.1	Existing RG 265 Section E shortened and simplified and new guidance on use of AI and machine learning.
Organisational and technical resources *Draft RG 265.61–64*	Outlines general guidance on organisational and technical resources requirements.	5.5.2	Moved from RG 241.72–74.
Trading representatives *Draft RG 265.65–68*	Clarifies expectations for representatives, also known as designated trading representatives (DTRs) in the securities markets who submit trading messages.	5.5.1(2)	Adapted from RG 265.118–124 and RG 241.13–14.

Where the guidance has changed	Summary of the updated guidance	Relevant rules	Sources of updated guidance
Risks associated with operating trading systems and algorithms *Draft RG 265.69–81*	Identifies key risk management considerations in relation to trading systems and trading algorithms, corporate actions, trading on multiple markets and direct electronic access arrangements.	5.5.2 and Part 5.6	Adapted from RG 241.88–112.
Section E: Arrangements for trading systems and algorithms			New section
Trading system design, documentation and controls *Draft RG 265.82–104*	Sets out guidance on trading systems and compliance with Part 5.6, including design and documentation, having appropriate controls, security arrangements, controls to suspend, limit, prohibit or cancel trading, and changes to trading system controls.	5.6.3	Adapted from RG 241.33–56, RG 241.75-79 and RG 241.113–116.
Trading algorithm obligations *Draft RG 265.105–116*	Clarifies expectations for managing trading algorithms, including development, approval, deployment, monitoring and implementing material changes to the algorithm.	5.6.3B	New guidance
Monitoring and surveillance *Draft RG 265.117–128*	Outlines expectations for monitoring and surveillance of trading, including appropriate responses to monitoring activity and post-trade surveillance.	5.6.3A, 5.7.1 and 5.7.2	Adapted and updated from RG 241.81–87 and RG 241.57–58 with new guidance.
False or misleading appearances *Draft RG 265.129–136*	Provides guidance on how the amended false or misleading appearance prohibition applies to trading activity.	5.7.1 and 5.7.2	New guidance
ASIC direction to limit trading *Draft RG 265.137–139*	Sets out when ASIC may direct a trading participant to cease, suspend, limit, or prohibit trading activity.	5.6.12	Moved from RG 241.126–129.
Section F: Initial certification, material change and annual reviews			New section
Reviews of trading systems *Draft RG 265.140–147*	Overview of what participants should consider when scoping their trading system review.	5.6.4, 5.6.8 and 5.6.8A	Adapted from RG 241.142–143.

Where the guidance has changed	Summary of the updated guidance	Relevant rules	Sources of updated guidance
Initial certification review *Draft RG 265.148–158*	Sets out when initial certification is required and how to seek ASIC confirmation before using a trading system.	5.6.4 and 5.6.6	Adapted from RG 241.144–165.
Material change review *Draft RG 265.159–167*	Clarifies when a material change review is required and how to determine the scope of the review.	5.6.8	Adapted and updated from RG 241.166–181.
Annual review *Draft RG 265.168–173*	Provides guidance on the annual review.	5.6.8A	Adapted and updated from RG 241.182–195
Further certification *Draft RG 265.174–175*	Sets out when ASIC may direct a trading participant to provide a further certification.	5.6.7	Adapted from RG 241.196–197
Suitably qualified and experienced persons and responsible officers *Draft RG 265.176–178*	Outlines who may conduct reviews, responsible officer certification and record-keeping.	5.6.4, 5.6.6, 5.6.8 and 5.6.8A	Adapted from RG 241.198–202
Testing controls, arrangements and resources of a trading system *Draft RG 265.179–188*	Highlights when testing is expected and the types of testing participants should consider for the relevant system, algorithm, change or review.	5.6.3B, 5.6.4, 5.6.8 and 5.6.8A	Adapted from RG 241.117–125
Existing Section F content			
Guidance on client relationships: content removed.	As part of the simplification initiative, section replaced with guidance on initial certification, material change and annual reviews (see above).		RG 265.125–126

Where the guidance has changed	Summary of the updated guidance	Relevant rules	Sources of updated guidance
Sections after Section F			
Remaining guidance topics (sections G–O) retained, but other inconsequential amendments have been made, such as paragraph renumbering and amendments reflecting the name change from Cboe Australia Pty Limited to TMX Australia Exchange Pty Limited.	Guidance on best execution; suspicious activity reporting; crossing systems; pre-trade and post-trade transparency; regulatory data; market operator related rules; capital requirements and technological and operational resilience has remained the same.	N/A	
Section L: Regulatory data			
Intermediary identifier. Former RG 265.481 has been removed.	Former RG 265.481, which we are proposing to remove, provides that an intermediary ID is not required where an order is received by a participant from an intermediary using non-automated order processing methods (e.g. telephone or email) or are manually entered by a DTR. The updated guidance clarifies that a market participant must provide an intermediary ID for all trades (manual or automated).	Item 4 of the table in Rule 7.4.4	

