REGULATORY GUIDE 172

Financial markets: Domestic and overseas operators

September 2026

About this guide

This guide provides guidance about the licensing regime and regulatory obligations for operators of financial markets.

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 guide was issued in September 2026 and is based on legislation and regulations as at the date of issue.

This guide replaces:

- Superseded Regulatory Guide 172 *Financial markets: Domestic and overseas operators*, issued 2 August 2022
- Superseded Regulatory Guide 172 *Australian market licences: Australian operators*, issued 6 March 2002 with Addendum 1 added in November 2012
- Superseded Regulatory Guide 177 *Australian market licences: Overseas operators*, issued 30 October 2003
- Superseded Regulatory Guide 223 *Guidance on ASIC market integrity rules for competition in exchange markets*, issued 4 May 2015, Sections B, C, F, H and the parts of Sections D, E and G that apply to market operators

Disclaimer

This guide does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this guide are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

© Australian Securities and Investments Commission September 2026

Contents

Introduction to this guide **5**

PART 1 Obligations under the Corporations Act for all licensed market operators **6**

A Overview of Part 1 ..... **7**
Role of financial markets 7
Regulation of financial markets 7
Objectives and outcomes of market operator regulation 7

B Do you need a market licence? **9**
When do you need a licence? 9
Is your operation a financial market? 9

C What type of licence? **13**
Domestic or overseas licence? 13
Tier 1 or tier 2 licence? 13
Is your market venue 'operated in this jurisdiction'? 15

D Market licensee obligations **19**
Application of licence obligations to tiers of market venues 19
Explanation of licence obligations 22

E Overseas market licence **48**
Overview 48
Our licensing approach 48
What are the obligations of overseas licensees? 52
How will we assess compliance? 54

F Can you get a market licence exemption? **55**
Overview 55
When an exemption may be granted 55
When exemptions will not likely be granted 56

G ASIC supervision, suspension or revocation of a licence, and other matters **57**
ASIC market surveillance 57
ASIC supervision 57
Suspension and cancellation of a licence 59
ASIC's power to require reports 60
Approval to have more than 20% voting power 60

H Applications **63**
How to apply for a licence, variation or exemption 63

PART 2 Obligations under the market integrity rules **66**

I Overview of Part 2 ..... **67**
ASIC market integrity rules 67
Scope and application of the rules 67

J Pre-trade transparency **70**
Scope and application 70
Orders and quotes to be pre-trade transparent 71
Exceptions 72
Content of pre-trade disclosures 77
Priority for pre-trade transparent orders 78

K Post-trade transparency **79**
Scope and application 79
Market participants' obligations to report data 79
Market operators' obligations to validate post-trade information 81
Market operators' obligations to make data available 83
Course-of-sales information 84

L Consolidation of pre-trade and post-trade information **86**
Scope and application 86
Obligations on market operators 86
Minimum standards for data consolidators 87

M Data feeds and regulatory data 89
Scope and application 89
Data feeds to ASIC 89
Information about market participants 90
Regulatory data 90
N Changes to procedures 94
Scope and application 94
Notifying ASIC of material changes to procedures 94
O Extreme price movements 96
Scope and application 96
Market level order entry controls: Anomalous order thresholds 97
Market level controls: Preventing extreme price movements 100
Transparent policies for trade cancellations 107
P Market operator cooperation and operational requirements 109
Scope and application 109
Trading suspensions and system outages 110
Information sharing between market operators 112
Assignment of common identifiers and symbols 115
Synchronised clocks 116
Tick sizes 118
Record keeping 119
Good fame and character requirement 120
Q Technological and operational resilience 121
Scope and application 121
Trading controls 122
Critical business services 123
Information security 134
Business continuity plans 137
Governance 143

Appendix 1: Listing principles 145
Principles for listing rules 145

Appendix 2: Pre-trade and post-trade transparency data fields 149

Key terms 152

Related information 159

Introduction to this guide

RG 172.1 This guide is divided into two parts.

RG 172.2 Part 1 relates to the obligations of market operators set out under Pts 7.2 and 7.2A of the *Corporations Act 2001* (Corporations Act). These obligations are relevant for all licensed or exempt market operators, as applicable.

RG 172.3 Part 2 relates to the obligations of certain domestic market operators that are subject to the ASIC market integrity rules, as specifically identified in:

(a) the *ASIC Market Integrity Rules (Securities Markets) 2017*; and

(b) the *ASIC Market Integrity Rules (Futures Markets) 2017*.

PART 1 Obligations under the Corporations Act for all licensed market operators

RG 172.4 Part 1 of this guide outlines our role in, and approach to, regulation of financial markets as defined under s767A of the Corporations Act. It deals with a range of financial markets (also referred to as market venues in this regulatory guide) operating in Australia and covers those operated by domestic and overseas operators.

RG 172.5 It sets out:

(a) our approach to, and outcomes of, market regulation;

(b) when we take you to be operating a financial market;

(c) our approach to, and guidance on, the obligations of licensees;

(d) tailored regulation of overseas operators;

(e) exemptions from the licence regime;

(f) our supervision of licensees; and

(g) applying for a licence or exemption.

A Overview of Part 1

Key points

The market licence regime applies to a broad range of venues, from traditional exchanges to non-exchange market venues.

We seek to regulate licensed venues to ensure they are operated in a fair, orderly and transparent manner.

Role of financial markets

RG 172.6 Market venues, whether they are traditional exchanges or non-exchange market venues, perform a critical function in the financial system by facilitating the flow of capital between suppliers of capital (e.g. retail and institutional investors) and users of capital (e.g. businesses and government). In fulfilling this role, market venues support efficient capital allocation for funding economic growth, provide access to investment opportunities for wealth creation, and facilitate risk management across the economy.

Regulation of financial markets

RG 172.7 ASIC's main functions in regulating market operators are to:

(a) assess applications for market licences and exemptions, changes to operating rules, and other matters concerning the structure and operation of financial markets;

(b) assess and enforce operators' compliance with their obligations; and

(c) enforce the prohibition on a person operating, or holding out that the person operates, a financial market in Australia, if the person does not hold a licence or an exemption.

RG 172.8 For domestic licensed markets, we also have frontline responsibility for supervising secondary trading activity taking place on those markets and making and ensuring compliance with the ASIC market integrity rules: see Part 2 of this guide.

Objectives and outcomes of market operator regulation

RG 172.9 ASIC's regulatory objectives are to facilitate effective capital formation and risk management, and support investor interests. In doing so, we help maintain the integrity, quality and international reputation of the Australian

financial system, therefore enabling Australian businesses to access capital more efficiently and cost effectively.

RG 172.10 In seeking to ensure financial market operators meet their statutory obligation to operate markets that are fair, orderly and transparent, our regulatory focus is directed at market operators delivering the following outcomes:

(a) *Price formation:* Price formation on the market reflects genuine supply and demand. There is transparency to users about the consequences of trading decisions, including an indication of whether and at what price/volume trading may occur on the market as well as the reliable distribution of price-sensitive information.

(b) *Orderly functioning of the market:* The market is able to operate as intended with controls for undue aberrations or extreme volatility. The operation of the market is also supported by robust technology and operational risk resourcing and controls to ensure resiliency and enable it to function reliably in all appropriate circumstances.

(c) *Fair access:* Access to facilities and services is provided in a fair, transparent and non-discriminatory manner, including as to commercial terms. This includes access to order types, products, data and other services. Fair access is provided to users and, where appropriate, other stakeholders.

(d) *Users are informed and receive fair treatment:* Sufficient information is available to enable informed use of the market, including about how the market operates. Where market operators provide information to market users, they do so in an efficient and effective way. The interests of different users are appropriately balanced, with like treatment for like circumstances and no market users are unduly favoured over others.

(e) *Admission:* Operators have rules and practices to ensure that admission of participants, users and products is designed to achieve high-quality outcomes—and apply appropriate ongoing expectations and transparency about when discipline, removal or suspension may occur.

Note: See Appendix 1 for more details on our expectations for markets that have a listing function.

(f) *Market integrity:* Operators have capacity and arrangements to administer and oversee the market so that market integrity outcomes are achieved.

RG 172.11 In seeking to ensure market operators achieve these outcomes, we administer the licensing regime in a substantially consistent manner for operators in similar circumstances, and maintain a technology-neutral approach.

B Do you need a market licence?

Key points

You will need a market licence if you operate a financial market in this jurisdiction. The definition of 'financial market' is broad.

We also provide guidance on when we are more likely to have a regulatory interest in a particular market venue under the market licensing regime.

When do you need a licence?

RG 172.12 The Corporations Act prohibits a person from operating, or holding out that they operate, a financial market in Australia, unless the person has:

(a) an Australian market licence that authorises the person to operate the market; or

(b) an exemption from the licensing requirement (s791A): see Section F.

Is your operation a financial market?

RG 172.13 A financial market is defined in s767A as a facility through which:

(a) offers to acquire or dispose of financial products are regularly made or accepted; or

(b) offers or invitations are regularly made to acquire or dispose of financial products that are intended to result or may reasonably be expected to result, directly or indirectly, in:

(i) the making of offers to acquire or dispose of financial products; or

(ii) the acceptance of such offers.

Note: See s767A(1).

RG 172.14 This section outlines our approach to this definition, including our approach to who is a participant on a financial market.

What is a financial market?

RG 172.15 The definition in s767A(1) is broad and applies to any form of technology or physical infrastructure that would enable persons to make *or* accept offers or invitations by means of the facility.

RG 172.16 The essential feature of both an offer and an invitation is that the offer or invitation is *intended to* result, or may reasonably be *expected to* result, in a binding contract. This includes:

(a) formal contractual offers;

(b) requests for others to make a formal contractual offer; and

(c) requests to enter a course of negotiations with a view to entering into a binding contract.

RG 172.17 We are more likely to have a strong regulatory interest in a market venue if it has one or more features that enable some or all of the terms of the agreement to occur by means of the facility.

RG 172.18 This is the case even where steps may also occur away from the facility to finalise, amend or confirm the agreement's terms. For example, if a facility enables a person to receive and respond to a request for quote, we are more likely to have a regulatory interest, even if elements of the process for finalising and documenting a trade (such as confirmation of the terms of the contract, checking credit limits, amending agreed terms or adding to them) are done elsewhere.

> Note: The definition in s767A(1) does not include any post-trade processes that may be required, such as meeting obligations under the agreement. A person who operates a facility for this purpose may be operating a clearing and settlement (CS) facility: see the definition in s768A and Regulatory Guide 211 *Clearing and settlement facilities: Australian and overseas operators* (RG 211).

Elements of the s767A(1) definition

RG 172.19 As explained above, offers and invitations can range from formal contractual offers to requests to enter a course of negotiations. This means the offers and invitations that may be made through a facility can differ in the information contained and in form, but the facility would still be a financial market as long as it meets the elements of the definition.

RG 172.20 For example, a request to enter a course of negotiations may include one or more of the product, person, price or indicative price, volume or other component of a potential contract, while a binding contractual offer may be expected to identify the key elements of the contract.

RG 172.21 A facility can be an integrated infrastructure made up of multiple components. Such integrated infrastructure may be a financial market even if any or all of its components, when considered in isolation, do not of themselves constitute a financial market.

RG 172.22 A number of component parts may constitute a single facility where, for example:

(a) the component parts are owned or controlled by the same entity or are part of the same corporate group; or

(b) together the component parts enable offers or invitations to be made and/or accepted, and no component part is a regulated market.

RG 172.23 Section 767A refers to offers or acceptances being 'regularly' made or accepted. The term 'regularly' means the facility can provide recurring opportunities to acquire or dispose of financial products through the facility. 'Regularly' does *not* mean continuously or at specified intervals.

RG 172.24 This means the requirement of *regularity* may be satisfied even if there are small numbers of infrequent offers or invitations made or accepted through the facility because, for example:

(a) the facility only operates for a short period of time;

(b) there is limited commercial activity taking place through the facility;

(c) the facility only serves a small part of the overall market in the relevant product class; or

(d) the facility operates in respect of less liquid financial products.

What is not considered to be a financial market?

RG 172.25 Section 767A(2)(a) stipulates that persons engaged in 'designated conduct' do not operate a financial market and therefore are not required to hold a licence. Designated conduct is:

(a) subject to the regulations, a person making or accepting offers or invitations to acquire or dispose of financial products on the person's own behalf or on behalf of one party to the transaction only;

(b) conducting treasury operations between related corporate bodies;

(c) conducting an auction of forfeited shares by a licensed auctioneer; and

(d) any other conduct of a kind prescribed by regulations.

RG 172.26 Section 767A(2)(a) describes the type of conduct ordinarily engaged in by a participant *on* a market venue, such as that of a market maker or broker (i.e. making an offer to buy or sell a financial product on a person's own behalf or on behalf of another person). A person undertaking the specified activity would not be required to hold a market licence, and may be required to hold an Australian financial services (AFS) licence or be exempt from AFS licensing.

> Note: Section 766D specifically provides that a person makes a market in a financial product where, if the person's actions occurred on a facility or in a place, it would not constitute operating a financial market because of the effect of s767A(2)(a). That is, the actions defined under s766D(1)(a) and (b) would be treated as market making, not as operating a market venue, because of s767A(2)(a).

The informal OTC market

RG 172.27 With the evolution of markets, transactions that were previously directly negotiated between participants have moved out of informal OTC markets and onto market venues. Where these market venues exhibit the core features specified in s767A(1) of markets that require a market licence or an exemption, the Australian market licensing regime applies to these market venues.

> Note: See the Explanatory Memorandum to the *Financial Services Reform Bill 2001*, which also refers to 'transactions which are considered to form part of the informal "OTC market"'.

Who is a 'participant'?

RG 172.28 A 'participant' of a market venue is defined in s767A(4) as 'a person who is allowed to directly participate in the venue under the market's operating rules'. We consider that a person 'directly participates' in a venue if:

(a) the person's access to the market venue's trading mechanism, for the purpose of making offers or invitations through the venue, is not intermediated; or

(b) the person has, or is taken to have, direct legal responsibility for an offer or invitation that has been made through the market venue (including for some or all of the obligations that arise immediately once a market contract is formed).

RG 172.29 Our interpretation of 'participant' excludes a person who is able to transmit an offer or an invitation to a venue's trading platform by means of an automated ('straight through') electronic order processing facility, in circumstances where:

(a) the venue's trading platform identifies the offer or invitation as having been transmitted from another person ('participant'); and

(b) the venue's operating rules make the participant (or another participant) legally responsible for the transmission.

RG 172.30 In this situation, we consider that the person's access to the market venue is intermediated and the person does not 'directly participate' in the venue. This is the case whether the operator or some other person makes the automated electronic order processing facility available.

C What type of licence?

Key points

This section provides guidance on:

- whether you should apply for a domestic or overseas market licence;
- which tier of licence would apply to your market and how we will determine the tiers; and
- when your market may be operating in this jurisdiction.

Domestic or overseas licence?

Domestic market licence

RG 172.31 If you operate a financial market in Australia, you must hold a domestic licence under s795B(1) unless you are eligible to hold an overseas market licence under s795B(2).

Overseas market licence

RG 172.32 If your principal place of business is located in a foreign country, you may be eligible to apply for an overseas market licence under s795B(2). For details see Section E.

Tier 1 or tier 2 licence?

RG 172.33 Market venues differ in their nature, size and complexity. This reflects the nature of products and participants that the venue serves, and the venue's business model. Some market venues may therefore pose specific risks or greater risks than others to the financial system and to investor confidence and trust.

RG 172.34 To facilitate these differences, Pt 7.2 of the Corporations Act sets out a range of obligations which licensees may be subject to either in whole or in part.

RG 172.35 We administer the licence regime so as to create two broad tiers of licences. We designate licences as tier 1 licences (that are generally expected to comply with all licensing obligations) or tier 2 licences (that would be expected to comply with a subset of tailored obligations). Both domestic and overseas market operators could be designated as a tier 1 or tier 2 licensee for the market venues they operate.

Risk assessment

RG 172.36 The decision to designate a market venue as a tier 1 or tier 2 venue will be based on our risk assessment:

(a) tier 1 market venues are, or are expected to become, significant to the Australian economy or the efficiency and integrity of, and investor confidence in, the financial system. This tier is expected to include the traditional exchanges (including small equities or futures exchanges) as well as a small number of other market venues that meet the 'significance' criteria. We would expect that domestic market venues seeking international regulatory equivalence would typically do so on the basis that they are a tier 1 market in Australia;

(b) tier 2 applies to most other licensed market venues. We would not generally permit tier 2 market venues to use 'exchange' or 'stock/securities/futures market' in their title or in documentation such as marketing material.

Note: This is in addition to restrictions on the use of the term 'stock exchange'. See item 6319, Sch 6 of the *Corporations Regulations 2001* (Corporations Regulations).

RG 172.37 The types of regulatory risks that we consider in determining which tier should apply to a market venue include the following. If the answer to any of these is yes, then generally the market venue would be a tier 1 market:

(a) whether the failure of the market venue could result in severe *disruption to the financial system* or part of the financial system (e.g. where the market is part of an interconnected group with other financial market infrastructure services);

(b) whether there is the potential for contagion risk as a result of *competition in trading* between market venues for the same financial products (e.g. price movements are quickly reflected on other markets) and activities may directly affect other markets (e.g. cross-market manipulation);

(c) whether the failure of the primary *price formation function* of the market venue (e.g. information about the pricing of the financial products traded on the facility would be impaired) could have detrimental implications for financial products and contracts that are important to the financial system; and

(d) whether the nature of the market venue raises risks to the efficiency and integrity of, and *investor confidence* in, the financial system (e.g. intermediated listing markets with retail investor participation).

RG 172.38 For overseas operators, we will determine whether you are a tier 1 or tier 2 market venue, and undertake the 'sufficient equivalence' assessment against the obligations that would apply under our licensing regime. If you are

regulated as an exchange in your home jurisdiction, you should expect to be assessed as a tier 1 market venue.

RG 172.39 Other overseas venues that are not considered exchanges in their home jurisdiction (e.g. swap execution facilities or multilateral trading facilities) may also expect to be a tier 1 market venue. This is consistent with the approach outlined above that domestic market venues seeking international regulatory equivalence would typically do so on the basis that they are a tier 1 market in Australia: see RG 172.36(a).

RG 172.40 Under this risk-based approach, generally we would not be prescriptive about whether a particular service or product must be provided by, or traded on, a tier 1 venue. However, we would consider whether specific conditions may apply: see RG 172.54–RG 172.57. As part of our ongoing supervision of a licensee, we would periodically review whether a market venue is in the appropriate tier.

RG 172.41 We will take these factors into account when considering whether a market venue should move from a tier 2 to a tier 1 licence, or vice versa. This may occur, for example, when the nature, size and complexity of a market venue, or the risks posed by the market venue, change compared to the case at the time of the licence application. We would consult the operator about the time needed for the operator and participants to undertake any regulatory compliance changes. Changes between tiers could be done by varying the conditions on a licence or imposing additional conditions on a licence: see RG 172.54–RG 172.57.

Is your market venue 'operated in this jurisdiction'?

RG 172.42 A market venue is taken to be operated in Australia if it is:

(a) operated by a body corporate that is registered under Ch 2A: s791D(1); or

(b) covered by a declaration. We may declare that a financial market is operated by a body corporate in this jurisdiction because the market has a material connection with this jurisdiction: s791D(2).

Criteria for declarations that financial markets have a material connection with this jurisdiction

RG 172.43 Under s791E(1), we may declare that a market has a material connection with this jurisdiction by applying a two-step test:

(a) Step 1: whether the market has a connection with this jurisdiction; and

(b) Step 2: whether that connection is material.

Step 1: Does the market have a connection with this jurisdiction?

RG 172.44 A financial market has a connection with this jurisdiction if one or more of the following paragraphs in s791E(2) apply to the market:

(a) the market has operations located in this jurisdiction;

(b) the market provides a market for financial products:

(i) denominated in Australian currency; or

(ii) issued by a domestic corporation or by the Commonwealth, a State or a Territory;

(c) the market provides a market for financial products based on something else (of any nature whatsoever and whether or not deliverable) located or issued in this jurisdiction including, for example, one or more of the following:

(i) an asset;

(ii) a rate (including an interest rate or exchange rate);

(iii) an index;

(iv) a commodity;

(d) one or more current or expected participants in the market are resident or based in this jurisdiction;

Note: A 'participant' is defined in s767A(4) as a person allowed to directly participate in the venue under the market's operating rules. A person directly participates if their access is not intermediated, or they have (or are taken to have) direct legal responsibility for an offer or invitation made through the venue: see RG 172.29–RG 172.31.

(e) the market targets investors resident or based in this jurisdiction;

(f) circumstances determined by ASIC by legislative instrument under s791E(4)(a) apply.

When is a market venue targeted at Australian investors?

RG 172.45 All the facts and circumstances need to be assessed in order to determine whether a market venue targets Australian investors. The following factors may indicate that a market venue is targeting Australian investors:

(a) one or more participants in Australia have direct secure access to the market venue platform through a market screen;

(b) the operator, or a person acting with the endorsement of the operator, promotes the market venue in Australia by, for example:

(i) advertising the market venue in Australia; or

(ii) sending direct mail or email publicity about the market venue to Australian addresses;

(c) the prices on the market venue are denominated in Australian dollars; or

(d) the market venue is regularly used by Australian investors.

Targeting Australian investors

RG 172.46 If you want to establish that your market venue does not target Australian investors, you will need to supply clear evidence to support your claim. It is not enough to just indicate (e.g. in a disclaimer) that you are not targeting Australian investors.

RG 172.47 A market venue may not be targeting Australian investors if an Australian participant who accesses the market venue is presented with information that clearly and prominently:

(a) states that the market venue is targeted at residents of some other jurisdiction; or

(b) lists the jurisdictions (other than Australia) in which the market venue is authorised to operate, and that information is true.

RG 172.48 In addition, a market venue might not be targeting Australian investors if the operator takes precautions designed to prevent the use of the market by Australian investors, including screening invitations, offers and acceptances from Australian addresses. By comparison, if a market venue's services specifically allow access to Australian investors, this may indicate that it is targeting Australian investors.

Step 2: If a market has a connection with this jurisdiction, is the connection material?

RG 172.49 If a market has a connection with this jurisdiction, ASIC must consider whether the connection is material: s791E((3). A financial market's connection is material if ASIC considers that either or both of the following apply:

(a) the size and extent of current or expected aggregate activity in the market by participants in the market is material to:

(i) the risk management activities of those participants; or

(ii) the efficient allocation of capital or liquidity to the Australian economy; or

(iii) the provision of fair, orderly and transparent financial markets to those participants who are resident or based in this jurisdiction; or

(iv) confident and informed decision making by consumers of financial products or financial services who are resident or based in this jurisdiction;

(b) the circumstances determined by ASIC by legislative instrument, with consent by the Minister, apply (see s791E(4)(b) and s791F(1)).

RG 172.50 ASIC may by legislative instrument determine circumstances for the purposes of paragraph s791E(3)(b) or determine, for each paragraph of s791E(3), principles for working out if that paragraph applies to a financial market.

ASIC declarations

RG 172.51 We may request a body corporate to give us information about its financial market within a specified time period to help us assess whether the financial market has a material connection with this jurisdiction: s791E(5).

RG 172.52 If at any time after a body corporate receives a declaration from ASIC that the financial market operated by the body corporate has a material connection with this jurisdiction, the body corporate may request in writing that ASIC refer its declaration to the Minister. ASIC must refer such a request to the Minister immediately. If the Minister considers it appropriate, after being referred the declaration by ASIC, the Minister may direct ASIC to vary or revoke its declaration.

RG 172.53 ASIC may also revoke a declaration if we no longer consider the market's connection with this jurisdiction to be material.

Note: See s791G.

D Market licensee obligations

Key points

This section sets out which licence obligations imposed under the Corporations Act would typically be expected to apply to each tier of licence.

We also provide additional explanations about how licensees may be expected to comply with some licence obligations.

Application of licence obligations to tiers of market venues

RG 172.54 A tiered licensing regime allows licence obligations to be applied in a way that takes into account the nature of the market venue and products traded on the venue. This approach allows ASIC to:

(a) retain the key obligations in Pt 7.2 for all licensees (e.g. the obligation to maintain a fair, orderly and transparent market, undertake appropriate supervision of the market and provide reasonable assistance to ASIC);

(b) exempt tier 2 licensees from certain obligations that are not appropriate or are unnecessary; and

(c) adapt additional obligations to the nature, size and complexity of venues. This could be done through specific exemptions, licence conditions or both.

RG 172.55 Table 1 sets out the obligations that we generally expect would apply to each tier of domestic or overseas licence. Under this table, tier 1 market venues would be subject to obligations that generally apply to exchanges and highly regulated market venues in other jurisdictions.

RG 172.56 We would consider adapting licensing obligations for specific market venues or a class of venues (e.g. to facilitate emerging or specialised venues). We may also consider imposing additional obligations if a market venue exhibits additional regulatory risks (such as additional risks to investor trust and confidence).

RG 172.57 Generally, we do not expect to be prescriptive about whether a particular service or product must be provided by, or traded on, a tier 1 venue. This approach is consistent with the approach taken under key overseas regulatory regimes. We will consider whether specific conditions may apply (e.g. the product admission and disclosure requirements where a market venue seeks to trade certain equity market products). In limited circumstances, we may expect a particular type of market venue to be a tier 1 market venue (e.g. if a market venue is a declared financial market under the Corporations Act).

Table 1: Licence obligations

Licence obligations	Tier 1	Tier 2
Obligations applying to domestic and overseas operators		
Operate the market venue in a fair, orderly and transparent manner (s792A(1)(a))	Yes	Yes
Comply with the conditions on the licence (s792A(1)(b))	Yes	Yes
Have adequate arrangements for handling conflicts; monitor and enforce compliance with operating rules (s792A(1)(c))	Yes	Yes
Have sufficient resources to operate the market venue properly (s792A(1)(d))	Yes	Yes
For domestic markets—have approved compensation arrangements (s792A(1)(e))	Yes, if market provides intermediated retail access	Yes, if market provides intermediated retail access
If operator is a foreign body corporate—be registered under Div 2 of Pt 5B.2 (s792A(1)(f))	Yes	Yes
Take all reasonable steps to ensure core officers are fit and proper to perform their functions (s792A(1)(ha)(iii))	Yes	Yes
Take all reasonable steps to ensure core officers are capable, including being competent, to perform their functions (s792A(1)(ha)(iv))	Yes	Yes
Take all reasonable steps to ensure no disqualified individual becomes involved, or remains involved, in the licensee (s792A(1)(i))	Yes	Yes
Take all reasonable steps to ensure no individual against whom an FMI banning order is made is involved, or remains involved, in the licensee or contravenes the FMI banning order (s792A(1)(j))	Yes	Yes
Comply with directions and requirements from ASIC (s794A, 794AA, 794B, 794BA, 794D); assist ASIC, including by providing documents and access to market facilities (792D, 792E)	Yes	Yes
For widely held market bodies—take all reasonable steps to ensure that an unacceptable control situation does not exist (s792A(1)(h))	Yes, if widely held market body	No

Licence obligations	Tier 1	Tier 2
Obligation to notify ASIC as soon as practicable (domestic and overseas operators)		
All licensees • licensee breaches an obligation under s792A (s792B(1)) • licensee suspects significant contravention of operating rules or Corporations Act (s792B(2)(c)) • after a person becomes, or ceases to be, a director, secretary or senior manager of a licensee, or its holding company (including when a person changes from one of those positions to another) (s792B(5)(a)) • after a licensee becomes aware that a person has come to have, or has ceased to have, more than 20% of the voting power in the licensee, or its holding company (s792B(5)(b))	Yes	Yes
Tier 1 licensees only • licensee provides a new class of financial service (s792B(2)(a)) • licensee takes disciplinary action against participant (s792B(2)(b)) • licensee becomes aware that participant may not be meeting AFS licence obligations (s792B(3))	Yes	No, periodic notification may be required
Operating rules and operating procedures		
Obligation to have operating rules: domestic and overseas licensees (s793A)	Yes	Yes, as applicable
Changes to operating rules: changes to the operating rules may be disallowed (domestic licensees only (s793E))	Yes	Yes, as appropriate
Changes to operating rules: notify ASIC of each change to operating rules (overseas licensees only (s793D))	No, periodic notification	No, periodic notification of significant changes
Content of operating rules: all domestic licensees (reg 7.2.07) • arrangements for access to the market • how orders are executed • the products available on the market • obligations on participants and listed entities relating to conflicts • participant conduct obligations • how disorderly trading is dealt with • action for participant breaches of operating rules • if market venue has listing function, obligations relating to listing, admission and delisting, and conduct of listed entities	Yes	Yes, as appropriate
Content of operating rules: tier 1 domestic licensees only (reg 7.2.07) • how licensee monitors participant compliance • terms of contract formed between participants • participant dispute resolution • how licensee investigates participant disputes • have operating rules that comply with s798DA in specified circumstances	Yes	Yes, as appropriate

Licence obligations	Tier 1	Tier 2
Content of operating procedures: tier 1 domestic licensees only (reg 7.2.08) • exchange of information with CS facilities and other operators • integrity and security of systems • how to monitor compliance with operating rules • assess, investigate, settle participant disputes • recording and effective disclosure of transactions • information about market processes	Yes	No
Comply with ASIC determination on having certain operating procedures: overseas licensees only (s793A(4))	Yes	Yes, as appropriate
Licence obligations applying only to overseas operators		
Obligations relating to home jurisdiction (s792A(1)(g), s792B(4)) • remain authorised in home jurisdiction • obtain ASIC's approval before relocating to another jurisdiction • notify ASIC if no longer authorised in home jurisdiction • notify ASIC of significant changes to home regime	Yes	Yes

Note: In this guide, references to regulations (regs) are to the Corporations Regulations, unless otherwise specified.

Explanation of licence obligations

Nature, scale and complexity of market venue

RG 172.58 Licensees are expected to consider how to comply with their licence obligations in the context of the nature, scale and complexity of the market venue. We will also take into account these factors when supervising the licensee.

RG 172.59 'Nature, size and complexity' includes factors such as:

(a) the products and services you offer;

(b) the diversity and structure of your operations (including the geographical spread of your operations and the extent to which you outsource any of your functions);

(c) the volume and size of transactions you are responsible for;

(d) how many of the clients which access your market are retail, and how many are wholesale;

(e) the number of people in your organisation; and

(f) the flow-on effects from any failure of the market which you are operating.

Fair, orderly and transparent

RG 172.60 Under s792A(1)(a), a licensee must do all things necessary to ensure that the market venue is fair, orderly and transparent, to the extent that it is reasonably practicable to do so. This obligation applies both as:

(a) a broad description of all the licensee obligations; and

(b) a separate obligation that the licensee must comply with.

RG 172.61 Because this obligation underlies all the other licensee obligations, a licensee that is not meeting one of its other licensee obligations is also likely not to be meeting this obligation. A licensee that meets this obligation is more likely to operate a venue that achieves the regulatory outcomes in RG 172.10.

RG 172.62 'Fair, orderly and transparent' should be treated as a composite phrase. If there is a conflict between the elements of the phrase, we expect a licensee to achieve an appropriate balance between the demands of each element.

RG 172.63 The obligation 'to do all things necessary' is qualified by the phrase 'to the extent it is reasonably practicable to do so'. In other words, a licensee must do everything reasonably practicable to ensure that the market venue is fair, orderly and transparent.

RG 172.64 As market venues evolve (e.g. with increased reliance on third-party services through outsourcing arrangements or the use of different trading protocols), licensees should assess how these developments may affect their obligation to operate the market venue in a fair, orderly and transparent manner. Licensees should consider the impact on direct users of the venue, other stakeholders and, for tier 1 venues in particular, the wider Australian financial system.

RG 172.65 All licensees should be transparent about how the market venue is operated. Licensees should also be transparent about the activities conducted on the venue to the extent appropriate. For example, tier 1 venues in particular should provide an appropriate degree of pre- and post-trade transparency about the transactions conducted on the venue. It may also be appropriate for tier 1 venues—especially exchanges—to publish information about the fee incentives they may offer to certain participants to post offers or invitations on the venue. We also expect that all market participants seeking access to a licensee's systems or services (including co-location services) should have access on fair, non-discriminatory terms.

RG 172.66 If a licensee is not doing something that we think is necessary for the market venue to be fair, orderly and transparent, we will only assess it as complying with this obligation where the licensee can satisfy ASIC that it is not reasonably practicable for it to do that thing. Cost by itself will not make it 'not reasonably practicable' to do a particular thing, unless the cost to the licensee is manifestly excessive or unreasonable when compared to the

market integrity, investor protection or other benefits that would result from doing the thing.

RG 172.67 Some licensees and/or participants are subject to specific obligations that also help to promote fairness, orderliness and transparency, such as volatility controls and pre- and post-trade transparency obligations in market integrity rules. These specific obligations are only a subset of a licensee's overall obligation to operate a fair, orderly and transparent market venue, and do not absolve a licensee from compliance with this overall obligation.

Sufficient resources: Financial

RG 172.68 Section 792A(1)(d) requires licensees to have sufficient financial resources to operate the market venue properly. This requirement helps ensure that:

(a) the licensee has sufficient financial resources to operate the market venue in compliance with the Corporations Act;

(b) there is a financial buffer that decreases the risk of a disorderly or non-compliant wind-up if the business fails; and

(c) there are incentives for the licensee and its owners to comply through risk of financial loss.

RG 172.69 A licensee's assessment of adequate financial resources must be based on a reasonable estimate of its revenue, expenses and liabilities. For newly established market venues, it may not be appropriate to include any revenue in the assessment of its financial resources. For longer-established market venues, the venue's history of operation can be taken into account in determining the projected revenue, expenses and liabilities.

RG 172.70 A licensee must generally assess what financial resources will be sufficient to fund all its activities, not just the operation of a particular market venue. This is because the stability and continuity of a particular venue should not be in conflict with the overall commercial operations of the licensee.

RG 172.71 What would be considered 'sufficient' financial resources will depend on the nature, size and complexity of a business. Generally, licensees should hold sufficient financial resources to enable the operator to cover the operating costs of the market venue for at least six months. We would expect an operator to hold more than six months' operating expenses if that is necessary to facilitate an orderly wind-down of the venue.

RG 172.72 To determine the level of financial resources that would constitute six months of operating expenses, a licensee should consider the costs that would be incurred under service agreements or outsourcing agreements (including agreements with related entities) relevant to the operation of the market venue. Particularly for tier 1 market venues, we expect the licensee's determination of the level of financial resources to include the operating

expenses of a related entity whose function is to provide outsourced services to the venue.

RG 172.73 We may require a licensee to comply with more stringent financial resources requirements, such as determining the level of financial resources needed using a specified method. We may do so after considering factors such as:

(a) the extent of retail participation in the venue;

(b) the operator's role in overseeing primary issuance on the venue; and

(c) the importance of the venue to the financial system.

RG 172.74 We may also stipulate financial resources requirements if the venue exhibits specific risks, for example:

(a) if a tier 1 venue relies on guarantees or other forms of non-cash financial support from offshore entities;

(b) if a licensee has significant other businesses that may pose a risk to the adequacy of the financial resources available to operate the venue; or

(c) for tier 1 venues in particular, if we identify intra-group dependencies or links with other market infrastructure within a corporate group that create additional regulatory risks.

Sufficient resources: Technological

RG 172.75 Under s792A(1)(d), licensees are required to have sufficient resources, including appropriate technological resources. What is 'sufficient' will depend on the nature, size and complexity of the venue. As a licensee's services and operating environment may change over time, it should keep its technological resources under review to ensure it operates its market properly. 'Technological resources' is a broad concept that includes the requirement to:

(a) apply robust IT governance arrangements;

(b) have adequate controls to ensure the effective delivery of critical services including planning, building, operating and monitoring; and

(c) ensure critical services are resilient to system failures and security breaches.

Note: Some licensees may also have related obligations under Chapter 8A of the *ASIC Market Integrity Rules (Securities Markets) 2017* (Securities Markets Rules) and *ASIC Market Integrity Rules (Futures Markets) 2017* (Futures Markets Rules): see Section Q of this guide.

RG 172.76 The guidance in this section focuses on systems and controls. More generally, we expect licensees to have technological resources that are commensurate with the scale and complexity of services provided. We also encourage licensees to consider the adoption of recognised industry standards for IT governance and IT service management. For example,

licensees may consider the following standards when developing business continuity arrangements:

(a) Control Objectives for Information and Related Technology (COBIT), an IT governance control framework that helps support regulatory compliance, risk management and aligning IT strategy with organisational goals. COBIT is an internationally recognised framework;

(b) the International Standards Organization (ISO) standard, ISO/IEC 20000-2:2019 *Information technology—Service management—Part 2: Guidance on the application of service management systems*, an international standard for IT service management; and

(c) the Information Technology Infrastructure Library (ITIL), a widely accepted approach to IT service management.

Testing

RG 172.77 Licensees should have appropriate testing arrangements to ensure that their systems are functional and reliable, and do not pose a threat to fair and orderly trading. The testing methodologies should be designed to ensure:

(a) the operation of the system complies with relevant regulatory obligations;

(b) controls embedded in the system work as intended; and

(c) electronic trading systems can continue to work effectively in stressed market conditions.

Note: See RG 172.224 for guidance about making test results available to ASIC.

RG 172.78 When introducing or modifying an electronic trading system, relevant testing should be performed before going live, including but not limited to:

(a) *Functional testing*: A licensee should perform functional testing to ensure that a system works as intended by verifying its features against its functional requirements. Testing can also involve the functionality of the interrelation of one order to another. For example, the licensee should test the functionality of orders in the trading system (i.e. entry, amendment, cancellation and execution of an order). Examples of orders include iceberg orders and pegged orders.

(b) *Connectivity testing*: A licensee should perform connectivity testing to validate the continuity of network communications by verifying that the network is properly connected, with message traffic taking the desired route. For example, if a licensee plans to introduce a new electronic trading system, it could use a 'simulated trading environment' to make sure that the system and market participants are properly connected to enable interactions to take place. Connectivity testing could also involve testing data feeds to the licensee (such as from market data providers, relevant CS facilities) as well as the connectivity between licensees.

(c) *Connectivity testing for specific licensees*: Licensees subject to regulation under the *ASIC Market Integrity Rules (Securities Markets) 2017* should test their connectivity with each other to ensure they comply with their cooperation requirements for the coordination of trading suspensions and information sharing under Section M of Regulatory Guide 265 *Guidance on ASIC market integrity rules for participants of securities markets* (RG 265).

(d) *Conformance testing*: A licensee should perform conformance testing designed to determine whether a system meets predefined standards, and that quality assurance standards are being met. For example, standards can be the Financial Information eXchange (FIX) protocols and specifications. Conformance testing should include interoperability testing and confirmation of associated internal procedures. It should also include testing for compliance with the licensee's operating rules and procedures, obligations under the Corporations Act or ASIC market integrity rules as applicable.

(e) *Regression testing*: A licensee should perform regression testing to detect potential problems in existing functional and non-functional areas of a system after changes and/or enhancements have been made. For example, when undertaking system enhancements, the licensee should review relevant legacy code and infrastructure to evaluate the compatibility of the system changes with existing software and hardware.

RG 172.79 For changes affecting stakeholders (including market participants, market data providers and ASIC), a licensee should ensure affected stakeholders can test their systems against the licensee's modifications.

RG 172.80 Licensees that operate large, automated markets with high levels of message traffic should have testing environments with sufficient capacity to enable market participants to adequately stress test algorithmic programs and order flow (e.g. in a low-latency, high-message-volume, volatile environment).

Business continuity, capacity management and stress testing

RG 172.81 We expect licensees to undertake robust continuity planning, capacity planning and stress testing. Where licensees rely on outsourced services for their systems, we expect them to consider these principles as part of their management of the outsourced services.

Adequate business continuity planning

RG 172.82 While business continuity planning is not limited to a licensee's systems, we specifically expect licensees to have adequate business continuity, backup and disaster recovery plans for each of their systems that support order entry, order routing, execution, market data, trade reporting and trade comparison systems.

RG 172.83 We expect licensees to have arrangements in place to ensure that critical business services will be available to stakeholders that require access, and the impact of a disruption or outage of services on stakeholders is minimised. Licensees should:

(a) consider an adequate range of possible scenarios related to their systems and controls;

(b) have the supporting policies, guidelines and procedures needed to address disruptive incidents (including but not limited to system failures), and ensure a timely resumption of services; and

(c) back up business and compliance critical data that flows through their electronic trading systems.

RG 172.84 We expect licensees to have adequate arrangements to ensure timely access to appropriately skilled and knowledgeable internal and vendor technical support for their specific system configurations, particularly while implementing system changes.

RG 172.85 Where licensees in-source or outsource systems, they should consider having procedures in place for moving to, and operating the electronic trading system from, a backup site.

Capacity management and stress testing

RG 172.86 Licensees should have sufficient system capacity to accommodate reasonably foreseeable volumes of trading activity, and have arrangements in place to prevent capacity limits on messaging from being breached.

RG 172.87 Systems should be adaptable to manage trading behaviours (such as quote-stuffing) and scalable to allow for changes in response to elevated message levels and/or stressed market conditions that might breach their capacity. Stress testing of capacity, infrastructure, computers and applications should be conducted regularly and in line with a licensee's change management arrangements.

Adequate systems security

RG 172.88 Licensees should ensure adequate physical and electronic security arrangements apply to protect the systems used, and the premises where they are housed. The security arrangements should be designed to prevent misuse or unauthorised access to systems, and to ensure the integrity of the data and information in the systems.

RG 172.89 Physical system security should include procedures to restrict access to servers and systems to internal or external personnel with appropriate security clearance. Server rooms, co-location facilities and data centres should be secure from unauthorised physical access. Electronic security should limit internal access by unauthorised personnel and use firewalls to

prevent unauthorised external access. A proactive strategy should be in place to prevent cyber-attacks.

Monitoring and review

RG 172.90 To ensure that systems and controls remain continually effective, licensees should periodically monitor and review their arrangements for systems testing, business continuity, capacity management and security. Licensees should remedy deficiencies and deal with identified problems in an appropriate and systematic way, as soon as reasonably possible.

RG 172.91 The monitoring and review arrangements should be proportionate to the nature, size and complexity of the market. A market licensee may conduct these periodic reviews as part of a self-assessment, or may consider engaging an independent third party (such as an independent expert in exchange markets or an information system auditor) to perform the necessary reviews.

RG 172.92 The frequency of reviews will also vary according to the nature, size and complexity of the market (e.g. annual, semi-annual, quarterly or monthly). Review results may be communicated to ASIC as part of the market licensee's annual report under s792F of the Corporations Act.

Note: For further guidance on a licensee's annual report, see RG 172.222.

Sufficient resources: Human

RG 172.93 Section 792A(1)(d) requires licensees to have sufficient human resources to operate the market venue properly. What is 'sufficient' will depend on the nature, size and complexity of the venue. As market venues and operators' businesses may change over time, a licensee should keep under review whether it still has sufficient human resources, including the right balance of skill sets.

Note: Some licensees may also have related obligations under Chapter 8A of the Securities Markets Rules and Futures Markets Rules: see Section Q of this guide.

RG 172.94 We consider having sufficient human resources means:

(a) having enough staff for the size of the business;

(b) having staff (including directors, secretaries and senior management) with the right skills, knowledge, competence, expertise and integrity to ensure the licensee can operate the venue properly and comply with its obligations;

(c) when outsourcing any senior management or executive function, exercising due diligence and taking care to ensure the licensee would have the requisite skills, knowledge and competence;

(d) being able to monitor and supervise the venue appropriately; and

(e) being able to meet current and anticipated future operational needs.

RG 172.95 Ensuring and demonstrating that you are meeting the obligation to have adequate human resources, including the right balance of skill sets, will entail identifying and managing any potential conflicts of interest, as well as maintaining and recording:

(a) recruitment processes and succession planning;

(b) systems for inducting and training new staff;

(c) performance management systems; and

(d) processes for staff retrenchment and redundancy.

Core officers are fit and proper and capable

RG 172.96 A core officer of a licensee is:

(a) a director or secretary of the licensee; or

(b) a person:

(i) who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the licensee; or

(ii) who has the capacity to affect significantly the licensee's financial standing; or

(iii) in accordance with whose instructions or wishes the directors of the corporation are accustomed to act (commonly known as a shadow director).

Note: See s9 and s9AD(1)(a) and (b). Also see paragraph 3.110 of the Explanatory Memorandum to the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024*.

RG 172.97 A licensee should take all reasonable steps to ensure that each core officer:

(a) is competent to undertake their role in relation to the administration of the financial market;

(b) has the attributes of good character, diligence, honesty, integrity and judgement;

(c) is not disqualified or subject to a banning order by law from performing their role (see s853A, 853F, 853H and 853K);

(d) has demonstrated the knowledge, skills and experience to perform their role; and

(e) either has no conflict of interest in performing their role, or any conflict that exists will not create a material risk that the person will fail to properly perform their role.

Note: The criteria in RG 172.97 are consistent with the criteria for responsible persons of authorised deposit-taking institutions in APRA's Prudential Standard CPS 520 *Fit and proper*, for Australian financial services licences in Regulatory Guide 1 *Applying for and varying an AFS licence* (RG 1), and for Australian credit licences in Regulatory Guide 204 *Applying for and varying a credit licence* (RG 204).

Individuals—disqualified or subject to a banning order—are not to become or remain involved in the licensee

RG 172.98 An individual is 'involved' in a licensee if they are:

(a) a director, secretary or senior manager of the licensee, or in a holding company of the licensee; or

(b) an individual who has more than 20% of the total voting power in the licensee, or in a holding company of the licensee.

Note: See s853B.

Disqualified individuals

RG 172.99 Licensees must take all reasonable steps to ensure the following disqualified individuals are not involved in the licensee:

(a) individuals declared by ASIC under s853C as being unfit to be involved in the licensee, having regard to such matters as the individual's fame, character and integrity; or

(b) individuals who have been automatically disqualified from managing a corporation due to certain circumstances including convictions, bankruptcy and foreign court orders (see s206B); or

(c) individuals who are on the register of disqualified company directors and other officers that ASIC must keep under s1274AA.

Note: See s853A.

Individuals subject to FMI banning orders

RG 172.100 Licensees must take all reasonable steps to ensure that any individual who is subject to an FMI banning order is not involved in the licensee.

RG 172.101 We have the power to issue an FMI banning order to prevent an individual who is insolvent, convicted of fraud, not fit and proper, not capable or competent, or has not complied with (or is likely to contravene) a financial services law from controlling or performing core functions at an FMI licensee: s853H, 853L and 853M.

RG 172.102 Section 853K outlines the matters that ASIC must consider when determining if an individual is not 'fit and proper' for the purposes of FMI banning orders. These matters include (but are not limited to) whether the individual has been:

(a) a core officer of an FMI licensee that had its licence suspended or cancelled;

(b) subject to a banning order (including an FMI banning order) or a disqualification order;

(c) disqualified from managing corporations;

(d) banned from engaging in a credit activity (within the meaning of the *National Consumer Credit Protection Act 2009*) under a law of a State or Territory;

(e) an insolvent under administration;

(f) convicted of an offence in the last 10 years;

(g) linked to a refusal or failure to give effect to a determination made by the Australian Financial Complaints Authority.

Complying with ongoing obligations relating to core officers' fitness and propriety and capability, and disqualified or banned individuals

RG 172.103 While there are no prescribed steps that a licensee must undertake to satisfy the ongoing obligations in s792A(1)(ha)–(j), a licensee may exercise its own discretion in determining how it satisfies itself that these requirements have been met. This may include making inquiries and assessments on a regular basis (for example, annually), such as undertaking a national criminal history check or a bankruptcy check, and verifying that no disqualified individual, or individual subject to an FMI banning order, is involved with or remains engaged by the licensee.

RG 172.104 Licensees should retain supporting documentation evidencing these inquiries and assessments, and should be able to provide such documentation to ASIC on request.

Note: This approach is consistent with ASIC's approach under the Australian financial services licence and Australian credit licence regimes: see RG 1 and Regulatory Guide 206 *Credit licensing: Competence and training* (RG 206).

Widely held market bodies—No unacceptable control situation exists

RG 172.105 We may, by legislative instrument (with the Minister's consent), declare a market licensee, or its holding company, to be a widely held market body if the licensee, or its holding company, operates a financial market that is of national significance.

RG 172.106 An unacceptable control situation exists in relation to a widely held market body and a particular person if the person's voting power in the body exceeds:

(a) 20%;

(b) in relation to a body other than ASX Limited, an approved higher percentage; or

(c) in relation to ASX Limited, the higher percentage prescribed by regulations.

Note: See s850A(2)–(5) and 850B(1).

Notifications to ASIC

RG 172.107 Pt 7.2 requires a licensee to notify ASIC of certain matters. We may exempt tier 2 licensees from some of these obligations in recognition of the fact that for tier 2 market venues we may address some of the risks covered by these obligations in other ways.

RG 172.108 Tier 2 licensees would generally be required to notify ASIC of:

(a) breaches or likely breaches of an obligation under s792A;

(b) suspected significant contraventions of operating rules or the Corporations Act; and

(c) new or changed operating rules (also see RG 172.149–RG 172.156 on operating rules);

(d) a person being appointed to or ceasing to occupy a key role (i.e. director, secretary or senior manager) with the licensee or a holding company of the licensee; and

(e) a person that has or ceases to have more than 20% of the voting power in the licensee, or in a holding company of the licensee.

Note: This notification requirement is different from operating rules disallowance.

RG 172.109 In addition to the matters listed above, the Corporations Act requires tier 1 licensees to notify ASIC if:

(a) they provide a new class of financial service;

(b) they take any kind of disciplinary action against a participant; and

(c) they become aware that a participant may not be meeting its AFS licence obligations.

RG 172.110 The notifications referred to in RG 172.108(d) and RG 172.108(e) about key roles and voting power apply up a chain of corporate ownership: see s46. Irrespective of the title given to the person by the licensee, the notification obligations apply to senior managers who are involved in decisions that affect the whole, or a substantial part, of the licensee or have the capacity to significantly affect the licensee's financial standing: see s9.

RG 172.111 Where we exempt a tier 2 licensee from certain notification obligations in RG 172.109, these matters should be addressed in the licensee's annual regulatory report if they affect the licensee's compliance with their licence obligations: see RG 172.222.

Arrangements for operating the market

RG 172.112 In assessing how well a licensee is complying with its obligation in s792A(1)(c) to have adequate arrangements for operating the market venue, we will consider how the licensee:

(a) handles conflicts of interest (see RG 172.115–RG 172.120);

(b) monitors and enforces compliance with its operating rules. As applicable to the market venue, this would include reviewing processes concerning:

(i) admission of prospective issuers, listees and participants;

(ii) monitoring trading and other market activity and disclosure by product issuers or listed entities to detect potential or actual non-compliance with the market venue's operating rules;

(iii) contractual arrangements entered into with participants to provide market-making services for certain products; and

(iv) dealing with actual or suspected breaches of the market venue's operating rules, including remedial, disciplinary and other deterrent measures;

(c) handles complaints about the market venue or services offered by the licensee (including data services), issuers, listees or participants;

(d) subject to the applicable supervisory arrangement, shares supervisory responsibilities and information with:

(i) ASIC; and

(ii) operators of other exchanges and CS facilities that have the same participants as the exchange; and

(e) makes available and uses resources for conducting compliance monitoring arrangements.

RG 172.113 We will consider how licensees, particularly tier 1 licensees, manage significant changes to the operation of the market.

RG 172.114 Finally, we expect market operators to cooperate with each other in relation to the operation of their markets where appropriate.

Handling conflicts of interest

RG 172.115 In assessing a licensee's arrangements for handling conflicts of interest, we will consider whether:

(a) the arrangements comply with any regulations made under s798E;

(b) under the arrangements, actual or potential conflicts of interest are reliably and quickly identified and appropriately responded to, such as by taking actions to manage the conflict, avoid the conflict or disclose the conflict;

(c) conflicts of interest (e.g. between its commercial activities and its compliance activities) are identified and managed; and

(d) where conflicts cannot be adequately managed through controls and disclosure, the licensee must avoid the conflict or refrain from the

activity. This may be where the conflict of interest materially risks undermining the actual or perceived integrity of the operator's market.

When may conflicts of interest arise?

RG 172.116 In order to identify and appropriately respond to actual or potential conflicts of interest, a licensee will need to anticipate when such conflicts may arise.

RG 172.117 Conflicts between the commercial interests of the licensee and the need to ensure the market is fair, orderly and transparent may arise in any area where a licensee makes supervisory decisions. They may involve, for example, the licensee's competitors (actual or potential), joint venturers, associates, or entities in which the licensee has a significant shareholding. Conflict situations may also involve the licensee's securities, or other financial products derived from these securities, that are traded on a market venue operated by the licensee.

RG 172.118 Conflicts of interest may arise in connection with decisions including:

(a) admission to the market venue as a participant, listed entity or issuer;

(b) participation in CS facilities operated by the licensee or a related entity;

(c) monitoring of a listed entity, issuer or market participant;

(d) investigative or disciplinary action; or

(e) the exercise of discretions, such as granting waivers from the market venue's operating rules or charging variable fees.

RG 172.119 We have observed challenges for licensees in managing conflicts of interest, particularly concerning people of influence: see RG 172.96–RG 172.97. Conflicts of interest may also arise in other specific circumstances: see RG 172.115–RG 172.120.

RG 172.120 The appropriate organisational and reporting structures will vary depending on the nature, size and complexity of market venues and the operator. It is the responsibility of the licensee to have organisational structures and arrangements designed to ensure the market venue is operated in a fair, orderly and transparent manner that is not undermined by conflicts, such as conflicts between compliance and supervision, and commercial functions. This will also include conflicts that may arise from personal interests of particular decision-makers.

Monitoring and enforcing compliance with the operating rules

RG 172.121 While we are the whole-of-market supervisor (including enforcement) for secondary market misconduct on Australian domestic markets, each licensee is responsible for proper operation of its own market venue. This includes setting the operating rules that govern the core operational functioning of the

market venue and the admission standards for issuers, listees and participants, as applicable.

RG 172.122 Under s792A(1)(c)(ii), a licensee must have adequate arrangements for monitoring and enforcing compliance with the operating rules of the market venue. The types of arrangements a market venue will require should be intended to achieve the outcomes of market operator regulation, and will depend on the nature of the venue, the financial products traded on the venue and the participant conduct being monitored.

RG 172.123 In all situations, we will consider whether the arrangements would enable the licensee to meet its obligations. A licensee may be able to implement outsourced arrangements that help it to meet its obligations to supervise activities on its market venue. However, the licensee remains responsible for meeting these obligations and we would expect it to be able to demonstrate that the outsourced arrangements are sufficiently robust: see RG 172.134–RG 172.143.

RG 172.124 In general, the rules should outline the obligations of participants using the venue, and how the venue will operate. In addition, for listing venues, the operating rules should outline the requirements that need to be met in order to be admitted to the venue, as well as ongoing obligations applicable after admission.

Monitoring of issuers and listees

RG 172.125 For market venues with a listing function, we expect a licensee's arrangements to be designed to achieve high-quality and robust listing and admission outcomes. It is the responsibility of the licensee to ensure it has appropriate systems and arrangements to achieve this outcome. Examples of systems and arrangements designed to achieve high-quality and robust listing outcomes may include:

(a) processes requiring that admission applications are carefully and rigorously reviewed and verified to ensure that listing applicants meet admission requirements. For example, in the case of a listee, a licensee should closely scrutinise an applicant's shareholder register to ensure that the spread requirement is adhered to and has not been obtained through artificial means;

(b) arrangements to ensure listed entities meet their continuous disclosure obligations. These are the principal disclosure obligations imposed on listing entities and are central to the integrity and efficiency of any market venue with a listing function. A licensee's processes to monitor and enforce this requirement should include frequent monitoring of media, chat sites and published research about listed companies. This should be supplemented by the use of technology to monitor activity on the venue to identify abnormal trading activity. Where these circumstances are identified, and are not explained by movement in the

venue or sector, we expect that the circumstances will be investigated and, if a potential breach is identified, referred to ASIC; and

(c) where there are specific ongoing requirements for issuers and listees under the operating rules, arrangements to monitor compliance with those obligations. For example, where they are required to provide liquidity in a product, the arrangements to deliver that outcome, as well as the liquidity outcome itself, should be monitored closely.

Monitoring participants and core market functioning

RG 172.126 Section 792A(1)(c)(ii) requires a licensee to monitor and enforce compliance with the venue's operating rules, which would include monitoring participants using the market venue.

RG 172.127 The details of monitoring programs may vary, again given the nature, scale and complexity of the market venue operated. For all market venues, we expect a documented program of review to monitor the level of compliance with operating rules as well as the ASIC market integrity rules (if applicable).

RG 172.128 Some features and activities of venues would require specific monitoring arrangements. That is:

(a) processes requiring that admission applications are carefully and rigorously reviewed and verified to ensure that applicants meet admission requirements;

(b) if a market venue uses the services of market makers, monitoring whether market makers are complying with their commitments, including ensuring they have reasonable bids in the market. Market makers have specific commitments designed to ensure that investors and other traders are always able to price and trade products by always being available to buy or sell those products. They play an important role in ensuring trading can take place in less liquid markets or instrument types; and

(c) for securities and derivatives exchanges, processes that monitor the day-to-day orderly operation of the market, including ensuring that securities that are the subject of a price-sensitive announcement are appropriately halted and reopened. For other market venues we would also expect the application of appropriate trading system constraints, for instance limiting certain order types (e.g. enter, amend, cancel) during certain market states (e.g. pre-open, open).

Managing material changes to the market

RG 172.129 Licensees should have appropriate processes and plans in place to manage material changes to the operation of the market, in a way that is appropriate to the nature, scale and complexity of the market venue. Licensees should consider how they undertake their market function bearing in mind future

capability needs. This should include taking into account forward-looking risks and future demands to ensure the licensee is able to meet their licence obligations on an ongoing basis.

RG 172.130 For example, all licensees should consider the commercial, technological, supervisory and regulatory impact of changes to their technological systems, operational or legal frameworks and controls on participants and other stakeholders including ASIC. As part of this, stakeholder readiness to operate under such changes should also be assessed.

RG 172.131 Tier 1 licensees should release information technology system management plans to participants and other stakeholders including ASIC. The plans should clearly identify mandatory versus optional changes and allow sufficient time for stakeholders to adapt to the changes. The plans should be maintained for at least a 12-month period and should be routinely updated so that industry has a rolling schedule of upcoming changes.

RG 172.132 We expect tier 1 licensees to promote the orderly implementation of market changes where there are systems implications for market users (including investors who are clients of the participants); for example, timely distribution of sufficiently detailed notifications, and attempting to ensure project schedules are adhered to once established.

> Note: For example, for material system changes, licensees should obtain stakeholder readiness attestations on the changes before their final implementation, or have appropriate alternative arrangements in place between the licensee and stakeholders.

RG 172.133 Material system changes are those that are likely to have an impact on market participants and the fair, orderly and transparent operation of the wider market. A material change is likely to involve a high degree of effort or complexity in implementation, or have significant stakeholder impact, for example:

(a) a change of trading system by a licensee;

(b) the introduction of new infrastructure allowing the physical proximity of processing servers to minimise latency;

(c) a change to order matching and execution algorithms; and

(d) the change or removal of a financial threshold for an order type.

Outsourcing

RG 172.134 We recognise that many licensees outsource functions that relate to their market licence, including administrative or operational functions.

RG 172.135 If you outsource functions that relate to your market licence, whether to third parties or to group entities, you remain responsible for complying with your obligations as a licensee. The board of a licensee has ultimate responsibility for the outsourcing policies of the entity or the group. This includes groups

where multiple market venue operators centralise core operations of their venues (system, technology, compliance) to one or more group entities, and where the operator outsources to a third-party provider.

> Note: Some licensees may also have additional outsourcing obligations in relation to their critical business services under Chapter 8A of the Securities Markets Rules and Futures Markets Rules: see Section Q of this guide.

RG 172.136 All risks arising from outsourcing critical business services must be appropriately managed to ensure that you are able to meet your obligations. Factors for consideration as part of outsourcing arrangements include business continuity measures, the capacity of the service provider, the security and confidentiality of information, and termination procedures.

> Note: Licensees may wish to refer to the International Organization of Securities Commissions (IOSCO) *Principles on outsourcing by markets* (PDF 390 KB), final report, July 2009 for further information.

Complying with your obligations

RG 172.137 All outsourcing arrangements should be subject to appropriate due diligence, approval and ongoing monitoring.

RG 172.138 If you outsource functions that relate to your licence, we would generally expect you to:

(a) maintain a policy relating to outsourcing of activities, which could be part of general risk management policies. This should generally be approved by your board, relevant internal governing body or senior management with relevant expertise and oversight;

(b) have measures in place to ensure that due skill and care is taken in choosing suitable service providers;

(c) ensure that you can and will monitor the ongoing performance of service providers. This includes ensuring the outsourcing arrangement is covered by a legally binding written contract with the service provider. The contract should provide an adequate level of transparency about how the contractor performs under the contract, for example by requiring the licensee's prior approval of any subcontracting arrangements;

(d) appropriately deal with any actions by service providers that breach the contract or service level agreements, or your licence obligations. This would require you to establish, implement and enforce documented policies, procedures, systems and controls relevant to the nature and scope of the outsourcing arrangement to ensure you continue to comply with your obligations;

(e) enable transparency and accountability; at all times be able to access books, records and information of the service provider relating to the outsourced services; and ensure we have the same access to such books,

records and information that we would have if not for the outsourcing arrangement; and

(f) identify any conflicts of interest between the licensee and service providers (whether a related entity or a third party) and ensure that policies and procedures are in place to mitigate and manage them.

Specific outsourcing considerations

RG 172.139 While the considerations applicable to outsourcing apply regardless of whether the outsourcing is to an external or related party, the risks associated with each differ. For example, you may have easier access to the systems of a related-party service provider, which may reduce some risks associated with the outsourcing arrangement. On the other hand, an intra-group arrangement may benefit the interests of the related-party service provider over those of the licensee.

RG 172.140 Where functions are outsourced on a cross-border basis, additional considerations arise. For example, it may be more difficult to monitor and control a foreign service provider and to implement an emergency response in a timely fashion due to differing time zones. It may also be necessary to consider whether there are any economic, social, legal or political conditions that might adversely affect the foreign service provider's ability to perform the services.

RG 172.141 To ensure appropriate transparency and oversight, where a critical business service is outsourced, the outsourcing considerations should be subject to greater rigour. This will be the case where the outsourcing arrangement has the potential, if disrupted, to have a significant impact on the licensee's business or on the activities of participants on the market venue. Domestic market venues, especially tier 1 licensees, should consult with ASIC before entering into agreements to outsource material activities to overseas service providers.

RG 172.142 Some service providers may be critical, such as those that have general interdependencies (because several operators and their key participants rely on their services) or where the ability to find an alternative service provider or to perform the function in-house is difficult. In such cases, you should ensure that appropriate contingency arrangements are in place (e.g. adequate notification periods before an arrangement may be terminated in order to allow orderly transition). Where the risks created by a licensee's outsourcing arrangement raise specific concerns, we may seek to address those through avenues such as a licence condition.

RG 172.143 We consider that outsourcing involving cloud computer services is a form of outsourcing that involves specific risks and issues. For further guidance on the use of cloud service providers, licensees should see RG 172.539.

Record keeping

RG 172.144 The retention of records is important in order to demonstrate compliance with several licensing obligations, including the obligation to have adequate arrangements for operating a market under s792A(1)(c). Record keeping:

(a) promotes accountability and transparency;

(b) facilitates licensees' supervisory activities; and

(c) demonstrates licensees' compliance with regulatory obligations.

RG 172.145 We expect all licensees to keep sufficient records to demonstrate compliance with their licensing obligations and to ensure that records are maintained in a readily accessible format. The records should demonstrate that the licensee has adequate arrangements for operating the market venue and include records relating to policies, processes and decisions. They should also include any other material used by the licensee to consider whether it has sufficient financial, technological and human resources to operate the market venue properly.

RG 172.146 Examples of records that we expect licensees to keep include those relating to:

(a) the licensee's organisational structure, governance (e.g. decision-makers or decision-making bodies, their terms of reference, issues considered and decisions), roles and responsibilities of key staff and due diligence on the suitability of key individuals;

(b) the process and decision-making involved in identifying and managing conflicts of interest between the commercial interests of the licensee and the need for the licensee to ensure that the market operates in a way which is fair, orderly and transparent;

(c) the licensee's monitoring and enforcement of its operating rules (and any conditions of admission), including records relating to:

(i) decisions made by the licensee in relation to each application for a financial product to be traded on its market venue or for the admission of a participant to its market venue;

(ii) details of monitoring systems, alert parameters and trigger events in relation to its monitoring of trading for a fair, orderly and transparent market venue and for compliance by an issuer with its continuous disclosure obligations and periodic disclosure obligations; and

(iii) each market-related dispute made to the licensee, and its assessment, investigation and resolution of the matter;

(d) the operation of the market venue, including:

(i) technology strategy, plans and execution, including system design, monitoring and performance, quality assurance, change

management, testing, continuity planning, incident and performance management, and recovery;

(ii) industry notices, consultation and customer complaints; and

(iii) trading pauses (including trading halts and suspensions), cancelled transactions and system outages;

(e) orders submitted to the market venue and trades done on, or reported to, the market venue; and

(f) any outsourcing or third-party service arrangement that the licensee has in place with another provider (including a related body corporate). Records should include the terms of the arrangement, the due diligence undertaken on the provider and monitoring of the provider's performance.

RG 172.147 Where activities in connection with operating the market venue are outsourced or services are otherwise provided by another provider, the other provider may retain the above records, rather than the licensee, provided the records are readily available to the licensee.

RG 172.148 For overseas licensees, we will review the record-keeping obligations in your home regime and consider whether we have access to records relevant to your compliance with your Australian licence. Where activities in connection with operating the market venue are outsourced or services are otherwise provided by another provider, the other provider may retain the above records rather than the licensee, provided the records are readily available to the licensee.

Operating rules and procedures

Requirement to have operating rules

RG 172.149 All licensees are required to have operating rules that apply to the market they are authorised to operate, and the operating rules must deal with the matters prescribed by regulations. Regulations may also prescribe the matters that operating procedures must deal with: s793A.

RG 172.150 Operating rules are defined in s761A as any rules (however described), including the market venue's listing rules (if any), that are made by the operator of the market venue, or contained in the operator's constitution, and that deal with the activities or conduct of the market, or the activities or conduct of persons in relation to the market; but do not include rules dealing with matters that must be contained in procedures or compensation rules as defined in Pt 7.5.

RG 172.151 We interpret the term 'operating rules' broadly. While many tier 1 market venues will have a stand-alone set of operating rules, some tier 2 market venues may meet this requirement by having business rules, or other

business, legal and operational documents that together constitute operating rules as provided under the Corporations Act.

Content of operating rules

RG 172.152 Regulation 7.2.07 outlines the matters that the operating rules of a licensed market venue must deal with (to the extent that a matter is not dealt with in the market integrity rules). To introduce an appropriate degree of flexibility, we may exempt tier 2 operators from the requirement to have certain content in their operating rules. The split of obligations is detailed in Table 1.

RG 172.153 Tier 2 operators will generally only be required to address in their operating rules the matters that are core to market users' understanding of how the market operates and what is expected of them. They are:

(a) arrangements for access to the market, including the criteria for determining whether a person is eligible to be a participant (reg 7.2.07(a));

(b) the conduct of participants in relation to the market venue and provision for the expulsion or suspension of, or enforcement action against, a participant for breaches of the operating rules (reg 7.2.07(b)(i) and (iv));

(c) how orders are executed (reg 7.2.07(c));

(d) how disorderly trading is dealt with (reg 7.2.07(d));

(e) the class or classes of financial products that are to be dealt with on the licensed market venue (reg 7.2.07(e));

(f) obligations on participants and listed entities to enable licensees to comply with their obligations relating to conflicts (reg 7.2.07(j)); and

(g) listing admission and de-listing; and activities/conduct of listed entities, including discipline for breaches (reg 7.2.07(g)).

RG 172.154 In addition to the matters listed above, tier 1 market venues' operating rules must also deal with the following matters:

(a) how to monitor participant compliance with the operating rules, suspension or enforcement action for breaches of Ch 7 and suspension or enforcement action for failure to meet commitments entered into on the market (reg 7.2.07(b)(ii), (v) and (vii));

(b) terms of contract formed between participants (reg 7.2.07(f));

(c) participant dispute resolution (reg 7.2.07(h)); and

(d) how to facilitate and investigate participant disputes (reg 7.2.07(i)).

Disallowance of operating rules: Domestic licensees

RG 172.155 Section 793D requires a domestic licensee to notify ASIC after making changes to its operating rules. Section 793E then provides for 28 days during which those changes to the licensee's operating rules may be disallowed.

The legal procedures of notification and disallowance apply to tier 1 licensees.

RG 172.156 For tier 2 licensees, we will generally grant an exemption from the requirement to notify ASIC under s793D(1). This means the operating rule changes would not become subject to the 28-day disallowance period provided under s793E(2). Instead, we would require the licensee to notify ASIC within a reasonable period *before* the changes are made. What is reasonable will depend on the complexity of the rule changes.

Obligation to have operating procedures

RG 172.157 In addition to operating rules, reg 7.2.08 specifies the matters on which licensees are required to have written operating procedures. The regulation requires procedures to describe how the domestic licensee will undertake certain activities relating to the market venue and its compliance with licence obligations including:

(a) the exchange of information with the relevant CS facility, other market licensees and ASIC (reg 7.2.08(a));

(b) arrangements to ensure the integrity and security of systems (reg 7.2.08(b));

(c) arrangements for monitoring compliance by participants and listed entities with the operating rules (reg 7.2.08(c));

(d) the assessment, investigation and settlement of market-related disputes between participants (reg 7.2.08(d));

(e) the recording and effective disclosure of transactions (reg 7.2.08(f)); and

(f) the provision of information about market processes (reg 7.2.08(g)).

RG 172.158 Tier 2 licensees will generally be exempt from the requirement to have operating procedures. Instead, we would require the licensee to provide sufficient information to users about the operation of the venue. This would provide further flexibility for some venues to use alternative mechanisms to keep their participants or users informed of such matters.

RG 172.159 However, this does not absolve the licensee from complying with the substantive requirements set out in the Corporations Act and the licence to ensure there is integrity and system security.

Compensation for intermediated retail markets

RG 172.160 Market venues where retail users access the venue through intermediaries (i.e. intermediated retail markets) are required to maintain complying compensation arrangements: s881A.

RG 172.161 The Securities Exchanges Guarantee Corporation (SEGC) is the trustee, and administrator, of the National Guarantee Fund (NGF), which operates under Div 4 of Pt 7.5.

RG 172.162 The NGF is a compensation fund which is available to operators of licensed market venues that are members of SEGC (currently ASX and Cboe). It is available to meet certain types of claims arising from dealings with participants/dealers of a member market.

RG 172.163 Where a market venue is not covered by Div 4, Pt 7.5 compensation arrangements, the licensee must have Div 3, Pt 7.5 compensation arrangements in place. Division 3, Pt 7.5 compensation arrangements provide retail clients in appropriate circumstances with protection from certain losses (losses involving defalcation or fraudulent misuse of money or other property by a participant), or fraudulent misuse of a client's authority over property: see s885C.

What are adequate Div 3, Pt 7.5 compensation arrangements?

RG 172.164 We will assess each arrangement individually and will be flexible in assessing whether particular arrangements are adequate, taking into account the nature of the venue, its users and the products available on the venue. We will be concerned to ensure that retail clients have adequate redress. The Corporations Act provides flexibility with how a market venue may want to structure its source of funds to cover its Div 3, Pt 7.5 compensation arrangements: see s885H and notes 1 and 2 to this provision.

Who is responsible for Div 3, Pt 7.5 compensation arrangements?

RG 172.165 A licensee must be directly responsible for:

(a) controlling and maintaining any compensation arrangements under Div 3 of Pt 7.5;

(b) ensuring their ongoing adequacy; and

(c) determining claims and payments under these arrangements.

RG 172.166 A licensee cannot satisfy its Div 3, Pt 7.5 compensation obligations by pointing to arrangements under another person's control, such as:

(a) individual insurance arrangements put in place by a participant in the licensee's market; or

(b) an external dispute resolution scheme to which some or all of the participants in the licensee's market belong.

RG 172.167 However, it may be reasonable with appropriate safeguards for a licensee to outsource or delegate aspects of the administration of its compensation arrangements: s885I(2).

Providing information about Pt 7.5 compensation arrangements

RG 172.168 Under s792I, a licensee must make publicly available up-to-date information that helps retail investors understand their rights and remedies under the compensation arrangements that are in place under Pt 7.5. This includes information about:

(a) the types of claims which can be made, by whom, how, and any relevant time limits for making claims;

(b) what type of compensation may be provided and any monetary limits on that compensation;

(c) who administers the compensation arrangements, the source of the funding, and the total size of the funding;

(d) how long it takes to process claims, how claims are investigated and who makes the decisions about claims;

(e) what review (if any) of decisions about claims is available; and

(f) to whom information about the claim may be provided, and any other relevant confidentiality or privacy-related information.

RG 172.169 When choosing how information is to be made available to the public, a licensee should take into account the need to periodically update the information.

Standards for listing markets

RG 172.170 High-quality listing standards are critical to the integrity of the Australian equities market, and the trust and confidence investors have in it. We expect all Australian listing markets—and those considering a listing function—to ensure their listing standards continue to support fair, orderly and transparent markets.

RG 172.171 Our expectations of how licensees with a listing function meet their regulatory obligations in this area include both the content of the licensee's listing rules and the operational standards the licensee adopts in administering its rules.

RG 172.172 We have set out our expectations of how licensed market venues should carry out their listing function, and will continue to assess whether relevant licensees are meeting these expectations: see Appendix 1.

Self-listing, competitors and owners trading on market

RG 172.173 Section 798C imposes requirements where a domestic licensee and its related entities are to be included in its own official list. Section 798DA

imposes requirements where a domestic licensee, its related entities or a competitor of the licensee is a participant on the market venue.

> Note: Sections 798C(7) and 798DA(5) provide that these sections do not apply to an overseas licensee.

RG 172.174 Under s798C, the financial products of such an entity ('the listed entity') may be traded on the venue operated by that licensee, if either or both the listed entity and the licensee have entered into adequate arrangements including:

(a) dealing with possible conflicts of interest that might arise from the listed entity's financial products being able to be traded on the market venue; and

(b) ensuring the integrity of trading in the listed entity's financial products.

RG 172.175 Under s798C and 798DA, a domestic licensee is required to have operating rules or listing rules that provide for ASIC, instead of the licensee, to make decisions and to take action (or to require the licensee to take action on our behalf) in relation to various matters. Under s798C, the matters include the admission of the listed entity to the market venue's official list and allowing, stopping or suspending trading of the listed entity's financial products on the market venue. Under s798DA, the matters include the admission, monitoring, disciplining and suspension or expulsion of a specified participant.

RG 172.176 We would have the powers and functions that are provided in any operating rules or listing rules made for the purposes of s798C or 798DA.

> Note: Refer to *Corporations (Fees) Act 2001* and *Corporations (Fees) Regulations 2001* for information on fees payable.

RG 172.177 We may exempt tier 2 domestic licensees from the obligation to have the operating rules required under s798DA, on the condition that the licensee's policies and arrangements for managing conflicts of interest adequately provide for the circumstances specified.

RG 172.178 In addition, for some licensees, conflicts of interest may arise where an entity that holds a stake in the licensee is a participant in the market venue. Consistent with the policy intention of s798DA, in these circumstances we would expect the licensee to have robust policies and arrangements for managing the conflicts of interest that may arise. Section 798E provides that the regulations may make provisions in relation to other potential conflict situations.

E Overseas market licence

Key points

This section explains whether you may be eligible to apply for an overseas licence, and how to apply for an overseas licence.

This section also sets out the licence obligations that may apply to overseas licensees.

Overview

RG 172.179 Section 795B(2) provides that where an applicant is authorised to operate a market venue in a foreign country in which its principal place of business is located, we may grant the applicant a market licence authorising them to operate the same market in this jurisdiction.

RG 172.180 This alternative licensing route for overseas market venues is intended to facilitate competition and avoid regulatory duplication while maintaining investor protection and market integrity: see paragraph 7.100 of the Explanatory Memorandum to the *Financial Services Reform Bill 2001*. Our general approach to the licensing of overseas market venues is based on this legislative intention.

RG 172.181 The tiered licence regime described in Sections C and D also applies to overseas market licensees.

Our licensing approach

RG 172.182 We may grant an overseas market licence under s795B(2) if we are satisfied that all the criteria in s795B(2) have been met by an applicant. Specifically, we must be satisfied that:

(a) the application has been in accordance with s795A;

(b) the applicant will comply with the obligations that will apply if the licence is granted;

(c) the operation of the market in the foreign country in which the applicant's principal place of residence is located is subject to requirements and supervision that are sufficiently equivalent, in relation to the degree of investor protection and market integrity they achieve, to the requirements and supervision to which financial markets are subject under the Corporations Act;

(d) the applicant undertakes to cooperate with ASIC by sharing information and in other appropriate ways;

(e) no unacceptable control situation (see Div 1 of Pt 7.4) is likely to result if the licence is granted;

(f) no disqualified individual appears to be involved in the applicant (see Div 2 of Pt 7.4);

(g) the applicant has met any other requirements that are prescribed by regulations for the purposes of s795B(2).

RG 172.183 When making a decision about whether to grant an overseas market licence, we must also consider:

(a) the following matters in s798A(2):

(i) the structure, nature, scope and size of the proposed market;

(ii) the participants or proposed participants in the market;

(iii) the technology used, or proposed to be used, in the operation of the market; and

(iv) whether it would be in the public interest to grant the applicant a market licence.

(b) the matters in s798A(3), which include:

(i) the criteria that the applicant satisfied to obtain an authorisation to operate the same market in the foreign country in which their principal place of business is located;

(ii) the obligations they must continue to satisfy to keep the authorisation;

(iii) the level of supervision to which the operation of the market in that country is subject; and

(iv) whether adequate arrangements exist for cooperation between ASIC and the authority that is responsible for that supervision.

Who is eligible to apply under s795B(2)?

RG 172.184 A person is only eligible to apply for an overseas market licence under s795B(2) if they are authorised to operate in their home country the same market venue that they are proposing to operate in Australia. We will consider the home jurisdiction regime when determining whether to grant the market venue a tier 1 or tier 2 licence.

RG 172.185 The requirement for the applicant to be authorised to operate the same market venue in their home jurisdiction means that:

(a) the home regulatory authority has assessed the applicant and its business activities; and

(b) as a result of the assessment, the applicant has a licence, authorisation, permission, however described, to operate in the home jurisdiction the market venue that it proposes to operate in Australia.

Note: If an operator is not 'authorised' to operate the market venue in their home jurisdiction, they will need to apply for a domestic licence under s795B(1).

RG 172.186 We may consider that a person is authorised to operate the market venue in their home jurisdiction even if the applicant is not required under the home regime to hold a form of authorisation or licence specifically for the venue.

RG 172.187 The market venue that the applicant is authorised to operate must fall within the definition of a financial market in s767A. Provided the activities that are involved in operating the venue that would be regulated under the Australian regime are regulated in the home jurisdiction to achieve the same regulatory outcomes, the venue may be authorised under a regime with a different name or a different scope to the Australian licensing regime.

RG 172.188 For example, we recognise a market venue may be described in its home jurisdiction as an alternative trading system, a multilateral trading facility or a professional trading system.

RG 172.189 We will regard the facility that the applicant proposes to operate in Australia as the same market venue that the applicant is authorised to operate in its home jurisdiction if, at a minimum:

(a) the financial products to be traded through the venue in Australia are, or will be, the same as or a subset of the products traded through the venue in the home jurisdiction;

(b) the same operating rules will govern trading of those products, whether trading originates from Australia or the home jurisdiction; and

(c) offers and invitations will be dealt with according to the same trading mechanism, whether the offers and invitations originate from Australia or the home jurisdiction.

RG 172.190 Our approach in this regard will be aligned with the approach taken by key foreign regulators to similar types of equivalence or substituted compliance assessments. We will take an outcomes-based approach by considering:

(a) the regulatory outcomes achieved by the home regime, and whether it addresses the specific regulatory risks and considerations relevant to the operation of a market venue as identified in the Australian regime;

(b) the extent of assessment of the applicant and the venue by the home regulatory authority; and

(c) the nature and extent of any conditions on the applicant's activities in the home jurisdiction.

Sufficient equivalence test and process

RG 172.191 For all overseas market licence applications, we will assess the sufficient equivalence of their home regulatory regime based on the following conditions.

Whether the regime is clear, transparent and certain

RG 172.192 At a minimum, this principle means that the relevant parts of the home regulatory regime must be in written form, be available to Australians in English and not be subject to arbitrary discretions. It also means the regime is:

(a) clearly articulated and can be easily understood;

(b) one whose rules, policies and practices are readily available to and known by all relevant persons; and

(c) one that is applied in a consistent manner and is not subject to indiscriminate changes.

International consistency

RG 172.193 We will consider whether the regime is consistent with IOSCO's *Objectives and principles of securities regulation* (PDF 187 KB), May 2017 or other IOSCO principles as applicable.

Adequately enforced in the home jurisdiction

RG 172.194 A regulatory regime is adequately enforced if the relevant home regulatory authority:

(a) has sufficient powers of investigation and enforcement;

(b) has sufficient resources to use those powers; and

(c) uses those powers and resources to promote compliance with the regulatory regime.

RG 172.195 Additionally, the legal system within which the regulatory regime operates should be independent and have a reputation for integrity.

RG 172.196 In assessing whether the home regulatory regime is adequately enforced, we will rely on matters such as:

(a) the international reputation of the home regulatory regime;

(b) assessments of the home regulatory regime by the home regulatory authority; and

(c) assessments of the home regulatory regime by international financial institutions and other international organisations.

Same regulatory outcomes

RG 172.197 When comparing the outcomes achieved by the two regulatory regimes, we will consider whether the home regulatory regime as it applies to the overseas market venue achieves (or will achieve when the market starts

operating) each of the outcomes of market operator regulation set out at RG 172.10, as they apply to comparable domestic markets.

Adequate cooperation arrangements

RG 172.198 An applicant must undertake to cooperate with ASIC by sharing information and in other appropriate ways: s795B(2)(d). There must also be adequate arrangements for cooperation between ASIC and the applicant's home regulatory authority: s798B(3)(d). At a minimum, adequate cooperation arrangements with an overseas operator will cover how the market operator:

(a) gives ASIC notice of the matters in s792B and 793D;

(b) gives ASIC information, reports, assistance or access (as appropriate) for the purposes of s792B, 792C, 792D, 792E, 792F or 794C.

RG 172.199 The cooperation arrangements will also deal with notification to ASIC of relevant matters relating to the market's continuing authorisation in its home country.

What are the obligations of overseas licensees?

Specific obligations

RG 172.200 The Corporations Act imposes a number of obligations specifically on overseas licensees. These include:

(a) being registered in Australia as a foreign company under Div 2 of Pt 5B.2 (s792A(1)(f));

(b) remaining authorised to operate the market venue in the home country and not change to another foreign country without prior approval (s792A(1)(g)(i) and 792A(1)(g)(ii));

(c) notifying ASIC if the licensee is no longer authorised to operate the market venue in the home country (s792B(4)(a));

(d) notifying ASIC of significant changes to the home regulatory regime (s792B(4)(b));

(e) notifying ASIC of all changes to the market's operating rules (s793D(3)); and

(f) complying with any ASIC determination on written procedures (s793A(4)).

RG 172.201 We may exempt tier 2 licensees from some obligations that are not core to the operator's eligibility to hold an overseas licence, such as the obligation to notify ASIC of rule changes after each change. If we do so, we will consider the form of periodic notification that would be appropriate (e.g. periodic notification of material changes).

Key shared obligations

RG 172.202 The Corporations Act imposes a number of obligations that are shared by domestic and overseas licensees. Some of these obligations would only apply to tier 1 licensees, and we also retain flexibility to recommend that a licensee be exempt from specific obligations. The shared obligations include:

(a) doing all things necessary to ensure that the market is fair, orderly and transparent (s792A(1)(a));

(b) complying with the conditions on the licence (s792A(1)(b));

(c) having adequate arrangements for operating the market, including arrangements for:

(i) handling conflicts (s792A(1)(c)(i)); and

(ii) monitoring and enforcing compliance with the market's operating rules (s792A(1)(c)(ii));

(d) having sufficient resources (including financial, technological and human resources) to operate the market properly (s792A(1)(d)); and

(e) providing ASIC with an annual report (s792F(1)).

Excluded obligations

RG 172.203 However, overseas licensees are not required to comply with a number of obligations, including the following (and therefore our policy on these obligations does not apply to overseas licensees):

(a) the obligation to include specific matters in its operating rules and written procedures (s793A(3));

(b) the obligation to submit changes to its operating rules for disallowance (s793E(1)); and

(c) the obligation to have compensation arrangements that comply with Pt 7.5 (s792A(1)(e) and 880A).

Conditions

RG 172.204 We may consider it appropriate to impose additional conditions on the licence of some overseas licensees. Conditions may be considered to address a gap identified in the sufficient equivalence test, or to impose an obligation that we consider necessary to ensure we have adequate oversight of the overseas market venue's activities that relate to Australia.

Implications for participants

RG 172.205 An overseas licensee should be aware that an application for an overseas licence may have implications for non-Australian participants on their venue. This is because non-Australian participants on this market venue may

be taken to be carrying on a financial services business in Australia. Under s911A, a person who carries on a financial services business in Australia must hold an AFS licence covering the provision of the financial services unless the person is exempt.

> Note: Such a person may also need to be registered in Australia as a foreign company under Div 2 of Pt 5B.2.

RG 172.206 In these cases we will also work with the applicant to identify the implications for the applicant (e.g. in relation to reporting to ASIC about activities that relate to Australia): see reg 9.12.03.

RG 172.207 For these reasons, before submitting a licence application for an overseas market licence, an applicant should consider whether non-Australian participants are likely to need an AFS licence, or whether a licensing exemption exists or could be sought for these participants. Applicants should discuss with ASIC early in the application process the potential Australian licensing issues for non-Australian participants on the overseas market venue.

> Note 1: Section 911A(2) provides when a person may be exempt from the requirement to hold an AFS licence. Regulation 7.6.02AG inserts s911A(2B), which is also relevant.
>
> Note 2: For some guidance on possible exemptions, see Regulatory Guide 167 *AFS licensing: Discretionary powers* (RG 167).

How will we assess compliance?

RG 172.208 An overseas licensee is subject to ASIC supervision for its compliance with obligations under its overseas market licence. When assessing your compliance, we will consider information about how you have complied with your licence obligations as well as the following:

(a) any self-assessment provided to ASIC by the overseas licensee of its compliance with its obligations under the home regulatory regime;

(b) any other information provided to ASIC by the overseas licensee under the cooperation arrangements between the overseas licensee and ASIC;

(c) any assessment made available to ASIC by the home regulatory authority of the overseas licensee's compliance with its obligations under the home regulatory regime; and

(d) any other information provided to ASIC by the home regulatory authority under the cooperation arrangements between the home regulatory authority and ASIC.

F Can you get a market licence exemption?

Key points

This section sets out when an entity may be eligible for an exemption from a market licence.

Overview

RG 172.209 The flexibility of the market licensing regime was enhanced as part of the *Corporations Amendment (Crowd-sourced Funding) Act 2017*. Given the regime's flexibility, market venues will ordinarily be accommodated by, and licensed within, the two-tier licensing framework.

RG 172.210 If a market has specific circumstances that mean aspects of the standard two-tiered regime are not appropriate, the operator may seek additional or specific relief from some licence obligations.

RG 172.211 We may, under s791C, exempt a particular market venue or type of market venue from all or part of the provisions in Pt 7.2. The exemption may be unconditional or subject to conditions.

RG 172.212 This section outlines our approach to exemptions. For guidance about applying for an exemption, see Regulatory Guide 51 *Applications for relief* (RG 51).

When an exemption may be granted

RG 172.213 We would normally only grant an exemption in limited circumstances, such as where the regulatory outcomes of market licensing:

(a) are not relevant to the market venue;

(b) can be achieved without regulation under Pt 7.2; or

(c) impose costs that significantly outweigh the benefits of those outcomes.

RG 172.214 When granting an exemption, we may impose conditions, such as:

(a) the operator must hold an AFS licence or be exempt from holding an AFS licence;

(b) the key features of the market venue must remain as they were when the exemption was granted; and

(c) the operator must report to ASIC periodically so that we can satisfy ourselves that the operator is complying with the conditions on the exemption.

Example: Low volume markets

We have exempted low-volume venues from the operation of Pt 7.2 on the condition that the operator is named on our low volume market register maintained for the purposes of s791C.

Because these markets are limited in size and complexity, there is little regulatory benefit associated with subjecting them to the Australian market licence regime.

When exemptions will not likely be granted

RG 172.215 We will not grant an exemption to an overseas market venue solely because the market is subject to regulation in the foreign country where its principal place of business is located. The operator of such a market should seek a licence under s795B(1) or (2).

RG 172.216 We will also not exempt a market solely because there is doubt about whether the products traded on the market are, or should be, within the definition of financial product. In these circumstances, the operator should seek a declaration under s765A(2). A declaration will clarify whether a licence or exemption is appropriate.

G ASIC supervision, suspension or revocation of a licence, and other matters

Key points

This section explains how we supervise licensed markets, including when we may suspend or cancel a licence.

ASIC market surveillance

RG 172.217 Part 7.2A provides a power for ASIC to make market integrity rules dealing with trading activities and conduct in relation to domestic licensed market venues (i.e. those operated by persons licensed under s795B(1)), including participants of those venues.

RG 172.218 The rule-making power does not apply to overseas market venues that are licensed to operate in Australia under s795B(2).

RG 172.219 The market integrity rules include rules that assist ASIC in the surveillance of the trading activity that occurs on domestic market venues. For example, Section L of RG 265 requires the operators of certain venues to establish a network connection into our market surveillance system and, during the course of each trading day, to provide a live data feed consisting of order and trade information.

RG 172.220 However, not all licensees will have an obligation to establish a network connection into our market surveillance system. Those operators may be required to provide order and trade information to ASIC through other arrangements to facilitate our supervision.

ASIC supervision

RG 172.221 Our supervision of licensed market venues is facilitated by a number of legal tools and obligations, including the licensee's obligation to provide an annual report to ASIC and our powers to require information or assistance. Licensees will also be required to pay a supervisory levy.

Licensee annual report

RG 172.222 A licensee's annual report must include an analysis of the extent to which the licensee considers it has complied with the licensee obligations: reg 7.2.06(c).

RG 172.223 Depending on factors including the nature, scale and complexity of your market venue, whether you are a tier 1 licensee, and whether you are a domestic or overseas licensee, we may expect the analysis under reg 7.2.06(c) to:

(a) explain how the licensee has complied with its licence obligations. This could take the form of stating the objective outcomes and/or standards against which the licensee has measured its compliance with each of its obligations and explain how those outcomes and/or standards evidence compliance with the particular obligation;

(b) identify and explain any divergences during the year between the licensee's planned and actual activities and resources for performing its obligations and for monitoring its own performance of those obligations;

(c) state and explain the licensee's conclusions about:

(i) the extent to which it has fully complied with its licence obligations, which can be by reference to the outcomes and standards identified in (a);

(ii) how the licensee will ensure it achieves full compliance with each obligation in the future if less than full compliance is identified;

(iii) the adequacy and effectiveness of its rules, systems and monitoring arrangements in achieving a fair, orderly and transparent market;

(iv) the strengths and any weaknesses in its activities and resources for performing each of its obligations;

(v) the strengths and any weaknesses in its activities and resources for monitoring its own performance of each of its obligations; and

(vi) how the licensee proposes to address or has addressed those matters if any inadequacy or weaknesses have been identified; and

(d) identify any forward-looking risks the licensee has identified in the financial year that may cause the licensee to not comply with its licence obligations, and how the licensee intends to mitigate these risks.

RG 172.224 Results of technology system testing and review should be documented, and may be communicated to ASIC as part of the market licensee's annual report under s792F. The results should also be made available to ASIC on request.

ASIC periodic assessment

RG 172.225 Under the Corporations Act, we have the capacity to conduct periodic assessments of a licensee's compliance with any or all of its regulatory obligations. We also have powers to request documents or other assistance from a licensee.

RG 172.226 We take a risk-based approach to supervision, and may conduct targeted or thematic assessments as appropriate. For example, we may assess a market licensee's technological resources as part of our periodic assessment of the licensee and in our assessment of any changes the licensee may propose to make to its systems. We will also take into account the licensee's self-assessment of the extent to which is has complied with these principles.

Notification to ASIC of material system changes

RG 172.227 Tier 1 licensees should notify ASIC of material changes, such as changes to the licensee's systems, in sufficient time before they occur so that we can consider the market integrity issues including ASIC's surveillance function and for the wider market.

RG 172.228 The notification should outline the approach to managing the change, key project milestones and their preferred dates, including risk management, communication to the market, and the anticipated impact on market participants and the wider market.

RG 172.229 We expect licensees to consider the impact of material system changes on market integrity and for stakeholders. We may request that an independent third party verify the changes to ensure they are managed appropriately and in an orderly manner.

> Note: For examples of what is likely to be considered a material system change, see RG 172.133.

Suspension and cancellation of a licence

RG 172.230 Under s797B, we may, by written notice to a licensee, suspend the licence for a specified period, or cancel it, if:

(a) the licensee ceases to carry on the business of operating the financial market to which the licence relates;

(b) it has been at least 12 months since we granted the licence, and during the last 12 months there has been no acceptance of any offers made through the market to acquire or dispose of financial products;

(c) it has been at least 12 months since we granted the licence, and during the last 12 months the licensee has not engaged in the specified conduct or activity authorised under its licence condition that constitutes operating the market;

(d) the licensee becomes a Chapter 5 body corporate, or under a foreign law is in a similar position to a Chapter 5 body corporate;

(e) the licensee asks ASIC to suspend or cancel its licence;

(f) the licensee is being deregistered as a company under s601AA or 601AB;

(g) in the case of an overseas market licence granted under s795B(2):

(i) the licensee ceases to be authorised to operate a financial market in the foreign country in which its principal place of business is located;

(ii) there is a change to the regulatory regime applying to the financial market in that country and, as a result of that change, we are no longer satisfied of the matters in s795B(2)(c); or

(iii) cooperation arrangements (including information sharing) between ASIC and the authority or authorities responsible for supervising the operation of that market in that country have materially deteriorated or are otherwise inadequate; or

(h) in the case of a licensee that is a leviable entity (within the meaning of the *ASIC Supervisory Cost Recovery Levy Act 2017*), an amount of levy payable by the licensee (including any payment or shortfall penalty payable in relation to the levy) has not been paid in full at least 12 months after the payment due date.

ASIC's power to require reports

RG 172.231 We may, by written notice, require a licensee to give us a report on specified matters: s794B(1).

RG 172.232 Under s794BA, we may, by written notice:

(a) appoint an expert to provide ASIC an expert report on specified matters relating to a licensee's compliance with its obligations as a market licensee;

(b) direct the licensee to reimburse ASIC for the expenses we incurred in appointing and paying the expert to provide the report;

(c) require a market licensee to appoint a person to provide ASIC with an expert report on specified matters relating to the licensee's compliance with its obligations as a market licensee.

Note: A licensee must give all information, explanation and assistance to the expert, as the expert reasonably requests for the preparation and provision of the expert report: s794BA(5).

Approval to have more than 20% voting power

RG 172.233 ASIC approval is required before a person can hold more than 20% voting power in a domestically incorporated market licensee or its holding company (a type of 'controlled Australian financial body'): s852DG and Div 1A of

Pt 7.4. Guidance about voting power and related concepts is set out in Regulatory Guide 5 *Relevant interests and deemed economic interests* (RG 5).

RG 172.234 A person's voting power in a licensee or its holding company is the total number of votes attached to all the voting shares in the licensee or its holding company: s610. Voting power can arise without a person directly holding securities, for example through associates (see s12) or through influence over another body. A single acquisition can trigger approval requirements for multiple persons where each person's voting power would exceed 20%.

RG 172.235 To exceed the 20% voting power threshold, or to increase voting power that is already over 20%, a person must apply to ASIC, specifying their current and intended voting power, the period for which the approval is sought, and the reasons for their application: s852DG. If any information in the application changes or is incorrect after the application is made, the applicant must, as soon as practicable give ASIC the correct information in writing: s852DQ.

RG 172.236 An unacceptable control situation exists in relation to a controlled Australian financial body and a particular person if the person's voting power exceeds either 20% or an approved higher percentage: s852DB.

> Note: If, on 17 September 2024, a person held more than 20% voting power in a controlled Australian financial body, the person is taken to have been granted approval by ASIC to hold that percentage of voting power indefinitely unless varied or revoked: s1705L.

RG 172.237 We must provide written notice of our approval to the applicant if we are satisfied that the specified percentage in the application is the highest percentage of voting power, of that sought, for which the applicant passes the 'legitimate control test', and we believe relevant information in the application, or later provided by the applicant, is correct. Otherwise, we must refuse the application and notify the applicant in writing: s852DH. A person passes the legitimate control test unless it is reasonable to expect that holding the proposed voting power in the licensee or holding company would adversely affect the licensee's ability to meet one or more of its obligations: s852DC. ASIC's approval can be for a specified period, which may be extended, or indefinitely, and can be subject to conditions.

RG 172.238 We have 90 days to decide on an application and may extend this by up to 30 days. If we do not decide within this period, approval is deemed to have been granted. We may request further information and the decision period is paused until information is provided or if an unacceptable control situation exists: see s852DR.

RG 172.239 We may impose, vary or revoke conditions after approval by written notice, on our own initiative or by application from the person who holds the s852DH(1) approval: s852DL.

RG 172.240 We may vary a person's approval, such as changing the approved percentage or duration, on application by the person holding the approval or on ASIC's own initiative: s852DM.

RG 172.241 Under s852DN, we may revoke an approval if we are satisfied that:

(a) the person no longer passes the legitimate control test; or

(b) an unacceptable control situation exists in relation to the licensee and the person; or

(c) there has been a contravention of an approval condition; or

(d) information provided by the applicant was incorrect at the time of ASIC's decision.

Licensees that are widely held market bodies

RG 172.242 A person may lodge an application with ASIC seeking Ministerial approval to have more than 20% voting power in a widely held market body (other than ASX Limited). The Minister may approve the application if the Minister is satisfied that it is in the national interest.

RG 172.243 A person may lodge an application with ASIC detailing:

(a) the percentage of voting power the person currently has in the widely held market body;

(b) the percentage of voting power the person is seeking approval to have in the body; and

(c) the person's reasons for making the application.

RG 172.244 The Minister must decide on an application within 30 days and may extend this by up to 30 days. If the Minister has not made a decision within this timeframe, then the application is deemed to be granted. If further information is requested from the applicant, then the application may not be considered until that information is provided.

Note: See s851A–851H.

H Applications

Key points

This section provides an overview of how you may apply for a licence or an exemption from a licence.

How to apply for a licence, variation or exemption

RG 172.245 We may grant a market licence or an exemption if we are satisfied that the criteria in s795B(1) or (2) or s791C are met. We may impose conditions when granting a licence or exemption.

RG 172.246 For licence applications, we will consider:

(a) the structure of the market;

(b) the nature of the activities conducted on the market;

(c) the size of the market including volume;

(d) the nature of the financial products dealt with on the market;

(e) market users;

(f) participants in the market;

(g) the technology used in the operation of the market; and

(h) whether it would be in the public interest.

Note: See s798A(2) and 795B.

RG 172.247 For all applications, we expect the applicant to certify that the information and documents provided with the application are true, correct and complete. We will decide whether your application requires public consultation on a case-by-case basis. The factors we will consider when making this decision include:

(a) whether the market venue may have a regulatory impact on existing licensed markets;

(b) whether the market venue may affect the reputation of Australia as a financial centre; and

(c) the features of the market venue, including:

(i) the size of the market venue;

(ii) the market users; and

(iii) the likely impact of the market on Australian investors and the integrity of Australian financial markets.

Applying for a domestic licence

RG 172.248 An application must be made in accordance with s795A and include the information and documents referred to in regs 7.2.11 and 7.2.12. Where the regulations require 'a description' or 'details' of certain matters, we expect an applicant to give sufficient information to provide ASIC with a comprehensive understanding of the relevant matter.

RG 172.249 An applicant must provide documents or information that positively demonstrate that they meet the criteria in s795B(1), including being able to comply with the obligations that will apply when the licence is granted and on a continuing basis: see Section D.

Disqualified individuals

RG 172.250 To enable us to assess the requirement in s795B(1)(h) that no disqualified individual appears to be involved in the applicant, or the applicant's holding company, an application should include the following:

(a) for each director, secretary and senior manager of the applicant:

(i) their full name, address and contact details; and

(ii) whether they are or have been disqualified; and

(b) for each individual who holds 20% or more of the total voting power in the applicant, or a holding company of the applicant:

(i) the individual's full name, address and contact details; and

(ii) whether they are or have been disqualified.

Note: See s853A, 853B and RG 172.98–RG 172.99.

No unacceptable control situation is likely to result when a licence is granted

RG 172.251 Section 795B(1)(g) requires ASIC to be satisfied that no unacceptable control situation (see Div 1 of Pt 7.4) is likely to result when a licence is granted.

RG 172.252 Where a domestically incorporated licence applicant has shareholders whose voting power will exceed 20% when the licence is granted, we must separately assess and approve each instance in which shareholder voting power exceeds 20%. This assessment occurs at the same time as we consider and make a decision about the licence application. This process ensures that no unacceptable control situation arises after the licence is granted: s795B(1)(g), 852DA, 852DB, 852DD, 850B and 850C.

RG 172.253 Although we may consider a licence application and the voting power of each of the applicant's shareholders concurrently, we must issue a separate

written approval for each shareholder whose voting power will exceed 20% at the same time we grant the licence.

> Note: For further information, see 'Approval to have greater than 20% voting power' at RG 172.233–RG 172.247.

Applying for an overseas licence

RG 172.254 An applicant must provide ASIC with information and documents relevant to all the criteria and matters in s795A, 795B(2), 798A(2)(a)–(g), 798A(3)(a)–(d) and regs 7.2.14 and 7.2.15.

RG 172.255 You must provide information and documents that:

(a) explain the matters in s798A; and

(b) positively demonstrate that you meet all the criteria in s795B(2).

RG 172.256 The application and all information and documents provided with the application must be in English.

Applying for an exemption

RG 172.257 If you want an exemption for a particular market venue or type of market venue, your application should fully describe:

(a) the operation of the particular market venue or type of market venue; and

(b) why it should be exempted from the operation of Pt 7.2.

PART 2 Obligations under the market integrity rules

RG 172.258 Part 2 of this guide provides guidance about the obligations of certain domestic market operators that are identified as being subject to:

(a) the *ASIC Market Integrity Rules (Securities Markets) 2017* (Securities Markets Rules); and

(b) the *ASIC Market Integrity Rules (Futures Markets) 2017* (Futures Markets Rules).

Note: The market integrity rules can be downloaded from the Federal Register of Legislation.

RG 172.259 The obligations relate to:

(a) pre-trade and post-trade transparency and the consolidation of that information;

(b) regulatory data and data feeds;

(c) controls for extreme price movements;

(d) a range of other market operator obligations, such as managing trading suspensions, information sharing between market operators, synchronised clocks, tick sizes and record keeping; and

(e) technological and operational resilience of critical business services.

RG 172.260 Part 2 of this guide also provides guidance for consolidators of pre-trade and post-trade equity market products and Commonwealth Government Securities (CGS) depository interest information.

I Overview of Part 2

Key points

We can make market integrity rules dealing with activities and conduct in relation to domestic licensed financial markets.

Market operators must comply with their obligations under the market integrity rules.

ASIC market integrity rules

RG 172.261 We are able to make market integrity rules under Pt 7.2A of the Corporations Act dealing with activities and conduct in relation to domestic licensed financial markets.

RG 172.262 Licensed operators of these markets must comply with the market integrity rules that apply to their market unless ASIC has granted a waiver. A common set of market integrity rules that apply to market operators are set out in:

(a) the Securities Markets Rules; and

(b) the Futures Markets Rules.

RG 172.263 We are responsible for supervising compliance with the market integrity rules. We are also responsible for granting waivers from the obligation to comply with a provision of the market integrity rules. We will consider and determine all requests for a waiver of a market integrity rule on the basis of the facts, circumstances and merits of each request.

RG 172.264 ASIC will make a waiver by way of legislative instrument. All legislative instruments including waivers are registered on the Federal Register of Legislation and are publicly available.

RG 172.265 Applications for waivers should be submitted through the ASIC Regulatory Portal. Market participants will need to pay fees for their application. We have provided details about payment options in the ASIC Regulatory Portal. For more information, see how to apply for relief.

Scope and application of the rules

RG 172.266 Table 2 lists the scope and application of various market integrity rules that apply to market operators in relation to particular products.

Table 2: Scope and application of rules for market operators

Topic	Rule reference	Guide reference	Products
Pre-trade transparency	Parts 6.1 and 6.2 (Securities Markets Rules)	RG 172.268–RG 172.315	Equity market products and CGS depository interests
Post-trade transparency	Parts 6.3 and 6.4 (Securities Markets Rules) other than Rule 6.3.6A (Securities Markets Rules)	RG 172.316–RG 172.340	Equity market products and CGS depository interests
Course-of-sales information	Rule 6.3.6A (Securities Markets Rules)	RG 172.341–RG 172.342	Transactions in financial products executed on a market or reported to a market operator
Data feeds	Part 7.1 (Securities Markets Rules)	RG 172.351–RG 172.356	All
Information about market participants	Part 7.2 (Securities Markets Rules)	RG 172.357–RG 172.359	All
Changes to procedures	Part 7.3 (Securities Markets Rules)	RG 172.367–RG 172.371	All
Regulatory data	Part 7.4 (Securities Markets Rules)	RG 172.360–RG 172.365	CGS depository interests and financial products able to be traded on a market (other than options market contracts)
Extreme price movements	Chapter 8 (Securities Markets Rules)	RG 172.372–RG 172.418	Equity market products and CGS depository interests
Trading suspensions	Part 9.1 (Securities Markets Rules)	RG 172.421–RG 172.434	Equity market products and CGS depository interests
Information sharing	Part 9.2 (Securities Markets Rules)	RG 172.435–RG 172.445	Equity market products and CGS depository interests
Synchronised clocks	Part 9.3 (Securities Markets Rules)	RG 172.454–RG 172.466	All
Tick sizes	Part 9.4 (Securities Markets Rules)	RG 172.467–RG 172.472	Equity market products and CGS depository interests
Record keeping	Part 9.5 (Securities Markets Rules)	RG 172.473–RG 172.474	All
Surveillance and supervision data	Part 4.1 (Futures Markets Rules)	RG 172.217–RG 172.229	All
Information about market participants	Part 4.2 (Futures Markets Rules)	RG 172.357–RG 172.359	All
Record keeping	Part 4.3 (Futures Markets Rules)	RG 172.473–RG 172.474	All

Topic	Rule reference	Guide reference	Products
Extreme price movements	Chapter 8 (Futures Markets Rules)	RG 172.372–RG 172.418	Equity index futures and ASX SPI 200 futures
Trading controls	Part 8A.2 (Securities Markets Rules and Futures Markets Rules)	RG 172.486–RG 172.487	All
Resilience, reliability, integrity and security of critical business services	Rule 8A.3.1 (Securities Markets Rules and Futures Markets Rules)	RG 172.488–RG 172.504	All
Change management for critical business services	Rule 8A.3.2 (Securities Markets Rules and Futures Markets Rules)	RG 172.505–RG 172.514	All
Outsourcing of critical business services	Rule 8A.3.3 (Securities Markets Rules and Futures Markets Rules)	RG 172.515–RG 172.539	All
Information security	Part 8A.4 (Securities Markets Rules and Futures Markets Rules)	RG 172.540–RG 172.560	All
Business Continuity Plans	Part 8A.5 (Securities Markets Rules and Futures Markets Rules)	RG 172.561–RG 172.591	All
Governance	Part 8A.6 (Securities Markets Rules and Futures Markets Rules)	RG 172.592–RG 172.596	All

Note: Equity market products are shares, interests in managed investment schemes (including exchange traded funds (ETFs)), rights to acquire shares or interests in managed investment schemes under a rights issue, CHESS Depositary Interests (CDIs) and Transferable Custody Receipts (TraCRs).

Data consolidation services

RG 172.267 Section L of this guide sets out best practice standards for parties who access data from market operators to provide data consolidation services to users of pre-trade and post-trade information.

J Pre-trade transparency

Key points

Market operators must make information about orders available immediately, subject to exceptions.

Table 13 in Appendix 2 prescribes the minimum information a market operator must make available.

Market operators must make available pre-trade information on reasonable commercial terms and on a non-discriminatory basis.

Pre-trade transparent orders must take priority over fully hidden orders in an order book.

Scope and application

RG 172.268 Part 6.1 of the Securities Markets Rules sets out obligations for market operators concerning pre-trade transparency in the markets for equity market products and CGS depository interests (collectively referred to as 'relevant products').

RG 172.269 Part 6.1 of the Securities Markets Rules does not apply to a transaction arising from:

(a) the terms embedded in the relevant product, such as a redemption;

(b) primary market actions (including issuance or allotment of, or an application or subscription for, a relevant product);

(c) acceptance of an offer under an off-market takeover bid; and

(d) stock lending or stock borrowing.

RG 172.270 Further exceptions to pre-trade transparency obligations are set out in Part 6.2 of the Securities Markets Rules and are explained in RG 172.282–RG 172.305.

RG 172.271 Pre-trade transparency refers to information on bids and offers being made available before transactions occur. Together with post-trade information, it is generally regarded as central to both the fairness and efficiency of a market, and in particular to its liquidity and quality of price formation. This is also the view of IOSCO.

> Note: See IOSCO report, *Transparency and market fragmentation* (PDF 578 KB), Technical Committee of IOSCO, November 2001, and IOSCO *Principles for dark liquidity* (PDF 471 KB), Technical Committee of IOSCO, final report, May 2011.

RG 172.272 Pre-trade transparency enables investors to identify trading opportunities, contributing to investor confidence that they will be able to execute a

transaction. Investor confidence in a market can give other investors an incentive to participate, contributing to liquidity and stimulating more competitive pricing. It also plays an important role for listed companies in valuing their assets and their ability to raise further funds, and it contributes to market participants' ability to achieve and evidence best execution. The Securities Markets Rules require a high level of trading interest to be immediately pre-trade transparent.

RG 172.273 There have always been rules in the Australian market requiring market participants to transact on-market (or on the central limit order book since the move to electronic trading). This is based on the notion that price formation is most efficient when full supply and demand is allowed to interact. Pre-trade transparent orders on an order book are important because they:

(a) establish a reference price, which in addition to their role in trading is important for capital allocation decisions and capital raising; and

(b) create a deeper pool of 'accessible' liquidity than would otherwise be available, which keeps spreads tight and costs down for investors.

RG 172.274 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 reduce the possibility of information leakage of these orders.

Orders and quotes to be pre-trade transparent

RG 172.275 Under Rule 6.1.2, a market operator offering trading in relevant products must make available pre-trade information immediately after it receives it to all persons it has arrangements with to make the information available, subject to the exceptions in Rule 6.1.2(2) and as outlined in RG 172.282–RG 172.305.

RG 172.276 Pre-trade information must be made available about all orders received, subject to the pre-trade transparency exceptions described below. For orders received outside trading hours, the market operator must make pre-trade information available no later than the time trading hours next resume: Rule 6.1.2(1).

RG 172.277 Under Rule 6.1.2(3), a market operator must take reasonable steps to ensure the pre-trade information is and remains complete, accurate and up to date. We expect a market operator to ensure that pre-trade information is continuously updated without undue delay as new orders are received and existing orders are amended, matched, executed or cancelled.

RG 172.278 We do not expect a market operator to verify the validity of an order entered into its order book. However, we note that:

(a) we expect a market operator to take reasonable steps to ensure that all data fields required under Rule 6.1.4 and Rule 6.1.4A are complete;

(b) under Rule 6.3.4A and RG 172.325–RG 172.330, a market operator must validate trades reported to it against the criteria for the pre-trade transparency exception in Rule 6.1.1(2) relied on by the market participant; and

(c) under Rule 8.1.3, a market operator must have adequate controls to prevent anomalous orders from entering its market.

RG 172.279 We also note that the market operator's obligation under Rule 6.1.2(3) is complemented by the obligations imposed on market participants under the Securities Markets Rules for their market to have and maintain the necessary resources to ensure that orders that they enter into the market do not interfere with the efficiency and integrity of the market, and to act in a manner which maintains a fair and orderly market.

RG 172.280 A market operator must also make available pre-trade information on reasonable commercial terms and on a non-discriminatory basis to all users: Rule 6.1.3. We consider this an important part of the framework for delivering consolidated market data: see Section L.

RG 172.281 The pre-trade information should be made available in a format that is machine-readable (e.g. using the Financial Information eXchange (FIX) protocol or the trading system's Application Programming Interface (API)).

Exceptions

RG 172.282 There are exceptions to market operators making pre-trade information available immediately about certain orders on their order book: Rule 6.1.2(2). They are orders that, if executed, would result in:

(a) block trades;

(b) large portfolio trades; and

(c) trades with price improvement.

RG 172.283 These exceptions are described below. Under Rule 6.1.6, where an order is executed in part, the exception ceases to apply unless the remainder of the order would have been entitled to the exception if it were a separate order.

RG 172.284 Certain exceptions noted below also apply to market participants in their dealings away from a market operator's order book: see, for example, Rule 6.1.1(2). The Securities Markets Rules prescribe trades that are permitted for market participants: see Rule 6.2.4 (permitted trades during the post-trading hours period), Rule 6.2.5 (permitted trades during the pre-trading hours period) and Rule 6.2.6 (out of hours trade).

Block trades (Rule 6.2.1)

RG 172.285 A market operator is not required to make available pre-trade information in relation to an order on an order book that, if executed, would result in a block trade.

RG 172.286 A block trade occurs in certain circumstances where the transaction is entered into:

(a) by matching orders on an order book of a licensed market; or

(b) by a market participant matching orders off an order book of a licensed market:

(i) on behalf of a client on one side of a transaction and on behalf of one or more clients on the other side;

(ii) on behalf of one or more clients on one side of a transaction and as principal on the other side; or

(iii) on behalf of a client (first client) on one side of a transaction and on the other side on behalf of one or more clients and as principal where the consideration for the transaction that is payable by or to the first client and all of the clients on the other side of the transaction in aggregate meets the thresholds referred to in RG 172.287.

RG 172.287 The exception only applies where the resulting transaction would result in a purchase or sale for a total consideration of:

(a) $1 million or more for Tier 1 equity market products;

(b) $500,000 or more for Tier 2 equity market products;

(c) $200,000 or more for Tier 3 equity market products; or

(d) $200,000 or more for CGS depository interests.

RG 172.288 The products that fall within each tier are legislative instruments and will be accessible from our website. We will review the tiers at least quarterly and they will take effect on the later of the date of registration on the Federal Register of Legislation, or 20 business days after registration.

RG 172.289 The relevant product that is the subject of the transaction must be issued by the same issuer, in the same class, with the same paid-up value.

Large portfolio trades (Rule 6.2.2)

RG 172.290 A market operator is not required to make available pre-trade information in relation to an order, or series of orders, on an order book that, if executed, would result in a large portfolio trade.

RG 172.291 This exception only applies where there is a purchase or sale of at least 10 different classes of relevant products under a single agreement between a buyer and a seller where:

(a) the aggregated consideration is not less than $5 million; and

(b) the consideration for each different class of relevant product forming part of the transaction is not less than $200,000, although additional purchases and/or sales of less than this amount may be included.

Trades with price improvement (Rule 6.2.3)

RG 172.292 A market operator is not required to make available pre-trade information in relation to an order, or series of orders, on an order book that, if executed, would result in a trade with price improvement.

RG 172.293 This exception only applies where the transaction is entered into at a price (at the time of execution) that is:

(a) at a valid price step (i.e. tick size) that is both above the best available bid and below the best available offer; or

(b) at the midpoint of the best available bid and best available offer, where:

$$\text{Midpoint} = \frac{\text{Best available bid} + \text{Best available offer}}{2}$$

Examples

RG 172.294 In Table 3, the best available bid is $5.03 and the best available offer is $5.06. A transaction relying on the trade with price improvement exception could be done at $5.04, $5.045 and $5.05.

Table 3: Example of best available bid and offer

Market	Best bid	Best offer
Market A	$5.03	$5.07
Market B	$5.02	$5.06
Market C	$5.02	$5.07

RG 172.295 Where the spread (i.e. the difference between the best available bid and best available offer) is a single price step (e.g. $5.04 and $5.05), the trade with price improvement exception means that the trade must only be done at the midpoint price (i.e. $5.045). The midpoint is not limited to the standard tick sizes for the relevant product in Rule 9.4.1. In this example, the tick size is 1 cent and the midpoint is half a cent.

Minimum order threshold

RG 172.296 The value of a transaction relying on the trade with price improvement exceptions must be greater than the consideration prescribed in Rule 6.2.3. The consideration is currently set at zero. The purpose of the threshold is to enable ASIC to quickly respond if there is, or we expect there to be, a shift of liquidity away from order books of licensed markets in the short term. Market operators should anticipate that a threshold greater than zero may apply in the future and should factor this into their business plans and system development.

Consolidated tape of best available bids and offers

RG 172.297 In compiling best available bid and best available offer data (i.e. national best bid and offer (NBBO)), we expect market operators, or their service provider for this purpose, to:

(a) consider all pre-trade transparent bids and offers from pre-trade transparent order books irrespective of the size and nature of the order (this includes small volume orders and orders that may result in a locked or crossed market);

(b) compile the data in real time; and

(c) have appropriate systems and controls in place to ensure data is collected and processed in a timely, accurate and reliable way.

RG 172.298 There will be circumstances when the bids and offers on a pre-trade transparent order book are not available for execution (e.g. during an auction period or during a technical failure). Where a pre-trade transparent order book is open, and any other pre-trade transparent order book does not have bids and offers available for execution, the NBBO should be determined by compilation of the bids and offers on those pre-trade transparent order books that are available for execution.

How this exception applies during a takeover or buyback

RG 172.299 A transaction relying on the trade with price improvement exception that is effected other than on an order book is:

(a) not an 'on-market' transaction within the meaning of s9 of the Corporations Act—therefore, this transaction does not fall within the takeover exceptions permitted by Ch 6 of the Corporations Act for an on-market transaction; and

(b) not 'in the ordinary course of trading'—therefore, this transaction does not fall within s257B(6) of the Corporations Act for a listed corporation conducting an on-market buyback. Neither does it fall under the terms of ASIC relief for buybacks by responsible entities of registered managed investment schemes under *ASIC Corporations (ASX-listed Schemes On-market Buy-backs) Instrument 2016/1159*.

How this exception applies in a locked market

RG 172.300 We consider that where there is no spread because the best bid and offer are the same (e.g. if the best bid is $5.05 and the best offer is $5.05), a transaction relying on this exception can only be done at the locked price (i.e. $5.05—also the midpoint).

How this exception applies in a crossed market

RG 172.301 A crossed market occurs when the best bid (e.g. $5.05) exceeds the best offer (e.g. $5.04). We do not expect this to occur often. It is likely to occur more often with volatile products, when orders are being entered before the market opens and as a result of increasing messaging traffic or latency. We expect that where it does occur, the arbitrage opportunity it creates means it will be very short-lived.

RG 172.302 The trade with price improvement exception is intended to apply when there is a positive spread (i.e. the bid is lower than the offer). It is not intended to apply when there is a negative spread. We consider that if it is imperative to trade during a crossed market, trades can only be priced at the midpoint (i.e. in this example, $5.045 where the bid is $5.05 and the offer is $5.04).

How this exception applies when there is no spread

RG 172.303 We consider that where there is no spread because there is only one of a best bid or offer (e.g. the bid is $5.05 and there is no offer), the trade with price improvement exception cannot be used.

Exceptions for market participants

RG 172.304 Rule 6.1.1(1) requires that market participants must not enter into a transaction unless the transaction is entered into by matching a pre-trade transparent order on an order book of a licensed market. There are a number of exceptions to this rule:

(a) block trades;

(b) large portfolio trades;

(c) a trade with price improvement;

(d) a permitted trade during the post-trading hours period;

(e) a permitted trade during the pre-trading hours period; and

(f) out of hours trades.

RG 172.305 Market participants are required to report the transactions that result from these orders to a market operator and the market operator is required to validate that they meet certain criteria: see Section K.

Content of pre-trade disclosures

RG 172.306 Table 13 in Appendix 2 outlines the minimum information market participants must make available to market operators and the minimum information market operators must make available as required by Rules 6.1.4 and 6.1.4A. This table also outlines the format that we expect to be used for information to facilitate the data consolidation process.

RG 172.307 We will keep this information under review. We intend to monitor industry developments to determine whether additional information should be made available and will consult if any changes are considered necessary.

Partly disclosed orders

RG 172.308 A partly disclosed order is an order on an order book that is pre-trade transparent under Rule 6.1.5 with the exception of 'volume' if 'price' is transparent, or with the exception of 'price' if 'volume' is transparent on the order.

RG 172.309 The value of the resulting transaction must be greater than the threshold prescribed in Rule 6.1.5. The threshold is currently set at zero. The purpose of the threshold is to enable ASIC to quickly respond if there is, or we expect there will be, a shift of liquidity away from pre-trade transparent orders on an order book to non-pre-trade transparent orders on an order book of licensed markets in the short term. Market operators should anticipate that a threshold greater than zero may apply in the future and should factor this into their business plans and system development.

Iceberg order

RG 172.310 Rule 6.1.5(2) clarifies that certain types of orders are partly disclosed orders for the purposes of the Securities Markets Rules. An iceberg order is where the order is of a size specified by the market operator. The order is divided into separate parts and only a single part is pre-trade transparent with the remainder fully hidden until such time as the pre-trade transparent part has been executed and another part is made pre-trade transparent. This continues until the entire order is executed.

RG 172.311 In accordance with RG 172.312–RG 172.315, the hidden portion of the transaction does not have time priority. Therefore, as new portions of the hidden order become pre-trade transparent, they must go to the back of the queue on the order book.

Priority for pre-trade transparent orders

RG 172.312 Some order types on an order book may be undisclosed (either fully or partly). A fully hidden order is one where there is no pre-trade transparency about the order. A partly disclosed order is where either the price or, more commonly, the volume is undisclosed: see RG 172.308–RG 172.309.

RG 172.313 A market operator must ensure that a fully hidden order on an order book does not have time priority over an order for the same relevant product on the same order book that is either fully or partly pre-trade transparent: Rule 6.1.7. Time priority means that if there are two limit orders in an order book at the same price, the order that was entered first gets filled first.

RG 172.314 Fully hidden orders may, however, have price priority. Price priority means that if there are two orders in an order book at different prices, the order with the best price gets filled first. An order that is better priced than others (in the case of a sell order, the order with the lowest price, and in the case of a buy order, the order with the highest price) is queued to match before orders at worse prices.

RG 172.315 We consider it important that fully and partly pre-trade transparent orders have priority over fully hidden orders at the same price in an order book because transparent orders should be rewarded for supporting the price formation process on public markets. This is consistent with the IOSCO Principles for dark liquidity (p. 28):

> … regulators should take steps to support the use of transparent orders rather than dark orders executed on transparent markets or orders submitted into dark pools. Transparent orders should have priority over dark orders at the same price within a trading venue.

K Post-trade transparency

Key points

Details of executed transactions must be made public by market operators immediately, with the exception of certain transactions.

Market participants that transact off-order book should continue to report details of the executed transaction to a market operator, and that information should be included in the market operator's feed of information. These transactions can be reported to any market operator that provides facilities for trading equity market products and CGS depository interests. Table 14 in Appendix 2 outlines the minimum information that a market participant must report to a market operator.

Market operators must make available post-trade information on reasonable commercial terms and on a non-discriminatory basis. Certain trading information must be publicly available at no cost after 20 minutes.

Scope and application

RG 172.316 Part 6.3 of the Securities Markets Rules sets out obligations for market operators concerning post-trade transparency in the markets for equity market products and CGS depository interests (collectively referred to as 'relevant products').

Note: Rule 6.3.6A (course-of-sales information) applies to transactions in financial products executed on a market or reported to a market operator.

RG 172.317 Like pre-trade transparency, disclosure of volumes and prices about completed transactions (post-trade transparency) contributes to price formation. It also allows investors to assess execution quality and is an important component for transaction cost analysis.

Market participants' obligations to report data

RG 172.318 All transactions by market participants must be entered into under the rules of a licensed market: Rule 5.1AA.1. Under Rule 6.3.1(1), market participants are required to report post-trade information for a transaction entered into off-order book to a market operator. This means that market participants that transact off-order book should report details of the matched or executed transaction to a market operator, and that information should be included in the market operator's feed of information.

RG 172.319 The information that market participants must report to market operators is outlined in Rule 6.3.7 for transactions in equity market products and Rule 6.3.7A for transactions in CGS depository interests: see Table 14 in

Appendix 2. This table also outlines the format that we expect to be used for each field to facilitate the data consolidation process.

Note: Rule 7.4.2 requires a market participant to provide certain regulatory data to a market operator. This differs from a market participant's obligation to report post-trade information. For guidance on the provision of regulatory data, see Section M.

Reporting off-order book transactions

RG 172.320 Under Rule 6.3.1, a market participant that transacts off-order book under the permitted pre-trade transparency exceptions (see Section J) must report post-trade information to a market operator:

(a) *during normal trading hours*—immediately after the transaction is executed;

(b) *during an auction on the market*—immediately after that auction; and

(c) *outside normal trading hours and auction period*—by no later than 15 minutes before normal trading hours resume or at such earlier time as required by the operating rules of the market under which the reporting participant determines the transaction has taken place.

Note: The Securities Markets Rules allow for deferred publication of information in certain circumstances: see RG 172.323–RG 172.324.

RG 172.321 Where operating hours vary between markets, we deem 'normal trading hours' to be the earliest opening time and latest closing time (including auction periods) of all licensed markets dealing in relevant products that the market participant can access. For this purpose, a market is considered open for trading when there is continuous trading and during any auction period.

RG 172.322 Under Rules 5.1AA.1 and 6.3.1, transactions by market participants in relevant products that take place off-order book must be reported to a market operator—irrespective of where the counterparty is located (i.e. including if the counterparty is overseas).

Delayed reporting

RG 172.323 Under Rules 6.3.1(2) and 6.4.1, reporting of large principal transactions in which the market participant acts as either buyer or seller may be delayed, if the transaction is at least:

(a) $15 million for equity market products in Category A;

(b) $10 million for equity market products in Category B;

(c) $5 million for equity market products in Category C; or

(d) $2 million for equity market products in Category D, or CGS depository interests.

Note: The list of equity market products on a market that fall within each category is published on a weekly basis (taking effect the following day) by the operator of the market on which the equity market products are admitted to official quotation or trading status.

RG 172.324 The maximum period for delayed reporting is set out in Rule 6.3.1: see Table 4.

Table 4: Maximum period for delayed reporting

Time transaction is effected	Maximum period for delayed reporting
Before 1 pm on trading day	15 minutes before the commencement of normal trading hours on the next trading day
After 1 pm on trading day	No later than 1 pm on the next trading day

Market operators' obligations to validate post-trade information

RG 172.325 A market operator must take reasonable steps to ensure the post-trade information it makes available is and remains complete, accurate and up to date: Rule 6.3.4(2). We expect market operators to ensure that post-trade information is continuously updated without undue delay as transactions are executed, reported or cancelled.

RG 172.326 We do not expect a market operator to verify the validity of transactions reported to it by a market participant by looking behind the reported data to the actual transaction. However, we do expect, for example, market operators to have systems in place to identify if data fields required under Rules 6.3.7 and 6.3.7A are incomplete.

RG 172.327 A market operator that receives a post-trade report from a market participant must also have in place arrangements to determine whether the transaction as reported meets the criteria for the pre-trade transparency exception relied on by the market participant to enter into the transaction other than on a pre-trade transparent order book, and, where applicable, the criteria for delayed reporting: Rule 6.3.4A.

RG 172.328 The criteria that the market operator must validate is outlined in Rule 6.3.4A and reproduced in Table 5. All items must be validated in real time before a reported trade is accepted by the market operator. There are three exceptions—items 3, 5 and 12—which must be validated as soon as practicable after the report is received, and by no later than the end of the same trading day. The delay in validating these three items must not delay the publication of the reported trade (unless one of the other items fails the real-time validation).

Table 5: Validation against pre-trade transparency exceptions

Exception relied on by market participant	Item	Market operator must determine that the following applicable criteria are met
Block trades: see Rule 6.1.1(2)(a)	1	For a transaction reported as a block trade, the consideration for the transaction meets the criteria in Rule 6.2.1
Block trades: see Rule 6.1.1(2)(a)	2	For a transaction reported as a block trade, the relevant product was not in a trading suspension at the time the transaction was reported
Large portfolio trades: see Rules 6.1.1(2)(b) and 6.3.1(2)(b)(ii)	3	For a transaction reported as a large portfolio trade, the consideration for each transaction and the total consideration for the series of transactions meet the criteria in Rule 6.2.2
Large portfolio trades: see Rules 6.1.1(2)(b) and 6.3.1(2)(b)(ii)	4	For a transaction reported as a large portfolio trade, the transaction has been reported to the market operator by no later than the time set out in Rule 6.3.1(3)
Large portfolio trades: see Rules 6.1.1(2)(b) and 6.3.1(2)(b)(ii)	5	For a transaction reported as a large portfolio trade, the particular relevant product was not in a trading suspension at the time the transaction was reported as being executed
Trade with price improvement: see Rule 6.1.1(2)(c)	6	For a transaction reported as a trade with price improvement, the price per relevant product for the transaction meets the criteria in Rule 6.2.3(1) based on the market operator's calculation of the best available bid and best available offer at the time the transaction is reported
Permitted trades during post-trading hours period: see Rule 6.1.1(2)(d)	7	For a transaction reported as a permitted trade during the post-trading hours period, the post-trade information indicates that the transaction was entered into during the post-trading hours period as set out in Rule 6.2.4
Permitted trades during pre-trading hours period: see Rule 6.1.1(2)(e)	8	For a transaction reported as a permitted trade during the pre-trading hours period, the post-trade information indicates that the transaction was entered into during the pre-trading hours period as set out in Rule 6.2.5
Out of hours trades: see Rule 6.1.1(2)(f)	9	For a transaction reported as an out of hours trade, the post-trade information indicates that the transaction was entered into outside of normal trading hours as set out in Rule 6.2.6
Large principal transactions: see Rule 6.3.1(2)(b)(i)	10	For a transaction reported as a large principal transaction, the consideration for the transaction meets the criteria in Rule 6.4.1
Large principal transactions: see Rule 6.3.1(2)(b)(i)	11	For a transaction reported as a large principal transaction, the transaction has been reported to the market operator by no later than the time set out in Rule 6.3.1(3)
Large principal transactions: see Rule 6.3.1(2)(b)(i)	12	For a transaction reported as a large principal transaction, the particular relevant product was not in a trading suspension at the time the transaction was reported as being executed

Source: Rule 6.3.4A of the Securities Markets Rules.

RG 172.329 Where a market operator determines that a transaction reported to it does not meet any or all of the applicable criteria in Table 5 (other than the criteria in items 3, 5 or 12), the market operator must:

(a) not accept the report;

(b) notify the reporting market participant that the report has not been accepted; and

(c) not make publicly available the information in relation to the transaction (Rule 6.3.4A(3)).

RG 172.330 Where the market operator determines that a transaction reported to it does not meet one or more of the applicable criteria in items 3, 5 or 12, the market operator must take steps to cancel the transaction or take other appropriate measures in relation to the transaction (having regard to the market operator's obligations under Rules 6.3.4 and 6.3.4A): Rule 6.3.4A(4).

Market operators' obligations to make data available

RG 172.331 Under Rule 6.3.4(1), a market operator offering trading in relevant products must make available post-trade information about transactions executed under its rules to all persons who have entered into an arrangement with it to access that information. The market operator must make post-trade information available:

(a) for transactions executed or reported during normal trading hours—continuously and in real time; and

(b) for transactions executed or reported outside normal trading hours—before trading resumes on its market.

RG 172.332 Market operators must also make available post-trade information on reasonable commercial terms and on a non-discriminatory basis to all users: Rule 6.3.5. We consider this an important part of the framework for delivering consolidated market data: see Section L.

RG 172.333 The post-trade information should be made available in a format that is machine-readable (e.g. using the FIX protocol or the trading system's API).

RG 172.334 Market operators must also make available certain trading information free of charge on a website that is publicly accessible and on a delayed basis of no more than 20 minutes: see Rule 6.3.6.

RG 172.335 For equity market products, this information includes the code that uniquely identifies the equity market product, last traded price, bid, offer, highest price, lowest price, volume, trading status and, if the information is made available on a delayed basis, the delay time. For CGS depository interests, this information includes the code that uniquely identifies the CGS

depository interest, last traded price, bid, offer, highest price, lowest price, number of trades, value, trading status, coupon, maturity date, face value and, if the information is made available on a delayed basis, the delay time.

RG 172.336 Rules 6.3.6(2) and (3) require the last traded price, highest price and lowest price to include trades at or within the spread or trades with price improvement that are reported to the market operator. We expect market operators to clearly state on their website that trades with price improvement that are reported to them are included in the trading information.

Content and format of post-trade disclosure

RG 172.337 Market participants must report post-trade information to market operators as specified under Rule 6.3.7 (in the case of equity market products) or Rule 6.3.7A (in the case of CGS depository interests): see Table 14 in Appendix 2. Market operators must make that information available.

RG 172.338 Market operators must also make available execution details for transactions executed on the market, including trading time and volume. If some or all pre-trade information for the transaction is not available, and to the extent it cannot be determined by reference to trading time and volume, the market operator must also make available all of the information as specified under Rules 6.3.7 and 6.3.7A: see Table 14 in Appendix 2. All relevant information in this table should be made available for partly disclosed orders.

RG 172.339 Table 14 in Appendix 2 also outlines the format that we expect to be used for this information to facilitate the data consolidation process.

RG 172.340 We will keep under review the post-trade information that must be reported to market operators by market participants and the information that must be made available by market operators. We intend to monitor industry developments to determine whether additional information should be made public and will consult if any changes to the table are considered necessary.

Course-of-sales information

RG 172.341 Rule 6.3.6A requires a market operator to make available course-of-sales information for each transaction in a financial product executed on, or reported to, its market. The course-of-sales information that a market operator must make available is outlined in Rule 6.3.6A and reproduced in Table 6.

Table 6: Information to be included in course-of-sales reports

Item	Type of information	Course-of-sales information
1	Product identification	The symbol, assigned in accordance with Rule 9.2.3, that identifies each financial product to which the information referred to in items 2 to 9 of this table relates
2	Transaction time	The time at which each transaction was executed by, or a report was received by, the market operator
3	Price	The price of each financial product that is the subject of each transaction
4	Volume	The number of financial products that are the subject of each transaction
5	Value	The total dollar value of each transaction (volume multiplied by price)
6	Buy PID	The market participant identifier for the buyer in each transaction
7	Sell PID	The market participant identifier for the seller in each transaction
8	Condition code	If the transaction was a crossing, the code applicable to the type of crossing
9	Execution venue	The code identifying the market, crossing system or other facility on which the transaction was executed

RG 172.342 In relation to item 9 of Table 6, the code should be:

(a) the ISO 10383 market identifier code (ISO 10383 MIC) where one exists for the venue; or

(b) where the venue does not have an ISO 10383 MIC:

(i) if the venue is a crossing system, the crossing system ID available on our website; or

(ii) if the venue is not a crossing system, a code allocated to the venue by ASIC on request.

L Consolidation of pre-trade and post-trade information

Key points

Parties that wish to provide a trade information consolidation service can access pre-trade and post-trade information directly from market operators on reasonable commercial terms and on a non-discriminatory basis.

We expect data consolidators to adhere to minimum operating standards.

Scope and application

RG 172.343 This section applies to market operators that offer trading services in equity market products and CGS depository interests (collectively referred to as 'relevant products'). It also provides guidance on our expectations for data consolidators.

RG 172.344 There is a risk that fragmentation of trading data across markets may hinder price formation if a consolidated view of pricing is not easily available. This is because investors may not see all of the information that is relevant to make an informed investment decision, and price discrepancies between markets may last longer than they otherwise would. This may result in some investors trading at a less advantageous price because they do not have access to full price information. Fragmented information may also affect the ability of companies to keep track of trading activity in their stock.

RG 172.345 We consider that a consolidated source of trade information that is available for a reasonable price to all users is a fundamental element of a fair, orderly and transparent market. We have established a framework that facilitates multiple providers' consolidation services.

Obligations on market operators

RG 172.346 Parties that wish to provide a trade information consolidation service can access pre-trade and post-trade information directly from market operators. To promote market data that is accurate, accessible and easily consolidated, the Securities Markets Rules require:

(a) market operators to have adequate controls to prevent anomalous orders from entering their markets (Rule 8.1.3);

(b) market participants that transact off-order book under the permitted pre-trade transparency exceptions (see Section J) to report post-trade information to a market operator (Rule 6.3.1);

(c) market participants to take reasonable steps to ensure the post-trade information they report to a market operator is and remains complete, accurate and up to date (Rule 6.3.1(4));

(d) market participants to take reasonable steps to determine, before a transaction is executed, which party will report the transaction to a market operator (Rule 6.3.2(4));

(e) market operators to take reasonable steps to ensure the pre-trade and post-trade information is and remains complete, accurate and up to date (Rules 6.1.2(3), 6.1.4 and 6.1.4A); and

(f) market operators to make all pre-trade and post-trade information available on reasonable commercial terms and on a non-discriminatory basis to anyone who wants access to it (Rules 6.1.3 and 6.3.5).

RG 172.347 For more information about these obligations, see Sections J and K.

Minimum standards for data consolidators

RG 172.348 Given that the Securities Markets Rules support the provision of trade information to enable data consolidators to provide a consolidation service, we expect all data consolidators to adhere to minimum operating standards which govern the consolidator's function and operation in the market: see Table 7. These standards aim to ensure, among other things, completeness and quality of information, and robustness and reliance of service.

RG 172.349 We expect data consolidators to be transparent about their operations and to report on their performance. We will maintain an informal relationship with consolidators to promote quality data consolidation.

RG 172.350 We will keep our approach to regulating data consolidation and the content and status of these standards under review. We will continue to monitor industry developments to determine whether regulatory intervention is necessary, additional standards should be put in place or existing standards should be modified. We will consult on any proposed changes to our approach to regulating the consolidation of pre-trade and post-trade information or the content of these standards, as required.

Table 7: Minimum standards for data consolidators

Area	Minimum standard
Service offering	Data consolidators should, at a minimum, offer a whole-of-market consolidated view of the top five bids and offers and all post-trade information for relevant products. They should ensure that this data is made publicly available in a non-discriminatory manner and at a reasonable price

Area	Minimum standard
Data quality	Data consolidators should ensure that data is collected and processed in a timely, accurate and reliable way. They should, for example, validate data in real time
Fees and charges	Data consolidators should ensure that pre-trade information and post-trade information for each data product can be made available separately to those users who only wish to purchase specific components. Data should be made available at a reasonable cost to investors. They should also ensure that their fee schedules are transparent and easily available. Data should be available at no charge after a short delay
System and technology requirements	Data consolidators should ensure that they: (a) have appropriate systems and controls to perform their functions; (b) use common data formats, permitting commercially viable usage; (c) offer appropriate support to their users, including a testing environment; (d) have procedures to control aberrant data entry; and (e) adequately provide for operational disruptions by having business continuity plans and frequently reviewing those plans
Organisational requirements	Data consolidators should have sufficient resources (including financial and technical resources) for the proper performance of their functions. They should also have appropriate governance arrangements and systems and controls in place to manage any conflicts of interest
Security	Data consolidators should have appropriate measures in place to ensure the integrity and security of data

M Data feeds and regulatory data

Key points

Market operators must provide electronic data and information about market participants to ASIC for market surveillance purposes.

Market participants of ASX and Cboe must provide specified regulatory data on orders and trade reports to market operators. Market operators must record and provide ASIC with all the regulatory data they receive and treat the information as confidential.

Scope and application

RG 172.351 Under Chapter 7 of the Securities Markets Rules and Chapter 4 of the Futures Markets Rules, market operators must provide electronic data and information about market participants to ASIC for market surveillance purposes.

RG 172.352 Part 7.4 of the Securities Markets Rules requires ASX and Cboe to record and provide ASIC with regulatory data for CGS depository interests and financial products (other than option market contracts) able to be traded on the ASX and Cboe markets (collectively referred to as 'relevant products').

RG 172.353 Data provided by market operators to ASIC helps us to carry out our function of supervising and ensuring the integrity of Australia's licensed financial markets, including:

(a) detecting market abuse;

(b) monitoring market orderliness and integrity; and

(c) analysing market structure, trends and quality.

Data feeds to ASIC

RG 172.354 Market operators must deliver to ASIC the data items listed in Rule 7.1.1(2) of the Securities Markets Rules and Rule 4.1.1(1) of the Futures Markets Rules in a format, manner and to a location determined by ASIC. The data items relate to:

(a) orders, trades and quotes entered on, or reported to, the market operator's trading platform; and

(b) trading session, security price and status-related messages.

RG 172.355 We notify each market operator of the necessary details for their market, including those relating to data security.

RG 172.356 Market operators must keep the electronic data for a period of seven years.

Information about market participants

RG 172.357 Under Rule 7.2.1 of the Securities Markets Rules and Rule 4.2.1 of the Futures Markets Rules, a market operator must maintain information about each participant of its market, including:

(a) the market participant's name;

(b) the unique identifier that is used to identify the trading activities of the market participant on the market operator's trading platform; and

(c) the type of market participant (e.g. trading participant or principal trader).

RG 172.358 Securities market operators must also maintain information about the type of permissions of each market participant—in cash market or derivative market contracts.

RG 172.359 Market operators must advise ASIC in writing of any changes to the information within two business days, including information about the admission of new participants to the market: Rule 7.2.1 of the Securities Markets Rules and Rule 4.2.1 of the Futures Markets Rules.

Regulatory data

RG 172.360 Under Part 7.4, ASX and Cboe must provide specified regulatory data about orders for and transactions in CGS depository interests and financial products (other than options market contracts) able to be traded on the ASX or Cboe markets: Rules 7.4.2(1) and (2).

RG 172.361 Market operators must record the regulatory data they receive (Rule 7.4.3(1)) and provide this regulatory data to ASIC: see RG 172.363.

RG 172.362 Table 8 summarises the information market participants must provide to a market operator: Rule 7.4.4. For the purposes of Rule 7.4.4(3), market participants and market operators must provide the data in accordance with the format and content requirements set out in Table 8.

Table 8: Summary of data to be provided by market operators and market participants

Data	Description	Content/format	Required for order	Required for trade report
Execution venue	The venue (licensed market, crossing system or other facility), if any, on which the transaction occurred	One of the following: (a) the ISO 10383 MIC where one exists for the venue; or (b) where the venue does not have an ISO 10383 MIC: (i) if the venue is a crossing system for the purposes of Part 5A.2 of the Securities Markets Rules, the crossing system ID available on our website; or (ii) if the venue is not a crossing system for the purposes of Part 5A.2, a code allocated to the venue by ASIC on request	No	Yes
Capacity of market participant	Describes the capacity in which a market participant has submitted an order or entered into a transaction	Principal, agent or both	Yes	Yes
Origin of order information for agency orders and transactions	Information that helps identify the person who provided instructions to place an order or enter into a transaction	One of the following (generally, in order of preference) used consistently: (a) a client's ACN, ARBN or ARSN (or an equivalent form of identification in an overseas jurisdiction), or global LEI; (b) an internal client identifier; (c) user login identifier; (d) CHESS HIN; (e) internal account identifier; or (f) adviser reference If there is no single source, 'VWAP', 'TWAP' or another identifier, used consistently Note: ACN = Australian Company Number, ARBN = Australian Registered Business Number, ARSN = Australian Registered Scheme Number, LEI = Legal Entity Identifier, CHESS HIN = CHESS Holder Identification Number, VWAP = volume weighted average price, and TWAP = time weighted average price	Yes	Yes

Data	Description	Content/format	Required for order	Required for trade report
Intermediary identifier for agency orders and transactions	Information that enables identification of an AFS licensee intermediary (i.e. an AFS licensee with which the market participant has a specific type of market access arrangement) that provided instructions to place an order or enter into a transaction	AFS licence number	Yes	Yes
Directed wholesale indicator for agency orders and transactions	Information that indicates whether the order or transaction was submitted by a wholesale client with which the market participant has a specific type of market access arrangement with non-discretionary routing and execution instructions	'Yes' or 'No' flag. Default is 'No'	Yes	Yes

Providing regulatory data to ASIC

RG 172.363 Rule 7.4.4(3) of the Securities Markets Rules allows ASIC to determine in writing the format or content requirements for the regulatory data. For this purpose, and consistent with other data provided to ASIC for market surveillance purposes, we require that a market operator must provide ASIC with the regulatory data in the format specified in the Australian Market Regulation Feed (AMRF) FIX specification, as published on our website: Part 7.1 of the Securities Markets Rules.

Confidentiality

RG 172.364 With the exception of information about the execution venue, the regulatory data under Part 7.4 of the Securities Markets Rules is for ASIC's use rather than for public consumption, and must be treated confidentially.

RG 172.365 The data provided on orders and trade reports by market participants under Part 7.4 must be treated by market operators as confidential and must not be used or disclosed for any purpose other than:

(a) providing the data to ASIC;

(b) disclosing the data to a person acting as agent for the market operator (in which case the market operator must take reasonable steps to ensure the agent does not use or disclose the regulatory data other than in accordance with subparagraphs (a), (c) or (d) of this paragraph;

(c) making available the data to the market participant that provided the information or their agent; or

(d) using or disclosing the data for a purpose that is otherwise required or permitted by law (Rule 7.4.3(2))—for example, in a course-of-sales report as required in Rule 6.3.6A.

N Changes to procedures

Key points

Market operators must notify ASIC of material changes to their written procedures made under their operating rules within a reasonable time before adopting the change.

Scope and application

RG 172.366 Part 7.3 of the Securities Markets Rules and this section of this guide apply to all market operators.

Notifying ASIC of material changes to procedures

RG 172.367 A market operator must notify ASIC of material changes to written procedures made under its operating rules within a reasonable time before adopting the change: Rule 7.3.1(1). This complements processes in Pt 7.2 of the Corporations Act where proposed changes to a market operator's licence or its operating rules are subject to notification.

RG 172.368 Notifications enable ASIC to:

(a) consider the possible impact of the proposed changes on the fair, orderly and transparent operation of the market;

(b) be satisfied that any necessary cooperation arrangements are in place between market operators; and

(c) consider our ability to effectively undertake our market surveillance function.

RG 172.369 We consider that a material change includes a change that results in system or process changes for market participants that may have an impact on our surveillance processes, systems or operating hours. For example, we expect to be notified about material changes to the following:

(a) *Fees or incentives for market participants or other users of a service offered by a market operator*

We have concerns where market operator trading fees or other incentive-based models may influence behaviour in a way that is not in the best interests of clients, and the integrity and quality of the Australian market.

Market operator trading fees or other incentive-based models can introduce best execution conflicts for market participants' order routing

decisions. They have the potential to create inefficiencies in pricing of securities because prices do not factor into rebates and fees. They can also distort trading behaviour where trading decisions are influenced by fee incentives.

We believe that pricing models, where the market operator makes a net payment to one or more market participants, do not promote fair, orderly and transparent financial markets, or the integrity and quality of the wider Australian market. This includes both trade-by-trade and aggregate models. On this basis, we do not support such pricing models in the Australian market.

Notification of changes to pricing models enables ASIC to monitor fee structures, including any incentives such as rebates or fee waivers, and consider their impact on market integrity. We can work with market operators more effectively to manage any potential impacts arising from proposed fee and incentive schemes.

(b) *Operating hours and trading status (e.g. changes to continuous trading hours, pre-open state, post-trading period state, and auctions)*

Changes to the operating hours of a market are likely to affect our surveillance, the monitoring of company continuous disclosure obligations, and the opening and closing market prices.

(c) *Order types*

Such changes may affect our surveillance and a market participant's system and processes, and may have an impact on the level of pre-trade and post-trade transparency in the market, which may in turn affect the price formation process.

RG 172.370 In our view, what is a 'reasonable time' for making a notification to ASIC may vary based on the nature of the change. For example, changes that result in changes to our surveillance system may mean that we need notification in sufficient time to properly consider and make any necessary system changes. Other types of changes may require a much shorter time period. Where we expect we will need considerable time to assess the impact of proposed changes to procedures, we will inform the relevant market operator of the time we expect to take.

RG 172.371 We recognise there may be circumstances where market operators need to amend their procedures quickly—for example, to respond to a market event or natural disaster. In such circumstances, Rule 7.3.1(2) of the Securities Markets Rules requires that we are notified as soon as practicable after the change is made.

O Extreme price movements

Key points

Certain market operators must have in place execution risk controls that will, at a minimum:

- effectively minimise the incidence of a single order executing at an anomalous price;
- effectively minimise the incidence of a transaction executing in the extreme trade range; and
- provide a mechanism for detecting and addressing any such transactions which may occur, including the cancellation of certain transactions.

These execution risk controls apply throughout the continuous trading hours of the relevant market. This includes the night session for the ASX SPI 200 Future and other equity index futures. It does not include auction periods or any other periods where there is not continuous matching of orders (e.g. for equity market products or CGS depository interests, pre-trading hours, post-trading hours and out of hours trading periods).

Scope and application

RG 172.372 Chapter 8 of the Securities Markets Rules on extreme price movements in equity market products and CGS depository interests and this section of the guide apply to ASX and Cboe.

> Note: All market operators are required to have trading controls, including automated controls, that enable immediate suspension, limitation or prohibition of the entry by a participant of trading messages where required for the purposes of ensuring the market is fair, orderly and transparent: see Part 8A.2 of the Securities Markets Rules and Futures Markets Rules and RG 172.486–RG 172.487.

RG 172.373 Chapter 8 of the Futures Markets Rules requires ASX 24 and FEX to comply with obligations relating to extreme price movements in equity index futures and ASX SPI 200 futures.

RG 172.374 In this section of the guide:

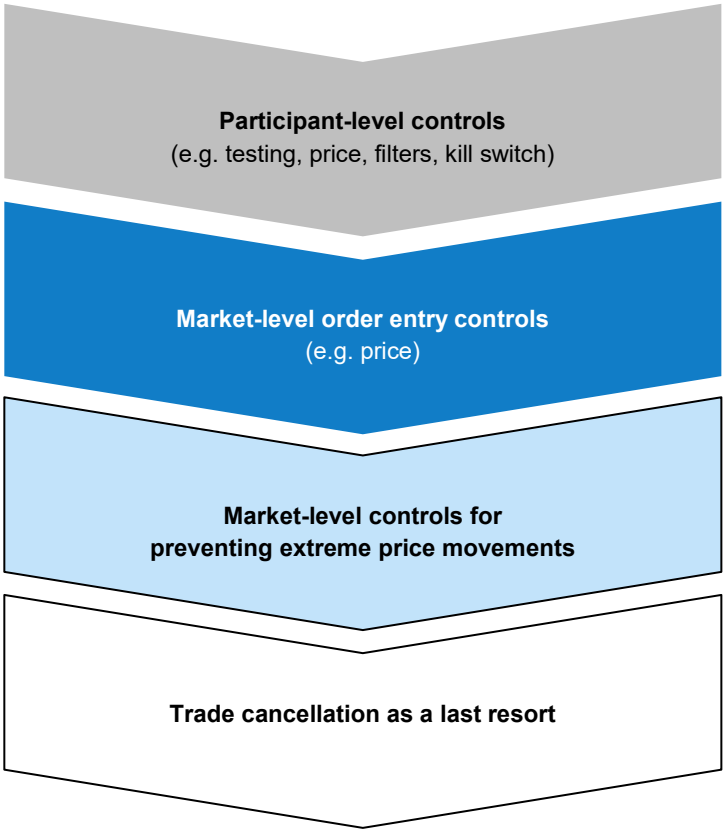
(a) equity market products, CGS depository interests, equity index futures and ASX 200 SPI futures are collectively referred to as ‘relevant products’; and

(b) equity market operator, CGS market operator and futures market operator are collectively referred to as ‘market operator’.

RG 172.375 Unexpected and extreme price movements may undermine confidence in the market and discourage investor participation. There are four levels of

controls to minimise the risk of such events occurring and to manage and mitigate the liquidity and volatility effects should an extreme price movement event occur—participant-level, market-level order entry, market-level controls for preventing extreme price movements and trade cancellations as a last resort: see Figure 1.

Figure 1: Controls for extreme price movements



RG 172.376 Market participants are required under the market integrity rules to have and maintain the necessary resources to ensure that orders they enter into, and trades reported to the market, do not interfere with the efficiency and integrity of the market or a crossing system they operate. They must also act in a manner which maintains a fair and orderly market.

Market level order entry controls: Anomalous order thresholds

RG 172.377 Anomalous orders interrupt the price formation process for the products involved. This disruption may then trigger a sequence of market-moving transactions, mispricing other products and affecting other markets. Market level order entry controls can filter out orders with anomalous prices, such as offers at prices well below the current market price.

RG 172.378 A market operator must have adequate controls to prevent anomalous orders from entering its market: Rule 8.1.3. It must set anomalous order thresholds and should prevent a buy order for which the price is above the maximum threshold or a sell order for which the price is below the minimum threshold for the relevant product from entering the market. In complying with this rule, market operators are required to have an anomalous order threshold for each relevant product quoted on their market: Rule 8.1.1(1).

> Note: ASX Limited has an individual waiver for the ASX market from Rule 8.1.3 of the Securities Markets Rules to the extent that rule requires ASX to have in place adequate controls to prevent an anomalous order that is a centre point market order, centre point block order or market to limit order from entering an order book on its market. Australian Securities Exchange Limited has an individual waiver from the same rule for the ASX 24 market in certain cases relating to 'price strategy orders' and resulting trade prices generated by the spread trade price algorithm. The waivers were granted to accommodate technical limitations and the complexity associated with spread trading. Individual waivers may be withdrawn if no longer relevant or appropriate.

Determining thresholds

RG 172.379 A market operator must have in place adequate arrangements for determining anomalous order thresholds: Rule 8.1.4(1)(a).

RG 172.380 We expect that the thresholds are likely to vary by the nature and liquidity of the relevant product. In determining an anomalous order threshold, Rule 8.1.1(5) requires a market operator to at least take into account the following factors:

(a) the price at which a single order deviates substantially from:

  (i) prevailing market conditions for the relevant product—for example, the current best available bid and offer prices for the relevant product and the available liquidity;

  (ii) historical trading patterns—in this case, the liquidity and volatility of a product may be relevant in assessing appropriate thresholds. For example, the most liquid products that are not considered volatile may have a lower threshold (e.g. 5% from the current best bid or offer), whereas less liquid products may have a higher threshold to reflect that their price is likely to be more volatile; and

(b) the tick size for the particular product or the relevant index multiplier for equity index futures, including ASX SPI 200 futures.

RG 172.381 In addition to these factors, when developing or reviewing their order entry controls, we encourage market operators to consider other relevant factors to minimise the possibility of anomalous orders entering the market (e.g. to prevent an order with such a large volume that it is likely to be incorrect—for instance, the volume is greater than the issued capital of an entity).

RG 172.382 We expect market operators to have arrangements for determining how orders identified by the anomalous order entry filters are managed. For example, market operators may simply wish to reject anomalous orders after they are identified, or they may wish to seek additional verification from the relevant market participant that the order is legitimate. These arrangements for managing identified anomalous orders should be made clear to market participants.

Notifying ASIC of thresholds

RG 172.383 A market operator must notify ASIC in writing of:

(a) its arrangements for determining anomalous order thresholds, before first adopting a threshold in accordance with those arrangements, and each time it revises those arrangements (Rule 8.1.4(2)); and

(b) the anomalous order thresholds, the first time it sets the thresholds for each relevant product quoted on its market before adopting them for the purposes of order entry controls (Rule 8.1.1(2)).

RG 172.384 The notifications to ASIC must be made at least 21 days before first adopting the thresholds and must be in writing in either printed or electronic form. Ideally, notification to ASIC of the arrangements under Rule 8.1.4(2) should be made before notification of the proposed anomalous order thresholds under Rule 8.1.1(2). The market operator must notify ASIC no less than two business days before adopting revised arrangements under Rule 8.1.4(2)(b). Where we consider that the thresholds notified to us or adopted by the market operator are not appropriate to promote market integrity or a fair, orderly and transparent market, we may notify the market operator to revise the thresholds: Rule 8.1.1(3).

RG 172.385 A market operator that has received a notice under Rule 8.1.1(3) must revise the thresholds as soon as practicable and notify ASIC in writing of the new thresholds: Rule 8.1.1(4).

RG 172.386 Rule 8.1.4(3) also enables ASIC on an ongoing basis to notify a market operator that its arrangements for determining anomalous order thresholds under Rule 8.1.4(1) are not appropriate to promote market integrity or a fair, orderly or transparent market, including after the thresholds are in place. In these circumstances, Rule 8.1.4(4) requires the market operator to revise the arrangements as soon as practicable and notify ASIC of the new arrangements not less than two business days before the revised arrangements are adopted. The notification should be in writing in either printed or electronic form.

Monitoring and reviewing thresholds

RG 172.387 A market operator must regularly review and amend the thresholds where necessary, and monitor and adjust them to ensure they are adequate to prevent anomalous orders from entering its market: Rules 8.1.4(1)(b) and (c).

RG 172.388 We do not intend to prescribe the frequency or nature of the review. However, we would expect market operators to at least review the thresholds to take into account the experience of a recent market event or when there has been a material change to a product that may affect the threshold—for example, a corporate action or other event that substantially changes the price (and possibly tick size) or the liquidity of the product. It may also be appropriate to undertake a review when the number of orders exceeding the threshold significantly alters.

RG 172.389 A review may include looking at the orders that the thresholds identify as being anomalous and assessing whether the orders were actually anomalous or a result of acceptable price volatility. If the threshold is exceeded consistently for a particular product, it may be an indication that the product is naturally volatile and a slightly higher threshold may be appropriate.

Making thresholds publicly available

RG 172.390 A market operator must make their anomalous order thresholds publicly available before they are adopted: Rule 8.1.2. This includes each time the thresholds change. We consider that typically the thresholds, or changes to the thresholds, should be made publicly available at least one week before they are adopted to enable sufficient time for market participants to absorb the thresholds, or the change. We recognise that market conditions may in some circumstances require an immediate change.

RG 172.391 The mechanism for making the thresholds public is at the discretion of the market operator. We consider that the market operator's website is an appropriate mechanism.

Market level controls: Preventing extreme price movements

RG 172.392 While a market operator's order entry controls will minimise the risk of an anomalous order entry, they may not fully remove the risk of an extreme price movement. It is therefore important that market operators have automated arrangements in place to effectively minimise the incidence of a transaction executing at an unexpected and extreme price.

RG 172.393 Under Rule 8.2.2A, a market operator must have in place adequate controls to prevent a transaction in a relevant product from executing on its market in the extreme trade range for the product. The extreme trade range is

determined by ASIC and reviewed from time to time as required. The extreme trade range for a relevant product is all prices more than an absolute value (in cents) or percentage away from the reference price for the product: see Table 9. These are prices at which we consider a transaction is likely to have an impact on market integrity.

Table 9: Extreme trade range for relevant products

Product type	Reference price range	Extreme trade range (variance from reference price)
Equity market products	0.1–9.9 cents	> 10 cents
	10–99.5 cents	> 30 cents
	100–199.5 cents	> 50 cents
	200–499 cents	> 50%
	500–699 cents	> 40%
	700–999 cents	> 35%
	1,000–1,999 cents	> 30%
	2,000–4,999 cents	> 25%
	≥ 5,000 cents	> 20%
ASX SPI 200 futures and an equity index futures	Not applicable	> 5%
CGS depository interests	Not applicable	> 20%

RG 172.394 The reference price for a product is determined in most circumstances by the responsible market operator for the product: see Table 10 and RG 172.400–RG 172.401.

> Note: Where a relevant product is able to be traded on more than one market, the responsible market operator is the market operator determined in writing by ASIC: Rule 1.4.5 of the Securities Markets Rules. For ASX SPI 200 futures, the responsible market operator is ASX 24.

RG 172.395 Where there are multiple markets offering trading services in the same product, we consider it important that market operators have consistent arrangements for coordinating the reporting of certain events that indicate an unexpected and extreme price movement has occurred, and subsequently pausing and resuming trading. Those events (referred to as 'extreme trade range events' (ETR events)) are where the following occurs during continuous trading:

(a) a buy order for which the price is within the upper extreme trade range; or

(b) a sell order for which the price is within the lower extreme trade range,

is received by the market operator and is not prevented from entering the market by the market operator's anomalous order entry controls.

> Note: An ETR event occurs in the circumstances described whether or not the order is executed.

Determining the reference price for the extreme trade range

RG 172.396 Under Rule 8.2.2(1), the responsible market operator must determine a new reference price for each product:

(a) after each 'trading reset' (i.e. after an intraday trading pause or suspension, or at the end of a trading day or session); and

(b) before trading next resumes (i.e. when the market reopens after an intraday trading pause or suspension, or at the start of the next trading day or session).

RG 172.397 Table 10 outlines the process for determining the reference price for equity market products and CGS depository interests under Rule 8.2.2. The process for determining the reference price for equity index futures, including ASX SPI 200 futures, is outlined in RG 172.400–RG 172.401.

RG 172.398 We expect that, in most cases, the reference price will be based on an auction (i.e. in the case of an equity market product, an auction on ASX TradeMatch; in the case of equity index futures, an auction on ASX 24; or in the case of a CGS depository interest, an auction on the responsible market operator's market). However, under Rule 8.2.2(1), the responsible market operator must determine the reference price by an alternative means in certain circumstances.

RG 172.399 Under Rules 8.2.2(2) and (3), all market operators, including the responsible market operator, must use the reference price for a product determined under Rule 8.2.2(1) to determine the extreme trade range for that product. However, under Rule 8.2.2(4), other market operators (and ASX, in relation to any of its order books other than ASX TradeMatch) must determine and use an alternative reference price on an interim basis in certain circumstances.

> Note: Part 8.2 of the Securities Markets Rules and Futures Markets Rules is a static volatility control in that all of the parameters and the reference price are set at a specified time. The Australian Securities Exchange Limited has an individual waiver for the ASX 24 market from Rule 8.2.2 of the Futures Markets Rules to the extent that the rule requires ASX 24 to determine the reference price at specified times and using the methodology set out in that rule. Instead, ASX 24 operates a dynamic volatility control and sets the reference price based on the same methodology it uses to determine the anomalous order threshold. ASX 24 must comply with Part 8.2 as if each reference to 'reference price' in connection with an ASX SPI 200 future or equity index future is a reference to the alternative reference price.

Table 10: Process for determining the reference price: Equity market products and CGS depository interests

Time	Source of reference price
Start of each trading day	**1** When the market operated by the responsible market operator opens for trading, the responsible market operator must determine the reference price for each equity market product or CGS depository interest, as: (a) the price established by the opening auction on the responsible market operator's market for these products for that trading day; (b) if there is no opening auction or no resultant auction price on the responsible market operator's market for these products, or the price established by the opening auction is invalid (i.e. resulted from an error, is materially and unexpectedly different from the last traded price, or is otherwise required to be amended or cancelled), the price of the first transaction in these products on the responsible market operator's market for that trading day; or (c) if the transaction referred to in paragraph (b) is invalid, a price determined by the responsible market operator, acting reasonably, to be valid **2** If an order book other than the central order book of the responsible market operator opens for trading in an equity market product or CGS depository interest before the reference price for these products is determined by the responsible market operator under Step 1, the market operator of that order book must determine an interim reference price for these products for that order book, as: (a) the price of the first transaction in these products on that order book for that trading day; or (b) if the transaction referred to in paragraph (a) is invalid, a price determined by that market operator, acting reasonably, to be valid **3** After the responsible market operator determines the reference price for an equity market product or CGS depository interest under Step 1, all market operators must use that reference price until there is a trading reset: see Step 4
Intraday	**4** If, during the trading day, there is a trading reset (such as a trading pause, e.g. after an ETR event, or a trading suspension) in an equity market product or CGS depository interest on the responsible market operator's market, the responsible market operator must determine a new reference price for these products, as: (a) the price established by the auction on the responsible market operator's market following the trading reset for these products; (b) if there is no auction or no resultant auction price on the responsible market operator's market following the trading reset for these products, or the price established by the auction is invalid, the price of the first transaction in these products on the responsible market operator's market following the trading reset; or (c) if the transaction referred to in paragraph (b) is invalid, a price determined by the responsible market operator, acting reasonably, to be valid **5** If an order book other than the central order book of the responsible market operator reopens for trading in an equity market product or CGS depository interest after an intraday trading reset and before the new reference price for these products is determined by the responsible market operator under Step 4, the market operator of that order book must determine a reference price for these products for that order book, as: (a) the price of the first transaction in these products on that order book following the trading reset; or (b) if the transaction referred to in paragraph (a) is invalid, a price determined by that market operator, acting reasonably, to be valid

Time	Source of reference price
Intraday (cont.)	**6** After the responsible market operator determines the reference price for an equity market product or CGS depository interest under Step 4, all market operators must use that reference price until there is another trading reset: see Step 4 or Step 7
End of trading day	**7** At the end of the trading day (and after any closing auction on the responsible market operator's market), there is a trading reset and the reference price for each equity market product or CGS depository interest ceases to apply until trading next resumes, usually on the following trading day: see Step 1

RG 172.400 Under the Futures Markets Rules, the process for determining the reference price for equity index futures is very similar to the process outlined in Table 10 for equity market products.

RG 172.401 However, under the waiver described in the note to RG 172.399, ASX 24 can determine the reference price in an alternative way, using the same methodology that it uses to determine its anomalous order threshold for equity index futures. ASX 24 uses a dynamic reference price based on the volume weighted average price for the contracts during the previous 30-second period. In practice, this makes the reference price for the anomalous threshold and the reference price for the extreme trade range the same, albeit the threshold for triggering the anomalous order threshold is substantially lower (0.5%) than the extreme trade range (5%). This means that ASX 24 relies predominantly on the anomalous order threshold mechanism to prevent extreme price movements.

Notifying other market operators of the reference price

RG 172.402 Under Rules 8.2.2(2) and 9.2.1, the responsible market operator must notify each other market operator of the reference price for each relevant product that is also quoted on the other market and notify ASIC of the reference price for all relevant products. This notification must be made:

(a) immediately after first determining the reference price for the trading day or session (usually after completion of the opening auction); and

(b) immediately after any change to the reference price for that trading day, in the event that there is a trading reset during the trading day.

RG 172.403 The responsible market operator must have in place adequate arrangements for notifying other market operators and ASIC of the reference prices: Rule 8.2.4(1).

Note: For more information about how this information should be provided between market operators under the Securities Markets Rules, see Rule 9.2.1 of those market integrity rules and Section P of this guide.

RG 172.404 We expect a responsible market operator to keep a record of its notification arrangements in writing.

Identifying an ETR event

RG 172.405 A market operator (including the responsible market operator) must identify when an ETR event has occurred on its market, and must have in place adequate arrangements for identifying when an ETR event occurs on its market: Rules 8.2.2B(1) and 8.2.4(2)(a). We expect that a market operator's arrangements for identifying ETR events will include automated mechanisms (e.g. systems alerts).

Notifying ETR events

RG 172.406 A market operator (other than the responsible market operator) that identifies an ETR event on its market must immediately notify the responsible market operator for the product (i.e. ASX for equity market products, the operator of ASX 24 for ASX equity index futures, and the responsible market operator for CGS depository interests): Rule 8.2.2B(2). Market operators (other than the responsible market operator) must have in place adequate arrangements for making these notifications: Rule 8.2.4(2)(ab).

RG 172.407 In addition, as soon as practicable after becoming aware of an ETR event that is a transaction executed in the extreme trade range (in the event of a failure in the market operator's controls under Rule 8.2.2A), the market operator(s) of the markets on which a transaction in the extreme trade range occurred must:

(a) notify ASIC and all other market operators of the prices and times at which the transaction was executed (Rule 8.2.3(a));

(b) notify each market participant whose transactions were executed within the extreme trade range (Rule 8.2.3(b)); and

(c) make publicly available the price, times and number of transactions that were executed in the extreme trade range each time they occurred (Rule 8.2.3(c)). We consider it appropriate for market operators to publish a range for the price, volume and time where more than one transaction occurred in the extreme trade range.

RG 172.408 Market operators must have in place adequate arrangements for making the notifications referred to in RG 172.406 and RG 172.407: Rules 8.2.4(2)(b) and (c). Adequate arrangements may include a real-time data feed, publication on a website or email.

Imposing a trading pause

RG 172.409 Where the responsible market operator identifies an ETR event in a relevant product on its own market (Rule 8.2.2C(1)(a)), or receives notification from

another market operator of an ETR event in a relevant product (Rule 8.2.2C(1)(b)), it must:

(a) immediately, and for a period of two minutes, impose a trading pause in that product, being a period during which the market operator must prevent orders for the relevant product from being matched or executed on its market, but during which bids and offers may be displayed, entered, amended and cancelled (Rule 8.2.2C(1)(c));

(b) immediately notify ASIC and the market operators of all other markets on which that product is quoted that a trading pause has been imposed on the product (Rule 8.2.2C(1)(d)); and

(c) immediately notify ASIC and the other market operators when the trading pause on the product is removed or lifted (Rule 8.2.2C(4)).

RG 172.410 Each market operator that receives a notification from a responsible market operator that a product has been placed in a trading pause must immediately place the product in a trading pause on its own market(s): Rule 8.2.2C(2). It must not remove or lift the trading pause until after it receives a notification from the responsible market operator that the trading pause has been removed or lifted: Rule 8.2.2C(3).

RG 172.411 We interpret 'immediately' to be as close to instantaneously as is technically and reasonably possible, consistent with our expectations for trading suspensions under Rule 9.1.1 of the Securities Markets Rules.

RG 172.412 The responsible market operator must have a transparent policy describing the circumstances in which a trading pause may result from an ETR event, the length of the trading pause, and how the responsible market operator will resume trading on its market after the pause (e.g. by way of an auction or straight into continuous trading): Rule 8.2.2C(6). We consider that typically the policy, and any changes to the policy, should be made publicly available at least one week before being adopted, to enable sufficient time for market participants and other market operators to absorb the policy or the changes.

Mechanism for making notifications

RG 172.413 Under Rule 9.2.1(1) of the Securities Markets Rules, the notifications of ETR events and trading pauses must be made through one or more electronic data feeds and in a machine-readable format (i.e. where no human intervention is required to receive or interpret the data). This will ensure speedy provision and processing of this information. This will in turn enable market operators to quickly respond to the substance of the information (e.g. to put the relevant product into a trading pause). We expect the same for notifications made in accordance with the Futures Markets Rules.

RG 172.414 Where a technical problem prevents a market operator from immediately making these notifications, the notification must be made available by another appropriate means and without delay: Rules 8.2.2B(3) and 8.2.2C(5). We expect market operators to have appropriate backup procedures and arrangements in place if a data feed fails. This could include communication via telephone. We expect these procedures to be agreed between market operators and with ASIC.

Transparent policies for trade cancellations

RG 172.415 Under Rule 8.3.1(1) of the Securities Markets and Futures Markets Rules, a market operator must have in place adequate policies and procedures for cancelling transactions in relevant products on its market. This includes transactions cancelled because they were executed in the extreme trade range (although we expect this will be very infrequent due to the market operator's controls for preventing extreme price movements), and cancellations resulting from some other reason.

RG 172.416 In addition to controls for preventing extreme price movements, under Part 8.3 market operators must:

(a) have in place adequate policies and procedures for cancelling transactions in relevant products;

(b) comply with these policies and procedures; and

(c) make these policies and procedures available to market participants before they take effect (including any changes to the policies and procedures).

RG 172.417 We consider that typically these policies and procedures, or any changes to those policies and procedures, should be made available at least one week before they are adopted. The mechanism for making the policies and procedures available is at the discretion of the market operator. We consider that the market operator's website is an appropriate mechanism.

RG 172.418 The market operator's policies and procedures for cancelling transactions in relevant products must address the matters outlined in Table 11.

Table 11: Policies and procedures for cancellations to be made available to market participants

Matter	Details
Cancellation of transactions in extreme trade range	All transactions which are executed in the extreme trade range will be cancelled
Cancellation of transactions other than in extreme trade range	The circumstances in which transactions other than in the extreme trade range (i.e. during normal trading): • will be cancelled; • may be cancelled subject to a discretion; or • will not be cancelled We expect that a market operator's policy will include some ability for market participants to cancel or amend a transaction where mutual agreement from both parties is obtained. We may review our expectations on such policies after future consultation
Timing	How the market operator will provide for the timely cancellation of transactions either in the extreme trade range or as permitted for some other reason
Communication about cancellations	How the market operator will communicate to affected market participants about the cancellation of their transactions

P Market operator cooperation and operational requirements

Key points

Market operators that offer trading services in the same financial products (i.e. ASX and Cboe) must cooperate to coordinate trading suspensions to ensure business continuity and market integrity.

When one market operator suspends trading in a relevant product for a market integrity related purpose, all other market operators must also suspend trading in that product.

Market operators must share information necessary to maintain fair, orderly and transparent markets.

Market operators must have procedures to allocate unique identifiers for market participants. Responsible market operators must allocate unique symbols for equity market products and CGS depository interests.

Market operators must synchronise their clocks to the time maintained by the National Measurement Institute (NMI). Arrangements should be in place to monitor, maintain and verify synchronisation.

Tick sizes for equity market products have been harmonised across ASX, Cboe and crossing systems.

Market operators are obliged to ensure that all persons involved in their business of operating the relevant market are of good fame and character and high business integrity: Rule 9.6.1(1) of the Securities Markets Rules, and Rule 4.4.1(1) of the Futures Markets Rules.

To satisfy itself that a person meets this requirement, a market operator may have regard to the considerations outlined in Rule 9.6.1(2)(b) of the Securities Markets Rules and Rule 4.4.1(2)(b) of the Futures Markets Rules. This list is neither prescriptive nor exhaustive. A market participant may exercise its own discretion when making this assessment.

A person will not meet this requirement if they are disqualified from managing a corporation or insolvent under administration: Rule 9.6.1(2)(a) of the Securities Markets Rules and Rule 4.4.1(2)(a) of the Futures Markets Rules.

Scope and application

RG 172.419 Parts 9.1, 9.2, 9.3 and 9.4 of the Securities Markets Rules and Section O of this guide apply to ASX and Cboe (referred to as market operators in this section) in relation to their trading services in equity market products and CGS depository interests (collectively referred to as ‘relevant products’).

RG 172.420 Part 9.5 of the Securities Markets Rules and Part 4.3 of the Futures Markets Rules require market operators to keep records that demonstrate compliance with their obligations under the market integrity rules and Pt 7.2 of the Corporations Act.

Trading suspensions and system outages

RG 172.421 In a multimarket environment, market operators need to cooperate and share information with each other to coordinate certain market-wide events. Cooperation will minimise arbitrage opportunities between markets, contribute to market integrity and assist market operators in their obligation to operate a fair, orderly and transparent market.

RG 172.422 Part 9.1 of the Securities Markets Rules requires market operators to coordinate their actions in relation to market integrity related trading suspensions. For the purposes of this section, trading suspension means a halt or suspension in trading in a relevant product where orders may not be matched or executed. This does not include where the trading halt or suspension is triggered by a technical problem.

RG 172.423 We expect that when one market operator suspends trading in a relevant product for a market integrity related purpose, all other market operators will also suspend trading in that product.

Market integrity related trading suspensions

RG 172.424 The most common market integrity reason for suspending trading in an equity market product is the release of price-sensitive information about a listed company (under the continuous disclosure obligations) or as a result of a suspicion that such information exists but has not been disclosed.

RG 172.425 Section 674 of the Corporations Act requires listed companies to disclose to the listing market any information that may have a material effect on the price or value of a listed security, in accordance with the listing rules of the listing market.

RG 172.426 Given that the Government is the issuer for CGS depository interests, in practice, we do not think it is likely that an announcement by the Government would significantly affect the trading price of CGS depository interests and require a trading suspension. However, a CGS market operator may be required to place a product into a trading suspension for a range of other market integrity related reasons, as discussed below.

RG 172.427 A market operator may also place a product into a trading suspension for a range of other market integrity related reasons that may affect the fair,

orderly and transparent operation of a market. Examples include responding to:

(a) an extreme price movement (e.g. from an anomalous order, aberrant algorithm or external event such as a natural disaster: see Section O);

(b) a suspected market manipulation; or

(c) any other event that may undermine the price formation process.

Timing of communication about trading suspensions

RG 172.428 A market operator must notify other market operators that offer trading in the relevant products immediately each time it places a particular relevant product into a trading suspension and when the trading suspension is lifted or removed: Rule 9.1.1(1). We interpret 'immediately' to be as close to instantaneously as is technically and reasonably possible.

RG 172.429 In addition, other market operators must place the relevant product into a trading suspension immediately on receipt of the information and may only lift or remove the trading suspension once notified to do so by the first market operator: Rule 9.1.2.

RG 172.430 Under Rule 9.2.1(1), this information must be made available through an electronic data feed: see RG 172.442. Market operators other than the responsible market operator may for a period of time rely on other means, such as an instant message, email or telephone call. This is because we do not expect market operators other than the listing market operator or the responsible market operator for CGS depository interests to trigger trading suspensions initially.

RG 172.431 Where a technical problem prevents a market operator from immediately making the notification required under Rule 9.1.1(1), the notification must be made available by another appropriate means and without delay: Rule 9.1.1(2). We expect market operators to have appropriate backup procedures and arrangements in place if a data feed fails. This could include communication via telephone. We expect these procedures to be agreed between market operators and with ASIC.

Resumption of trading

RG 172.432 Market operators have a range of options for resuming trading once a trading suspension is removed. For example, a market operator may resume continuous trading immediately. Alternatively, it may hold an auction, as ASX often does after a suspension stemming from a price-sensitive announcement.

Differences in trading hours

RG 172.433 Where the trading hours of market operators vary, there will need to be arrangements between market operators for managing trading suspensions during the hours when one or some markets are closed. These arrangements will need to operate in a way that operators meet their respective licence obligations (e.g. the obligation to operate a fair, orderly and transparent market). This is particularly important when the market, which is responsible for triggering trading suspensions relating to price-sensitive information, opens later or closes before other markets.

Market operator to notify of an incident or major event

RG 172.434 Under Rule 8A.5.1(6), a market operator must inform ASIC, other market operators, clearing facility operators and market participants immediately upon becoming aware of an incident or a major event. For the purposes of Rule 8A.5.1(6), an incident is an unexpected disruption to the usual operation of the operator's critical business services that may interfere with the fair, orderly or transparent operation of any market. A major event is an event that would or would be likely to cause significant disruption to the market operator's market operations or materially impact the operator's market services. See Part 8A.5.1 of the Securities Markets Rules and Futures Markets Rules and RG 172.578–RG 172.584 for further information about a market operator's obligations to notify of an incident or major event.

Information sharing between market operators

RG 172.435 We expect market operators to cooperate in the provision of information to one another, including testing the dissemination and receipt of the information.

RG 172.436 All market operators must access a data feed made available by other market operators relating to trading suspensions and the extreme trade range. This may be a feed provided under Part 9.2 of the Securities Markets Rules for regulatory purposes, or it may be part of a commercially provided feed.

Information to be made available between market operators

RG 172.437 Under Rules 9.2.1(1) and (3), each market operator must make available the following information (including access to the information) to other market operators:

(a) notifications of reference prices for determining the extreme trade range, identifying ETR events and imposing, lifting or removing trading pauses (as required by Rules 8.2.2(2), 8.2.2B and 8.2.2C);

(b) the pre-trade and post-trade information referred to in Rules 6.1.2(1) and 6.3.4(1) to assist with compliance with the Securities Markets Rules and Pt 7.2 of the Corporations Act. For example, the listing market operator may require this information to fulfil its obligations under Pt 7.2 of the Corporations Act to monitor continuous disclosure. Other market operators may require the information to inform their order entry controls required under Part 8.1 (see Section O);

(c) notifications about trading suspensions (as required by Rule 9.1.1) for the purpose of placing or removing a relevant product into or from a trading suspension; and

(d) information about the status of trading in each relevant product (to the extent not covered by RG 172.437(c)) to assist with compliance with the Securities Markets Rules and/or Pt 7.2 of the Corporations Act.

RG 172.438 Where the feed is provided 'at cost' for regulatory purposes under Rule 9.2.1(2), the market operator may limit the terms of access to the data to regulatory purposes only—that is, for a purpose directly related to compliance with the market operator's obligations under Pt 7.2 of the Corporations Act to maintain a fair, orderly and transparent market and the Securities Markets Rules.

RG 172.439 To facilitate efficiencies in this process, market operators should give other market operators notice that they require this information to be made available: Rule 9.2.1(5). We expect the notice to be provided within reasonable time before the information is required. What is considered 'reasonable time' may vary based on the circumstances. We will work with market operators to determine what 'reasonable time' is. We consider that this notification should be provided in writing—either in printed or electronic form.

RG 172.440 Under Rule 9.2.1(4), a market operator that receives a notice must make the information available within reasonable time. There needs to be a balance to ensure that the market operators that are required to make information available to other market operators have time to adapt their systems and processes to reflect the scope of products, while ensuring the information is made available in sufficient time to the requesting market operators to enable them to commence trading. What is considered 'reasonable time' may vary based on the circumstances. We will work with market operators to determine what 'reasonable time' is.

RG 172.441 Rules 9.2.1(6) and (7) require that where a market operator intends to allow an equity market product, that was first admitted by another operator, to be available for trading on its market, it must notify the operator that first admitted the product of the intention. The market operator that first admitted the product must make the information in Rules 8.2.2(2), 8.2.2B, 8.2.2C and 9.1.1 (i.e. relating to trading suspensions, and extreme trade range

reference prices, events and trading pauses) available in a reasonable time after receiving the notice. This ensures the market operator that first admitted the product is aware of the scope of equity market products on which it is required to make reference price and trading suspension information available and enables it to prepare its systems and processes accordingly, while balancing the needs of the requesting market operator to access the information in sufficient time. As noted above, what is considered 'reasonable time' may vary based on the circumstances. We will continue to work with market operators to determine what 'reasonable time' is in this context.

Mechanism for making the information available

RG 172.442 The information referred to in RG 172.437 must be made available through one or more electronic data feeds and in a machine-readable format (i.e. where no human intervention is required to receive or interpret the data): Rule 9.2.1(1). This type of data feed ensures speedy provision and processing of this information. This in turn enables market operators to quickly respond to the substance of the information (e.g. to put the relevant product into a trading suspension).

Information to be made available at no cost or minimal cost

RG 172.443 We consider it important to market integrity that the information referred to in RG 172.437 is shared between market operators for regulatory purposes. This is an important regulatory obligation for all market operators in a multimarket environment. On this basis, we consider it is appropriate that this information is made available at no cost or minimal cost. We recognise that there may be incremental market access costs in making the information available to other market operators in some circumstances. Under Rule 9.2.1(2), the information must be made available to other market operators at no cost or for an amount which is no greater than the direct, efficient, incremental costs of making the data feed(s) available for regulatory purposes—for example, to cover the direct market access costs of providing the information that would not otherwise have been incurred without this obligation.

RG 172.444 We do not consider costs incurred from the collection or aggregation of data that is already available for other purposes to be incremental, nor are royalties or licence fees for the data provided. Therefore, these costs should not be passed on where the information is for regulatory purposes.

RG 172.445 We consider that such costs should be capable of being independently verified. Where they are not able to be independently verified, the information is to be provided at no cost. We may ask for such verification to be provided.

Assignment of common identifiers and symbols

RG 172.446 To facilitate the consolidation of market data, ease of trading across markets and cross-market supervision, it is important that there are common identifiers in place for market participants and relevant products. This minimises duplication and costs associated with users having to carry and map differing codes. A shared language of identifiers is a vital element of a fair, orderly and transparent market.

Market participant identifiers

RG 172.447 Under Rule 9.2.2(1), a market operator must assign each of its market participants a unique identifier for the purposes of identifying the market participant in records of orders, transactions and other trading messages relating to relevant products.

RG 172.448 Where a market participant is a market participant on more than one market, each market operator must assign the same identifier to the market participant: Rule 9.2.2(2). For existing ASX market participants that become market participants of other markets, we expect all markets to use the existing identifiers developed and allocated by ASX. For entities that are not market participants of any market and are considering joining multiple markets, an identifier should be allocated by the market that the entity joins first. This identifier should be in a format that is acceptable to all market operators. Market operators will need to cooperate on procedures for onboarding new clients.

RG 172.449 We expect that when allocating an identifier to a market participant, the allocating market operator should use a format that supports market-wide usage. We expect the identifiers to be shared between market operators at no cost and without limitation on the use of the identifiers in either the operation of a licensed market or the provision of services by a market operator.

Symbols for relevant products

RG 172.450 Under Rule 9.2.3(1), the responsible market operator must assign each equity market product a unique symbol. All other market operators must use the same unique symbol: Rule 9.2.3(2). Market operators must use this symbol for identifying the product in records of orders, transactions and other trading messages on their markets. We do not expect temporary allocation of codes (e.g. trade-use only codes for deferred settlement) to apply to all markets.

RG 172.451 Rule 9.2.3(3) requires the responsible market operator for CGS depository interests to assign each CGS depository interest a unique symbol for the

purposes of identifying the product in records of orders, transactions and other trading messages on the CGS markets.

RG 172.452 We expect the responsible market operator to make the symbols available at no cost and without limitation on their use by:

(a) all market operators when used in either the operation of a licensed market or the provision of services by a market operator; and

(b) market participants and other users when used in their dealings in relevant products.

RG 172.453 This promotes market surveillance and consolidated market data efficiencies: see Section L.

Synchronised clocks

RG 172.454 Under Rule 9.3.1(1), a market operator must synchronise the clocks for recording the time and date in its trading, compliance monitoring and reporting systems to the Australian realisation of Coordinated Universal Time, denoted UTC(AUS), as maintained by the National Measurement Institute (NMI). The synchronisation must be in place for all aspects of the systems that record, or should record, time. This includes time stamping the receipt, creation and transmission of data items and for audit trails.

RG 172.455 In today's market, orders are being entered, modified, cancelled and executed at extraordinary speed. This applies pressure on the clocks of market operators and market participants to be more granular in their measurement of time.

RG 172.456 In a multimarket environment, investors, market participants and ASIC require access to consolidated trading information from the various markets. It is important that the consolidated view is (as far as possible) in the sequence in which orders are entered and transactions executed to ensure accurate data analysis. Market operators also need to coordinate their activities (e.g. trading suspensions) based on consistent and accurate time.

RG 172.457 Rule 9.3.2(1) requires a market operator to ensure that its clocks remain synchronised to the specified time standard and to ensure that its clocks are resynchronised before they fall outside a specified allowable tolerance. Under Rules 9.3.1(2) and 9.3.2(2), a market operator must also ensure that third-party providers of trading, compliance monitoring and reporting systems comply with the rules for synchronisation.

Note: Trading, compliance monitoring and reporting systems include the gateways housed within a data facility used by a market operator that are used to make this information available to others, including to ASIC's surveillance system.

Synchronisation source

RG 172.458 NMI maintains the primary standard of measurement for time in Australia. It maintains UTC(AUS) using atomic clocks, and disseminates this timescale through a range of methods. These currently include a Network Time Protocol (NTP) service, which provides:

(a) correction for network delays;

(b) server authentication;

(c) server health information;

(d) server accuracy information; and

(e) leap second notification.

RG 172.459 We consider that NMI provides the most reliable time standard in Australia. We also consider that other providers who use NMI as their time source may also provide a reliable time standard. In this case, any latency between the provider and NMI would contribute to the maximum allowable tolerance, and therefore require a tighter tolerance between the provider and the market operator.

Accuracy

RG 172.460 Accuracy refers to the maximum time offset between a market operator's clock and UTC(AUS) maintained at NMI (the time standard). Rule 9.3.1 requires that a market operator's clocks must be synchronised to within +/–20 milliseconds of the time standard. We refer to this accuracy as the 'allowable tolerance'.

RG 172.461 UTC(AUS) contains 'leap seconds' (a positive or negative one-second adjustment to the UTC time scale to compensate for variation in the rate of the earth's rotation). Since a 'leap second' may occur during a trading day, we expect market operators' trading timestamps to accurately incorporate 'leap second' processing.

Latency, monitoring and resynchronisation

RG 172.462 Latency is the amount of time taken to communicate information between two systems. Latency in a computer network depends on network configuration, available bandwidth, and transmitting and traffic levels.

RG 172.463 There will always be latency between market operators' systems and NMI's systems. However, we expect that market operators can quantify this latency to offset and correct for it.

RG 172.464 Under Rule 9.3.2, a market operator must regularly monitor the clock it uses for recording the time and data in its trading, compliance monitoring and

reporting systems to ensure it remains synchronised to within the allowable tolerance. To do this, we consider that market operators should have a regular checking and monitoring mechanism, which automatically adjusts the time if a variance with NMI's clock is detected, to always maintain accuracy within the allowable tolerance. When required, market operators must reset the clocks they use. We expect monitoring records to be kept and made available to ASIC on request to verify the state of synchronisation at any time in the past.

RG 172.465 NMI offers a range of timing services, including reference timing synchronised to UTC(AUS) and independent monitoring of the accuracy of synchronisation. These services are operated on a cost recovery basis. Further details can be obtained from the NMI website.

Future standards

RG 172.466 While we believe the precision and accuracy requirements in RG 172.454–RG 172.465 are appropriate for today's trading conditions, we recognise that the speed of trading is increasing, which will continually apply pressure on market operators' clocks to be more precise and accurate in their measurement of time. Accordingly, we intend to monitor and review these arrangements on an ongoing basis because tighter requirements around the precision and accuracy of synchronisation may be needed in the future. We may also consider extending these requirements to market participants at that time. We will consult on any proposed changes before implementation.

Tick sizes

RG 172.467 Tick sizes play an important role in transaction costs and in order transmitting decisions. In a competitive market environment, there are strong incentives for market operators to undercut the tick sizes on competing markets to offer execution priority. We have harmonised tick sizes across ASX and Cboe to ensure they are wide enough to encourage investors to post limit orders and narrow enough to minimise transaction costs:

(a) Narrow tick sizes enable price improvement on order books, reducing the need for orders to move off-order book for price improvement—but this may discourage investors from placing limit orders because their order is offered little protection from others stepping ahead of them.

(b) Wider tick sizes place greater importance on time priority, which means stepping ahead is more expensive—but this can lead to higher transaction costs and may encourage trading to move off-order book for price improvement.

RG 172.468 Under Rule 9.4.1(1), a market operator must not accept, display or queue orders in its order book in tick sizes less than those outlined in Table 12, based on the price of the equity market product.

Table 12: Tick sizes for equity market products

Price of equity market product	Tick size
Greater than or equal to $2	$0.01
Priced between $0.10 and $2	$0.005
Priced at less than $0.10	$0.001

RG 172.469 Under Rule 9.4.1(1)(d), a CGS market operator must not accept, display or queue orders in its order book in tick sizes less than $0.001.

RG 172.470 Rule 9.4.1(2) provides an exception to Rule 9.4.1:

(a) for orders that would, if executed, meet the pre-trade transparency exceptions for block trades and large portfolio trades; or

(b) for orders that are matched at the best midpoint and fall within the price improvement pre-trade transparency exception (see Section J).

RG 172.471 We expect a market operator's systems and processes to apply the tick sizes to all transactions, including those executed off-order book that are reported to the market operator, unless relying on one of the exceptions in RG 172.470.

RG 172.472 As a matter of good practice, market operators should disclose to their market participants (e.g. in their operating rules or procedures) that transactions executed away from an order book (with the exception of those outlined in RG 172.470) need to meet the prescribed tick sizes in order to be reported to a market operator. This is relevant for a market participant's compliance with Rule 5.1AA.1, which requires all transactions to be executed under the operating rules of a market operator. This requirement applies equally to manual transactions and automated matching systems.

Record keeping

RG 172.473 Under Part 9.5 of the Securities Markets Rules and Part 4.3 of the Futures Markets Rules market operators are required to keep records that enable them to demonstrate that they have complied with their obligations under the market integrity rules and Pt 7.2 of the Corporations Act. Market operators must keep these records for a period of at least seven years from the date the record is made or amended.

RG 172.474 We would expect these licensees to maintain at least the records outlined in RG 172.144–RG 172.148.

Good fame and character requirement

RG 172.475 A market operator must ensure that all persons involved in its business of operating the relevant market are of good fame and character and high business integrity: Rule 9.6.1(1) of the Securities Markets Rules, and Rule 4.4.1(1) of the Futures Markets Rules.

RG 172.476 Under Rule 9.6.1(2)(b) of the Securities Markets Rules and Rule 4.4.1(2)(b) of the Futures Markets Rules, when assessing whether a person is of good fame and character and high business integrity, a market operator should consider whether the person has been:

(a) convicted of any offence;

(b) disciplined by or adversely mentioned in a report of a government or governmental authority or agency;

(c) adversely mentioned in a report of a market operator, a clearing facility, a settlement facility or any other exchange; or

(d) disciplined by a market operator, a clearing facility, a settlement facility or any other exchange.

RG 172.477 Under Rule 9.6.1(2)(a) of the Securities Markets Rules and Rule 4.4.1(2)(a) of the Futures Markets Rules, a person will not be of good fame and character if they are:

(a) disqualified from managing a corporation under the Corporations Act (or under the law of another country); or

(b) an insolvent under administration (or its equivalent in another country).

RG 172.478 Aside from the express circumstance above, none of the limbs in Rule 9.6.1(2)(b) or Rule 4.4.1(2)(b) will serve to determine that a person is not of good fame and character. The good fame and character requirement does not prescribe the checks that a market operator must do in order to satisfy this requirement.

RG 172.479 A market operator may exercise its own discretion to satisfy itself that a person is of good fame and character and high business integrity. The market operator may consider:

(a) the facts and circumstances as a whole; and

(b) any procedural fairness and due process requirements relating to persons involved in its business of operating the relevant market.

Q Technological and operational resilience

Key points

Market operators must have adequate arrangements to ensure the resilience, reliability, integrity and security of their critical business services.

A market operator must have controls, including automated controls, that enable immediate suspension, limitation or prohibition of trading messages entered by a market participant where required.

If a market operator engages a service provider to provide, operate or support one or more of its critical business services, they must have additional safeguards to ensure the operational resilience of those services.

Market operators must have adequate arrangements to ensure the confidentiality, integrity and availability of information obtained, held or used by the operator. They must also have adequate arrangements to ensure availability of access to data obtained, held or used by the market operator, including arrangements designed to provide for the backup of data and the timely recovery of data in the event of any theft, corruption or loss of the data.

Market operators must have robust business continuity plans to effectively respond to events that could cause significant disruption to their market operations or materially impact their market services. These plans must be regularly reviewed, updated and tested.

It is essential for market operators to have appropriate governance arrangements and adequate financial, technological and human resources to comply with these obligations. This includes, but is not limited to, oversight by the board and senior management of the establishment, implementation, maintenance, review, testing and documentation of business continuity plans.

Scope and application

RG 172.480 Chapter 8A of the Securities Markets Rules applies to CGS market operators and equity market operators.

RG 172.481 Chapter 8A of the Futures Markets Rules applies to futures market operators.

RG 172.482 In this section of the guide, ‘CGS market operator’, ‘equity market operator’ and ‘futures market operator’ are collectively referred to as ‘market operator’.

RG 172.483 While the rules apply to market operators, the obligations set out sound practices that have more general applications. Other market operators that

are not subject to the Securities Markets Rules and Futures Markets Rules should consider applying the principles in the rules to their business.

RG 172.484 Market operators and AFS licensees should also consider Regulatory Guide 104 *AFS licensing: Meeting the general obligations* (RG 104), which provides further guidance on complying with their obligation to have adequate resources to provide financial services and carry out supervisory arrangements: see RG 104.89–RG 104.100.

RG 172.485 ASIC has provided relief from some of the outsourcing arrangement obligations, where supply of energy or communications services may have been identified as critical business services, in Chapters 8A and 8B of the Rules in *ASIC Market Integrity Rules (Securities Markets) Class Waiver 2025/512* and *ASIC Market Integrity Rules (Futures Markets) Class Waiver 2025/513*.

Trading controls

RG 172.486 A market operator must have controls, including automated controls, that enable immediate suspension, limitation or prohibition of trading messages entered by a market participant where required. This is for the purposes of ensuring the market is fair, orderly and transparent: Rule 8A.2.1 of the Securities Markets Rules and Futures Markets Rules. We expect that these controls should be implemented alongside the execution risk controls referred to in Section O of this guide.

RG 172.487 These controls should enable the market operator to respond to events of extreme volatility which may undermine the operation of fair, orderly and transparent markets and investor confidence. We expect controls, including automated controls, include but are not limited to:

(a) volatility control mechanisms that are triggered automatically with the intent of pausing or otherwise managing trading in a pre-defined manner;

(b) mechanisms to automatically reject or freeze certain orders without temporarily halting the market;

(c) circuit breaker mechanisms that are manually triggered to temporarily halt the market.

Note: Operators may wish to refer the IOSCO report *Mechanisms used by trading venues to manage extreme volatility and preserve orderly trading* (PDF 380 KB), final report, August 2018 for further information as it provides insight into what timely recovery of data entails.

Critical business services

RG 172.488 Part 8A.3 of the Securities Markets Rules and Futures Markets Rules imposes obligations on market operators that expands on the requirement to have sufficient financial, technological and human resources under s792A(1)(d) of the Corporations Act. These rules require market operators to implement an appropriate framework for ensuring the resilience, reliability, integrity and security of their critical business services.

Identifying critical business services

RG 172.489 Market operators must identify the critical business services relevant to their business: Rule 8A.3.1(2)(a) of the Securities Markets Rules and Futures Markets Rules. 'Critical business services' means functions, infrastructure, processes or systems that, in the event of failure to operate effectively, would or would be likely to:

(a) cause significant disruption to the market operator's operations, activities and conduct of their market or in connection with their market (market operations); or

(b) materially impact the market operator's services provided in connection with their market (market services).

RG 172.490 In defining critical business services, we have provided a non-exhaustive list of examples of what we consider likely to be critical business services for market operators: see the definition of critical business services and related note in Rule 8A.1.2 of the Securities Markets Rules and Futures Markets Rules. Critical business services generally include functions, infrastructure, processes and systems that deliver or support:

(a) order entry, routing and matching;

(b) trade reporting and execution;

(c) dissemination of market data;

(d) trading risk management;

(e) market surveillance;

(f) reporting of executed trades to a CS facility; and

(g) regulatory data reporting used for ASIC's real-time market surveillance.

RG 172.491 However, identification of critical business services may vary between market operators, with differences in the nature, scale and complexity of their operations and consideration of a broad range of factors such as:

(a) the criticality of a service to users or the market operator;

(b) the potential impact on the market operator, users of the service or on market integrity in the event of disruption or prolonged disruption;

(c) any dependencies that third-party businesses may have on a service; and

(d) operational risk appetite, internal frameworks, defined indicators and limits.

Note: When considering the criticality of services, market operators may wish to refer to IOSCO, *Mechanisms for trading venues to effectively manage electronic trading risks and plans for business continuity* (PDF 450 KB), final report, December 2015 and International Standard ISO 22301:2019 *Security and resilience—Business continuity management systems—Requirements*.

RG 172.492 Market operators should take care not to exclude a function, infrastructure, processes or systems from their identified critical business services solely because:

(a) it is not considered core to the business or to continuing operations, without giving due regard to other relevant considerations;

(b) contingency arrangements or workarounds are in place; or

(c) it is used by only a small number of clients.

RG 172.493 Market operators may use different terminology to describe or categorise services identified as critical business services. For example, a critical business service may be described using a label used in other regulatory regime or firm-wide framework. Market operators should be able to clearly demonstrate how such a framework satisfies their obligations under Chapter 8A of the Securities Markets and Futures Markets Rules. Importantly, these obligations extend beyond business continuity planning.

Adequate arrangements for critical business services

RG 172.494 Market operators must have adequate arrangements for their critical business services. Adequate arrangements should ensure the resilience, reliability, integrity and security of critical business services: Rule 8A.3.1(1) of the Securities Markets Rules and Futures Markets Rules. These arrangements would generally include, but are not limited to, policies, procedures and organisational resources (including financial, human and technological resources). The arrangements should be commensurate with the nature, scale and complexity of the market venue: see RG 172.58–RG 172.59.

RG 172.495 At a minimum, a market operator must have arrangements for:

(a) identifying critical business services;

(b) identifying, assessing, managing, mitigating and monitoring for any risks to the resilience, reliability, integrity and security of critical business services (RG 172.496–RG 172.499);

(c) ensuring critical business services have sufficient and scalable capacity for the market operator's ongoing and planned operations and services (RG 172.500);

(d) preventing unauthorised access to or use of critical business services (RG 172.543);

(e) managing the implementation of new critical business services and of changes to existing critical business services (RG 172.505–RG 172.514);

(f) dealing with a major event (RG 172.561–RG 172.591); and

(g) managing outsourcing arrangements in relation to critical business services (RG 172.515–RG 172.539).

Identifying, assessing, managing and monitoring risks to critical business services

RG 172.496 Market operators must have critical business services arrangements for, identifying, assessing, managing and monitoring for any risks to the resilience, reliability, integrity and security of their critical business services: Rule 8A.3.1(2)(b) of the Securities Markets Rules and Futures Markets Rules. In order to identify and appropriately manage any risks, a market operator should have a risk management framework that facilitates a consistent approach to the identification, assessment, management and monitoring of risks. This would generally include relevant policies, procedures and adequate organisational resources.

RG 172.497 In the risk management framework, market operators should set a suitable risk appetite with risk tolerance metrics for the risks to the reliability, integrity and security of critical business services. Market operators should monitor these risks in accordance with the risk appetite and risk tolerance metrics that have been set by the operator. Market operators should also have appropriate controls and escalation processes for managing risks that exceed the risk appetite and risk tolerance levels.

RG 172.498 A market operator's critical business services arrangements should identify key interdependencies that may exist between critical business services. They should also consider the risks associated with aged systems and assets.

RG 172.499 The board or senior management of a market operator should have appropriate oversight of the risk management framework and take an active role in reviewing and approving the framework.

Sufficient and scalable capacity

RG 172.500 Market operators should have arrangements for ensuring their critical business services have sufficient and scalable capacity for the market operator's ongoing and planned operations and services: Rule 8A.3.1(2)(c) of the Securities Markets Rules and Futures Markets Rules. Market operators should see RG 172.81–RG 172.92 for guidance on sufficient system capacity

management and stress testing and RG 172.93–RG 172.95 for guidance on sufficient human resources to conduct their business.

Review and change of critical business services arrangements

RG 172.501 Periodic review of a market operator's critical business services arrangements is fundamental to ensuring the continued resilience, reliability, integrity and security of its critical business services. It is also important to review that the arrangements remain within the risk appetite and risk tolerance levels of the market operator. The monitoring and review of arrangements should be proportional to the nature, scale and complexity of the business: see RG 172.90–RG 172.92.

RG 172.502 At a minimum, market operators must review their critical business services arrangements following each material change to their critical business services and at least once every 12 months: Rule 8A.3.1(3) of the Securities Markets Rules and Futures Markets Rules. The review may involve an end-to-end review of processes to evaluate any impact on the effectiveness of controls and the risk management framework, and to inform change management: see RG 172.8–RG 172.19.

> Note: Market operators also have obligations under their market licence to have appropriate processes and plans to manage material changes to the operation of the market and to ensure the continued fair, orderly and transparent operation of the market: see RG 172.129–RG 172.133.

RG 172.503 The board or senior management of the market operator should have oversight of the review.

Documentation of arrangements

RG 172.504 Market operators must document their critical business services arrangements, the scope and results of each review, and changes made to the arrangements.

Change management of critical business services

RG 172.505 Poor implementation of a new critical business service or a poorly managed material change to an existing critical business service may adversely affect clients, market participants, other market operators and the operators of licensed CS facilities. It can also affect the fair, orderly and transparent operation of the market.

RG 172.506 Market operators must have adequate arrangements to ensure they continue to comply with Rule 8A.3.2(1) following the implementation of a new, or change to an existing, critical business service: Rule 8A.3.2 of the Securities Markets

Rules and Futures Markets Rules. Adequate arrangements include, but are not limited to, testing of a new critical business service or material changes to an existing critical business service: Rule 8A.3.2(2)(a) of the Securities Markets Rules and Futures Markets Rules. The testing of new or material changes to existing critical business services should include testing of related changes to processes, technology, data and infrastructure, and consider the effect on stakeholders relying on the critical business service. Testing should occur before the live implementation of a new critical business service or material changes to an existing critical business service.

> Note: Market operators should also consider aligning their software testing policy to the standards in International Standard ISO 29119-1:2022 *Software and systems engineering—Software testing—Part 1: General concepts*.

RG 172.507 Where appropriate, adequate arrangements may also include implementation of a recovery point mechanism. Such a mechanism enables market operators to 'roll back' to a functional pre-change point, following the implementation of a new critical business service or material changes to an existing critical business service.

RG 172.508 Market operators should have appropriate testing arrangements to ensure that their critical business services are functional. For further guidance on testing methodologies and relevant testing that should be performed, see RG 172.77–RG 172.80.

RG 172.509 Market operators must have arrangements for communicating with persons who may be materially impacted by the implementation of a new critical business service, or a material change to an existing critical business service, to ensure they are adequately informed about the nature, timing and impact of the implementation a reasonable time before it occurs: Rule 8A.3.2(2)(b) of the Securities Markets Rules and Futures Markets Rules. What is a reasonable time will depend on the nature, complexity and impact of the change, including on clients and other third parties.

RG 172.510 Market operators' arrangements must also include arrangements for ensuring, to the extent reasonably practicable, that persons that may be materially impacted by the implementation or change are adequately prepared before it occurs: Rule 8A.3.2(2)(c) of the Securities Markets Rules and Futures Markets Rules. Market operators should factor in the impact of the change on market participants and other third parties, and allow sufficient time for any system or process changes that these persons need to make.

RG 172.511 Market operators should also provide advance written notification to ASIC of any material system changes. For more information on notifying ASIC of material system changes see RG 172.227–RG 172.229.

Material change

RG 172.512 When determining what constitutes a 'material change', market operators should consider the change in the context of the nature, scale and complexity of their business.

RG 172.513 Material changes to critical business services could include but are not limited to:

(a) implementing a new critical business service or ceasing an existing critical business service;

(b) outsourcing a new or existing critical business service;

(c) bringing in-house a previously outsourced critical business service;

(d) making changes to an existing critical business service that may materially affect the users of the market operator's services;

(e) implementing hardware upgrades and software updates that in the event of an unsuccessful go-live:

(i) would or would be likely to cause significant disruption to the market operator's operations or materially impact the operator's services; or

(ii) may materially impact persons such as other market operators, market participants and the operators of licenced CS facilities; and

(f) making changes that, in the event of an unsuccessful go-live, may require the activation of the market operator's business continuity plan.

RG 172.514 Adequate change management arrangements mitigate the risk of market disruptions and adverse impacts caused by failures of critical business services.

Outsourcing of critical business services

RG 172.515 Market operators may enter into an outsourcing arrangement with a service provider under which the service provider will provide, operate or support their critical business services. The range of outsourcing arrangements covered by Rule 8A.3.3 is intentionally broad. The service provider may be a related party within the corporate group or an unrelated third party. Outsourced critical business services may be provided domestically, from an offshore location or a combination of both.

RG 172.516 Critical business services that are commonly subject to an outsourcing arrangement include, but are not limited to:

(a) provision of data centre facilities;

(b) provision of network support for the trading system;

(c) data storage and data processing services, including cloud services;

(d) provision of business services such as accounting, security (including cyber security), legal and human resources management;

(e) provision of web development services, support and communications channels;

(f) production and distribution of hardcopy and digital output, including market data;

(g) technological support and maintenance arrangements; and

(h) provision of services to support regulatory data reporting.

RG 172.517 Market operators that outsource tasks related to their Australian market licence will remain responsible for complying with their licence obligations under s792A(1) of the Corporations Act. For further information regarding licence obligations when outsourcing tasks, see RG 172.134–RG 172.148.

> Note: For principles useful when considering outsourcing arrangements for critical business services as well as outsourcing tasks generally, market operators should also refer to IOSCO, *Principles on outsourcing* (PDF 639 KB), final report, October 2021.

RG 172.518 ASIC has provided relief from some of the outsourcing arrangement obligations, where supply of energy or communications services may have been identified as critical business services (*ASIC Market Integrity Rules (Securities Markets) Class Waiver 2025/512* and *ASIC Market Integrity Rules (Futures Markets) Class Waiver 2025/513*). Technology systems and associated technology infrastructure (e.g. physical and virtual data centres) provided by specialist third parties are not covered by the waivers. Reliance on the waivers should be documented for relevant areas of the obligations. It is good practice to continue to meet the requirements to the extent possible.

Due diligence inquiries

RG 172.519 Market operators should exercise due care, skill and diligence in the selection of service providers. This should include consideration of the service provider's technical, financial and human resources and capability (including relating to information security, business resilience, continuity and disaster recovery), dependencies, conflicts and risks.

RG 172.520 Before entering into an outsourcing arrangement, market operators must conduct due diligence inquiries to ensure the service provider has the ability and capacity to provide the services effectively: Rule 8A.3.3(1)(a) of the Securities Markets Rules and Futures Markets Rules. When renewing or materially modifying an existing outsourcing arrangement, market operators should make inquiries to ensure the service provider continues to have the ability and capacity to provide the services effectively, reliably, continuously and to a high standard.

RG 172.521 In outsourcing arrangements with other service providers (including with a related body corporate that is not a wholly-owned group entity) there may be

a need for more focus on the contractual arrangements between the market operator and the service provider and validating, through appropriate reference checks, the competence and reliability of the service provider.

RG 172.522 When outsourcing arrangements are undertaken on a cross-border basis, market operators should consider due diligence to address additional risks—for example, to maintain confidentiality of client information and whether any laws in the service provider's jurisdiction would obstruct or frustrate the ability of the market operator or ASIC to obtain prompt access to books and records.

RG 172.523 The due diligence inquiries to be made under Rule 8A.3.3(1)(a) may be different depending on whether the outsourced arrangement is with a wholly-owned group entity or a third-party service provider. And where the outsourced arrangement is with a wholly-owned group entity based outside Australia there may be a need for more focus on the additional risk that the market operator may not be able to exercise the same level of oversight—for example, due to time zone differences, language barriers, the overseas-based wholly-owned group entity's familiarity with Australian legislative requirements.

Legally binding agreement

RG 172.524 Market operators must ensure that the outsourcing arrangement is contained in a legally binding agreement between the market operator and the service provider: Rule 8A.3.3(1)(b) of the Securities Markets Rules and Futures Markets Rules. The agreement must provide, among other things, for the orderly transfer of services to the market operator or another service provider in the event of termination of the arrangement: Rule 8A.3.3(1)(b)(iv) of the Securities Markets Rules and Futures Markets Rules. The agreement should clearly define the ownership of intellectual property and provide specifications relating to the transfer of information to the market operator or the new service provider, as instructed by the market operator following the termination of the outsourcing arrangement. The agreement should also include an obligation for the service provider to assist and provide full support for the successful and complete transition following the termination of the outsourcing arrangement.

RG 172.525 Additional safeguards can be implemented in the contractual arrangements between market operators and service providers. For example, market operators may also like to consider including provisions that:

(a) terminate the contract if the service provider subcontracts services material to the outsourcing arrangement;

(b) allow the market operator to grant approval before the service provider subcontracts services material to the outsourcing arrangement;

(c) require the service provider to provide periodic assurance about the adequacy of their physical and cyber security controls and resilience capability;

(d) require the service provider to give a copy of its business continuity program to the market operator; and

(e) permit the market operator to make periodic onsite visits to the service provider's premises to assess whether it is meeting its obligations.

Monitor the performance of the service provider

RG 172.526 Market operators must monitor the performance of the service provider to ensure it is providing, and continues to provide, the services effectively and has the ability and capacity to continue to provide those services effectively: Rule 8A.3.3(1)(c) of the Securities Markets Rules and Futures Markets Rules. Market operators should have written supervisory procedures that set out how they will monitor and oversee the outsourced tasks provided by service providers.

RG 172.527 The written supervisory procedures may be part of an overall framework for managing outsourcing arrangements. However, the framework should document, for each service provider, the required service level and have clearly defined metrics to measure the service level provided, including on emergency procedures, disaster recovery and contingency plans. This will also support the market operator's assessment of, and reporting to management on the quality of, tasks performed by the service provider.

RG 172.528 Market operators should have measures for the service provider to identify, record and remediate instances of failure to meet contractual obligations or unsatisfactory performance and to report such instances to the market operator in a timely manner.

RG 172.529 Market operators may also consider the use of internal and/or external auditors to monitor, assess and report on performance and controls over confidential information or client data.

RG 172.530 Market operators should deal appropriately with any actions by service providers that breach outsourcing arrangements or compromise the market operator's ability to comply with the market integrity rules and the law.

Conflicts of interest

RG 172.531 Market operators must also have in place adequate arrangements to identify and manage any conflicts of interest which have been identified or could arise between the market operator and the service provider. This includes any conflicts involving subcontractors and related entities of the market operator, service provider and any subcontractor: Rule 8A.3.3(1)(d) of the Securities Markets Rules and Futures Markets Rules. The legally binding agreement between the service provider and the market operator must

require a service provider to notify a market operator before it subcontracts services to another provider: Rule 8A.3.3(1)(b)(ii) of the Securities Markets Rules and Futures Markets Rules. Therefore, market operators should be able to identify and manage any potential conflicts of interest relating to subcontractors as they would ordinarily identify and manage potential conflicts relating to the service provider.

Access to books, records and other information

RG 172.532 Market operators must ensure that they and their auditors are able to promptly, on request, access books, records and other information of the service provider relating to the critical business services: Rule 8A.3.3(1)(f) of the Securities Markets Rules and Futures Markets Rules. They must also ensure that ASIC has the same access that it would have if not for the outsourcing arrangement: Rule 8A.3.3(1)(g) of the Securities Markets Rules and Futures Markets Rules. This may be achieved through specific terms in the legally binding outsourcing agreement with the service provider. The terms could prevent the service provider from deleting the records or otherwise making them unavailable, including in the event of non-payment of fees and charges by the market operator.

RG 172.533 Market operators should test that their books, records and other information are readily accessible as expected. For example, market operators may do so by requesting, from time to time, access to certain books, records and other information of the service provider.

RG 172.534 Where the outsourced tasks do not relate to critical business services, we encourage market operators to consider the appropriateness of applying the principles in Rule 8A.3.3 of the Securities Markets Rules and Futures Markets Rules as a matter of good practice. Also see the guidance for licensees that outsource functions that relate to their market licence (which is not limited to critical business services): see RG 172.134–RG 172.148.

Attestation requirement

RG 172.535 Market operators must ensure, for each outsourcing arrangement entered into after 10 March 2023 (including when an existing outsourcing arrangement is renewed or materially changed after 10 March 2023), that the board or a director or senior manager have confirmed that they complied with the market operator's obligations in Rule 8A.3.3(1) and have made a written attestation to that effect: Rule 8A.3.3(1)(h) of the Securities Markets Rules and Futures Markets Rules.

RG 172.536 A market operator may use an internal governing body able to make decisions, approve or oversee a market operator's outsourcing arrangements to confirm whether a market operator has complied with the market operator's obligations under Rule 8A.3.3(1) of the Securities Markets Rules

and Futures Markets Rules. Examples of such a body are a steering or oversight committee for outsourcing, a risk management committee or an audit committee (at board or management level). In these examples, the written attestation may be made by a member of one of the above committees or by a director of the market operator's board or a senior manager with relevant expertise and oversight.

RG 172.537 The written attestation should be made each time a market operator enters into a new outsourcing arrangement with a service provider. This includes when a market operator renews or materially modifies an existing outsourcing arrangement with a service provider.

Notification to ASIC of an outsourcing arrangement

RG 172.538 A market operator must give written notice to ASIC as soon as practicable after the operator enters into an outsourcing arrangement, and in any event no later than 20 business days after entering into the outsourcing arrangement: Rule 8A.3.3(4) of the Securities Markets Rules and Futures Markets Rules. This notification requirement applies to any outsourcing arrangement entered into after 10 March 2023 (including when an existing outsourcing arrangement is renewed or materially changed after 10 March 2023).

Outsourcing involving cloud computing services

RG 172.539 We consider that using a cloud service provider is a form of outsourcing that involves specific risks and issues. Market operators should consider these risks and issues and apply appropriate safeguards to manage them. These risks and issues include but are not limited to:

(a) the shared responsibility model, which may require the allocation of roles and accountabilities between the market operator and the cloud service provider;

(b) different types of cloud services, including exposure to environments that are available to a range of entities (e.g. the 'public cloud' versus the 'private cloud');

(c) the information security arrangements that are applied to information stored in the cloud;

(d) the jurisdictions in which the cloud service provider's data centres are located;

(e) the jurisdictions from which the cloud service provider's services are supported (e.g. there may be a 'follow-the-sun' service model) by technical staff;

(f) the legal jurisdiction that applies to the contractual arrangements with the cloud service provider;

(g) market operators', auditors' and regulators' access to data stored in the cloud, including any privacy limitations on accessing and using information about individual persons;

(h) circumstances where the service provider is unable to provide an orderly transfer of services following unexpected termination of the outsourcing arrangement; and

(i) the lack of visibility of the controls implemented by the cloud service provider.

Information security

RG 172.540 Market operators may hold or receive a range of information including information received from their participants and external parties. This may include sensitive, confidential and personal information. Market operators must protect their information assets from unauthorised access, theft, loss or corruption. This helps to address concerns relating to cyber-attacks and privacy requirements.

RG 172.541 Rules 8A.4.1(1) and (2) of the Securities Markets Rules and Futures Markets Rules require market operators to have adequate arrangements to ensure the confidentiality, integrity and availability of information obtained, held or used by the market operator in relation to its operations and services. This includes:

(a) arrangements to identify and document information assets that are integral to the provision of the market operator's operations and services;

(b) controls (including automated controls) designed to prevent unauthorised access to information assets;

(c) controls for identifying, assessing, managing and monitoring for unauthorised access to information assets; and

(d) arrangements designed to protect information assets from theft, loss or corruption.

RG 172.542 Information assets include information and information technology, including software, hardware and data (both soft and hard copy).

RG 172.543 Market operators must also have arrangements for preventing unauthorised access to or use of their critical business services: Rule 8A.3.1(2)(d) of the Securities Markets Rules and Futures Markets Rules. These arrangements may include appropriate security policy frameworks that safeguard critical business services against unauthorised use, modification, damage or loss.

RG 172.544 Market operators should have in place adequate arrangements to mitigate the increased risk of cyber-attacks and privacy requirements. For further

information regarding adequate systems security, see RG 172.88–RG 172.89.

Roles and responsibilities

RG 172.545 A market operator should maintain an information security policy framework commensurate with its exposures to vulnerabilities and threats. A market operator should classify its information assets, including those managed by related parties and third parties, by criticality and sensitivity.

RG 172.546 A market operator's information security arrangements should set out the responsibilities of all parties who have an obligation to maintain information security.

RG 172.547 A market operator should clearly define the information security roles and responsibilities of:

(a) the board;

(b) senior management;

(c) governing bodies; and

(d) individuals with responsibility for decision-making, approval, oversight, operations and other information security functions.

RG 172.548 A market operator should maintain an information security capability commensurate with the size and extent of threats to its information assets, and that enables the continued sound operation of the entity. To determine the size and extent of threats, a market operator should consider the degree to which an information security incident affecting an information asset has the potential to impact market services and market operations.

RG 172.549 Those responsible for information security should ensure that the market operator maintains the information security capability in this manner.

RG 172.550 A market operator should actively maintain its information security capability in response to changes in vulnerabilities and threats, including those resulting from changes to information assets or its business environment.

Controls in relation to information assets

RG 172.551 A market operator should have information security controls to protect its information assets, including those managed by related parties and third parties. The controls should be designed to prevent unauthorised access to information assets and to protect information assets from theft, loss or corruption. These controls should be commensurate with:

(a) vulnerabilities and threats to the information assets;

(b) the criticality and sensitivity of the information assets;

(c) the stage at which the information assets are within their life cycle; and

(d) the potential consequences of an information security incident.

RG 172.552 Market operators should consider implementing access controls to their information assets. Controls include, but are not limited to:

(a) authorisation for remote access being determined on a user-by-user basis and business requirements;

(b) validation and review of access rights on a regular basis;

(c) traceable audit trails and logs for access to critical systems;

(d) multi-factor authentication for remote access; and

(e) ringfenced security, isolated networks or 'air gaps' for those critical systems that should not be accessed remotely.

RG 172.553 Market operators that have adopted or expanded remote working arrangements should ensure supervision and controls remain effective for staff who are working remotely. They should also enhance supervision and controls where necessary to mitigate additional risks.

RG 172.554 A market operator should test the effectiveness of its information security controls through a systematic testing program.

Availability of access to data

RG 172.555 Market operators must have adequate arrangements to ensure the availability of access to data obtained, held or used by the operator in its market operations and market services: Rule 8A.4.1(3) of the Securities Markets Rules and Futures Markets Rules.

RG 172.556 Market operators should have adequate arrangements and controls to ensure availability of access to data in the event of either physical or electronic information security incidents. Adequate arrangements include, but are not limited to:

(a) access controls through encryption, firewalls, password and/or electronic keys, and network segregation;

(b) monitoring access to data through authentication mechanisms and generation of audit trails to detect unauthorised access;

(c) intrusion prevention and detection systems that allow the market operator to detect, analyse and alter possible cyber-security threats; and

(d) appropriate training programs educating staff on cyber-security threats.

RG 172.557 Market operators must comply with their obligation to have adequate resources (including financial, technological and human resources) to provide the market covered by their licence: s792A(1)(d) of the Corporations Act. This includes having adequate technological resources to enable the

market operator to maintain client records, maintain data integrity, and to protect confidential and other information.

Note: Market operators should also refer to Prudential Standard CPS 234 *Information security* which includes requirements and guidance on information security.

Backup and recovery of data

RG 172.558 Market operators must have adequate arrangements to provide for the backup and timely recovery of data obtained, held or used by the market operator in the event of any theft, loss or corruption of the data: Rule 8A.4.1(4) of the Securities Markets Rules and Futures Markets Rules. Adequate arrangements may include, but are not limited to:

(a) data backups that mirror data stored in the primary data centre;

(b) geographically separate secondary data centres and/or offsite storage;

(c) assessment of the geographical area risks of the secondary data centre;

(d) penetration testing of the backup site to prevent backups from compromise; and

(e) technical recovery tests to ensure data backups can be recovered.

Note: Market operators may wish to refer to Section 2(d) of IOSCO, *Mechanisms for trading venues to effectively manage electronic trading risks and plans for business continuity* (PDF 450 KB), final report, December 2015 for further insight into what timely recovery of data entails and CPS 234.

Notification to ASIC of unauthorised access or use

RG 172.559 Market operators are required to provide written notification to ASIC of unauthorised access or use of their critical systems. The notification should be in writing in either printed or electronic form. The notification should be provided as soon as practicable and, in any case, no later than 72 hours after the market operator becomes aware of the unauthorised access or use.

RG 172.560 Market operators should have procedures in place to provide these notifications to ASIC.

Business continuity plans

RG 172.561 A market operator must establish, implement and maintain business continuity plans for effectively responding to a major event. A major event is an event that would or would be likely to cause significant disruption to the market operator's operations or materially impact their services: Rule 8A.5.1(1) of the Securities Markets Rules and Futures Markets Rules. The plans must enable the continuity of the market operator's usual operations and services, including of critical business services, during a

major event. Where continuity is not possible, the plans must enable the timely and orderly restoration of those usual operations following the event.

RG 172.562 The plan implemented by the market operator should include clearly defined roles and responsibilities to ensure that the appropriate resources and correct processes are deployed in response to a major event.

RG 172.563 For critical business services subject to outsourcing arrangements, a market operator should perform a risk assessment and due diligence before entering into the arrangements. The market operator may rely on the service provider's business continuity plan (including any back-ups or redundancy arrangements) if the market operator has verified the provider has at least an equivalent level of operational resilience to safeguard critical operations in the event of a disruption. Market operators should develop business continuity and contingency planning procedures to maintain their operational resilience in the event of a disruption at a third-party impacting the provision of critical operations.

Identifying possible major events

RG 172.564 Under 8A.5.1(4) of the Securities Markets Rules and Futures Markets Rules, business continuity plans must identify and address, among other things:

(a) the types of major events that may impact a market operator's operations and services; and

(b) their potential impact on the market operator's critical business services, operations and services, including classifying the potential severity of the impacts and the escalation procedures that are appropriate to the classification.

RG 172.565 It must also be clear what actions, arrangements and resources are required, and specific objectives for the time taken, to provide continuity of operations or to quickly restore services. For example, this may involve teams triaging events according to pre-defined metrics and escalating the event to the appropriate crisis management team.

RG 172.566 Major events might include a significant internal system failure, a pandemic, a natural disaster, an outage of a critical infrastructure provider (such as another market operator or operator of a CS facility), the failure or corruption of a critical third-party service (such as a market data provider) or a significant cyber security threat.

RG 172.567 A pandemic can have global impact for significant periods of time. While a pandemic may not cause physical damage to property and assets like a natural disaster, it can threaten the health of key personnel and demand a special level of consideration.

Note: For further guidance on the operational resilience of trading venues and market intermediaries during the COVID-19 pandemic, market operators may wish to refer to

IOSCO, *Operational resilience of trading venues and market intermediaries during the COVID-19 pandemic & lessons for future disruptions* (PDF 654 KB), final report, July 2022.

RG 172.568 Undertaking a business impact analysis will assist market operators to identify the potential likelihood of a major event occurring and the impact a major event may have on the market operator.

RG 172.569 Market operators may apply thresholds to levels of disruption and impact as part of their business impact analysis and in identifying possible major events. Market operators should also consider potential impacts on clients, participants and market integrity. Plans for timely and orderly restoration of usual operations following a major event should be reflected in the critical business services arrangements.

RG 172.570 Mapping assets and dependencies (including third parties and financial market infrastructures) will also assist market operators to identify potential impacts when a dependency is unavailable, so as to develop appropriate workaround actions.

Appropriate to the nature, scale and complexity of their business

RG 172.571 Market operators must implement business continuity plans that are appropriate to the nature, scale and complexity of their business. Market operators operating on a regional or global scale should ensure business continuity plans address major events at the appropriate level:

(a) *Local response to a major event*—when the event has a local impact only (e.g. a localised event that affects only part of a building or a single building), such as a fire at the primary site;

(b) *Wide area response to a major event*—when the event affects both the primary site and alternative site within a region, such as an earthquake or wide area flooding;

(c) *Regional response to a major event*—when the event affects two or more countries within a region, such as a pandemic, nuclear accident or the onset of war.

RG 172.572 Market operators should consider their business risk appetite when deciding what, if any, redundancy arrangements are needed for critical business services.

RG 172.573 Market operators may consider establishing alternative sites for critical business services that have the same basic capabilities of primary sites, including for required infrastructure, hardware and software (e.g. data centres). Any alternative site should be a safe distance from any primary site to mitigate any reasonably foreseeable event likely to impact the availability of all sites simultaneously.

RG 172.574 In some cases, employees working remotely may be a resilient and workable alternative option. However, if this is not a solution for all employees and functions, business continuity plans should provide for an alternative location. Market operators should also consider the risks associated with remote working arrangements and implement appropriate controls to address these risks.

Communication during a major event

RG 172.575 A disruption or outage to a market operator's critical business services can impact:

(a) market participants;

(b) other market operators; or

(c) those dependent on the market operator for their critical business services, who require access to these services to carry out their activities.

RG 172.576 Market operators' business continuity plans must include procedures for communicating during a major event with persons that may be impacted to ensure they are adequately informed: Rule 8A.5.1(4)(h) of the Securities Markets Rules and Futures Markets Rules. The communication must include the nature of the event, the steps that are or will be taken (and their likely timing) to manage the event and the likely timing of the resumption of usual operations. The form of communication should be consistent with how the recipients would reasonably expect the market operator to communicate with them during such events.

RG 172.577 A market operator's communication procedures should address required communications with financial authorities in other jurisdictions in the event of major operational disruptions with cross-border implications.

Notification of an incident or major event

RG 172.578 Under Rule 8A.5.1(6) of the Securities Markets Rules and Futures Markets Rules, market operators must notify ASIC immediately on becoming aware of:

(a) an unexpected disruption to the usual operation of the operator's critical business services that may interfere with the fair, orderly or transparent operation of any market (incident); or

(b) a major event.

'Immediately' means promptly and without delay. We would consider a market operator is acting promptly and without delay if it notifies ASIC as quickly as possible in the circumstances and does not defer or postpone the notification.

RG 172.579 We also request that ASIC is notified when operations return to normal.

RG 172.580 An incident may include problems with order acceptance and processing, trade reporting and executing market transactions, undertaking necessary monitoring and surveillance or disseminating pre-trade, post-trade, trading status or other market data information (including company and market announcements).

RG 172.581 Where the incident does not have an impact on the fair, orderly and transparent operation of another market operator, the other market may continue to operate as normal. However, where a market operator relies on information shared by another market for any aspect of its own trading or related activities (e.g. orders priced by reference to another market) and can no longer receive that information due to a technical issue, relevant activity should cease immediately (e.g. transactions in the reliant order type) and should only recommence once the required information is available again.

RG 172.582 Market operators must also notify other market operators, operators of clearing facilities and market participants that may be impacted by an incident or a major event, as soon as practicable after becoming aware of the incident or major event: Rule 8A.5.1(6)(b) of the Securities Markets Rules and Futures Markets Rules.

RG 172.583 The market operator must also give ASIC a written report within seven days. The report must set out the circumstances and the steps taken by the market operator to respond to the major event: Rule 8A.5.1(7) of the Securities Markets Rules and Futures Markets Rules. The following elements should be set out in the report:

(a) the circumstances of the major event, including for example:

  (i) how it was identified;

  (ii) the cause;

  (iii) the impact of the event on the usual operation of the critical business services; and

  (iv) the affected parties (e.g. clients, market participants, other market operators or operators of licensed CS facilities); and

(b) the steps taken to manage the major event, including for example:

  (i) the escalation procedures for responding to the event, and the board members and senior management involved;

  (ii) any changes to management structure or supervisory policies and procedures during or after the event;

  (iii) the actions, arrangements and resources to respond to the event (including any documentation arising from the formation/or invocation of a crisis management team or plan);

  (iv) the timeframe for the expected return to normal operations; and

  (v) any actions to remediate affected parties.

RG 172.584 Following submission of the written report to ASIC, we encourage market operators to notify ASIC if there are any significant changes to the matters outlined in the written report.

Review, update and testing of plans

RG 172.585 Under Rule 8A.5.1(8) of the Securities Markets Rules and Futures Markets Rules, market operators must review, test and update their business continuity plans from time to time. At a minimum, to ensure the plans remain effective, market operators must review, test and update them:

(a) each time there is a material change to the operations, services or critical business services or to the operator's structure and location;

(b) as soon as practicable after a major event; and

(c) once every 12 months.

RG 172.586 Plan testing should serve to identify weaknesses, develop experience in managing major events and strengthen the business continuity plan.

RG 172.587 Scenario testing should be designed to cover a variety of major events and recovery scenarios. This should go beyond partial scenarios where only specific components of business continuity plans are tested (like offsite tests that only involve switching off the main system to operate the backup system. Better practice is that tests should incorporate full-scale simulated 'real life, end-to-end' scenarios that test all aspects of the business continuity plan, including the initial response and invocation, recovery and continuity, and return to normal operation phases.

RG 172.588 Business continuity testing should include market operators considering all the resources and facilities required to conduct the testing and confirming their availability—for example, physical infrastructure, equipment and personnel. Market operators should also consider the efficacy of a business continuity plan before testing—a full-scale test of a plan with limited development may itself lead to a disruption.

RG 172.589 Whenever practical and useful, we recommend that market operators should participate in industry-wide or cross-border testing with other intermediaries and stakeholders and should conduct mock drills (simulation exercises) to test the effectiveness of their business continuity plan. Senior management should review results of business continuity plan assessments and, where appropriate, make the necessary changes to the business continuity plan.

RG 172.590 Business continuity plans are generally temporary in nature. Prolonged use of these plans may require more frequent updates and testing. Further, the occurrence of a major event may warrant revisiting these plans and making more permanent changes to governance and oversight frameworks.

Documentation of plans and testing

RG 172.591 Market operators must maintain documentation of their business continuity plans and the scope and results of all reviews and testing required under the rules: Rule 8A.5.1(9) of the Securities Markets Rules and Futures Markets Rules. The documentation must be maintained for a period of seven years from the date created or last amended, whichever is later. From time to time, we may request this documentation. Examples of documentation that should be maintained include, but are not limited to:

(a) playbooks detailing responses to major events;

(b) terms of reference for crisis management committees;

(c) business continuity communication plans; and

(d) results of business continuity testing and failover resilience testing.

Note: Market operators may wish to refer to IOSCO, *Thematic review on business continuity plans with respect to trading venues and intermediaries* (PDF 556 KB), final report, May 2021. Market operators should also consider certifying their business continuity plans against International Standard ISO 22301:2019 *Security and resilience—Business continuity management systems—Requirements*, incorporating industry best practice and benchmarking against regulatory requirements.

Governance

RG 172.592 Market operators must have appropriate governance arrangements and adequate financial, technological and human resources to comply with their obligation under Chapter 8A of the rules: Rule 8A.6.1(1) of the Securities Markets Rules and Futures Markets Rules.

RG 172.593 Oversight and accountability for critical business services and business continuity should come from the highest levels within market operators. Market operators must have arrangements for their board and senior management to oversee the establishment, implementation, maintenance, review, testing and documentation of the business continuity plans: Rule 8A.6.1(2) of the Securities Markets Rules and Futures Markets Rules.

RG 172.594 Persons with responsibility for oversight are generally those able to exert significant influence over the management of the business operations. Examples of appropriate levels of seniority include but are not limited to:

(a) a director of the organisation;

(b) a member of the board of the organisation; and

(c) individuals who make, or participate in making, decisions that affect the whole or a substantial part of the organisation.

Note: See the definition of ‘director’ and ‘senior manager’ in s9 of the Corporations Act.

RG 172.595 Whether a person might be considered as having the appropriate level of seniority will depend on the size and nature of the business. This may include a senior manager with responsibility for oversight of the relevant critical business service and/or business continuity plans.

RG 172.596 We expect that the board or senior management should provide effective oversight and regularly assess whether the market operator has adequate financial, technological, and human resources to comply with its obligations under Chapter 8A of the Securities Markets Rules and Futures Markets Rules.

Appendix 1: Listing principles

Principles for listing rules

Principles for admission criteria

RG 172.597 *Appropriate standards*: Listing rules set standards for quality, size and operations that are consistent with the expectations of a listed entity in the Australian financial market.

RG 172.598 *Viability*: The entity can demonstrate sufficient working capital is available to achieve the business objectives stated in the capital raising for listing.

RG 172.599 *Robust governance*: The entity can demonstrate that directors, management and systems have suitable integrity, robustness and the relevant experience required to support the obligations of a listed entity.

RG 172.600 *Legitimate intent to access capital market*: The entity's reasons for accessing the Australian capital market are generally to raise capital to support genuine business plans and for secondary market liquidity.

RG 172.601 *Compliance listings*: The only circumstances where it may be appropriate for an entity to not produce a regulated disclosure document are where the entity is not raising capital upon listing and:

(a) the securities for which listing is sought are already listed on an appropriate securities exchange. An appropriate securities exchange is an Australian securities exchange or a foreign securities exchange listed in *ASIC Corporations (Definition of Approved Foreign Market) Instrument 2017/669*; or

(b) the securities for which listing is sought are distributed in specie to shareholders of an issuer who is already listed on an appropriate securities exchange as part of a reconstruction (including a reorganisation of a listed stapled structure) or demerger transaction; or

(c) the entity is a holding company formed as part of a reorganisation transaction and its securities are issued in exchange for those of one or more issuers listed on an appropriate securities exchange.

Principles for ongoing obligations

RG 172.602 *Disclosure*: The listing rules require timely, clear and complete disclosure to investors of information material to the price of a listed entity's securities.

RG 172.603 *Rights of new and existing shareholders*: The listing rules require that issuing and maintaining securities is done with rights that are fair to both existing and new shareholders.

RG 172.604 *Engagement with shareholders*: The listing rules set requirements for:

(a) meetings and other communications with shareholders to occur in a manner that facilitates constructive engagement; and

(b) active engagement by listed entities with shareholders for particular corporate actions, transactions involving persons in positions of influence and significant directional changes.

RG 172.605 *Trading*: The listing rules impose requirements on listed entities that facilitate the efficient trading of securities. For example, rules requiring:

(a) the free transfer of ownership interests; and

(b) that any further shares issued (such as under rights issues) are quoted on the market in a timely way.

RG 172.606 *Suitability*: The listing rules set ongoing expectations consistent with the listing criteria, and articulate the circumstances in which the market operator will pursue de-listing.

Administration of listing rules

Principles for good governance

RG 172.607 *Responsibility sits with the board and senior management*: The governance arrangements of the licensed market operator demonstrate a clear and active understanding that:

(a) the responsibility for meeting the statutory obligations as a market licensee—and the strategic approach to the administration of the listings function—sits with the board of the market licensee; and

(b) the cultural and strategic approach to the administration of the listing rules is set by the board and senior management of the market licensee—with a clear focus on the interests of investors.

RG 172.608 *Reporting and evaluation*: The governance arrangements of the market operator reflect an approach to the discharge of statutory obligations that is supported by routine, data-driven, evidence-based reporting, and enables timely evaluation of the extent:

(a) statutory obligations are being met;

(b) administration is consistent with the substance, spirit, intention and purpose of the listing rules; and

(c) current settings are fit for existing and future purpose.

RG 172.609 *Conflict identification and management*: Market operators should carefully consider appointees to the board and internal management committees to ensure that any actual or apparent conflicts of interest of the appointees arising from their roles and relationships with other entities (such as listees and their advisers, and majority shareholders) are managed in a manner to meet their general licensee obligations.

Principles for resourcing

RG 172.610 *Sufficient resources should be available at all times*: The licensed market operator should allocate sufficient resources to the administration of the listing rules to ensure, at all times:

(a) rigorous and substantive testing of entities against admission criteria;

(b) robust and ongoing compliance assessment of listed entities, as measured against the substance, spirit, intention and purpose of the listing rules; and

(c) enforcement action is taken where effective and appropriate.

RG 172.611 This includes resourcing that supports, at all times, the licensed market operator to:

(a) evaluate the suitability of business models;

(b) evaluate wider suitability for listing issues;

(c) challenge, where appropriate, listee boards and executives on compliance with the substance, spirit, intention and purpose of the listing rules;

(d) evaluate the appropriateness and effectiveness of any enforcement action, and have a sound basis for selecting the chosen approach; and

(e) proactively anticipate risks and changes in the operating environment, and deal with them in a timely and effective manner.

RG 172.612 *Sufficient resourcing*: In order to achieve the outcomes above, the licensed market operator should maintain:

(a) staff with the requisite level of expertise, seniority and judgement—and sufficient redundancy for peak times;

(b) robust organisational systems and processes, including:

(i) resourcing models;

(ii) escalation processes;

(iii) lessons learned and continuous improvement models;

(iv) fully auditable trails of material decisions taken; and

(v) effective service-level agreements with outsourced or delegated parties;

(c) technology and quantitative systems that provide:

(i) real-time monitoring;

(ii) data capture and interrogation; and

(iii) robust and granular trend analysis across a range of critical measures (e.g. quality of compliance); and

(d) meaningful statistics that demonstrate the monitoring and enforcement activities and relevant outcomes, and publish these in order to promote investor confidence and deter misconduct.

Principles for approach and culture

RG 172.613 *Cultural approach*: Administration should be driven by a cultural pre-disposition within the market operator towards the substance, spirit, intention and purpose of the listing rules, with a focus on the interests of investors.

RG 172.614 *Characteristics of approach*: The approach by the market operator is characterised by an emphasis on decision-making, and exercising judgement and discretion, that is:

(a) proactive (versus reactive);

(b) substance over form;

(c) outward rather than inward-looking—in a way that, for example, readily identifies global trends before they crystallise in the Australian market; and

(d) based on data and evidence.

RG 172.615 *Serving stakeholders*: Professionalism and efficiency should be integral to serving all stakeholders.

Appendix 2: Pre-trade and post-trade transparency data fields

Table 13: Pre-trade disclosure: Data requirements (market detail)—Equity market products and CGS depository interests

Note: Market operators should, at a minimum, timestamp all pre-trade information (orders, order amendments and cancellations) to the millisecond level. The timestamp should occur at the point that the pre-trade information is received by the trading, reporting or compliance monitoring system.

Ref.	Data requirement	Description	Relevant product data field applies to
1	Order date	The date on which the order was received by a market operator ISO 8601 – YYYYMMDD	Equity market products and CGS depository interests
2	Order time	The time at which the order was received by a market operator ISO 8601 – UTC – HHMMSSsss	Equity market products and CGS depository interests
3	Product identification	A code that uniquely identifies the product Ticker symbol The 'human understood' product identification code assigned by the responsible market operator (e.g. ASX Security Code)	Equity market products and CGS depository interests
4	Volume	The quantity of the order displayed on the order book An integer Partly disclosed orders can either not have volume or price displayed	Equity market products and CGS depository interests
5	Order side	Buy, sell	Equity market products and CGS depository interests
6	Price	The display price of the order Not required for market orders Currency units (usually AUD to the appropriate number of decimal places)	Equity market products and CGS depository interests
7	Currency	The currency of the order price Required only where the currency is not AUD ISO 4217 – currency codes	Equity market products

Table 14: Post-trade transparency: Data requirements—Equity market products and CGS depository interests

Note: Market operators should, at a minimum, timestamp all post-trade information to the millisecond level. The timestamp should occur at the point of matching in the trading system, or the time that the trade report is received by the reporting system. The specified data requirements may be explicitly derived from other data elements provided by a market operator.

Ref.	Data requirement	Description	Relevant product data field applies to
1	Trade execution date	The date on which the transaction was executed ISO 8601 – YYYYMMDD	Equity market products and CGS depository interests
2	Trading time	The time at which the transaction was executed ISO 8601 – UTC – HHMMSSsss	Equity market products and CGS depository interests
3	Product identification	A code that uniquely identifies the product Ticker symbol The 'human understood' product identification code assigned by the responsible market operator (e.g. ASX Security Code)	Equity market products and CGS depository interests
4	Volume	The quantity of the trade An integer	Equity market products and CGS depository interests
5	Price	The display price of the trade Currency units (usually AUD to the appropriate number of decimal places)	Equity market products and CGS depository interests
6	Currency	The currency of the trade price Required only where the currency is not AUD ISO 4217 – currency codes	Equity market products
7	Trade cancellation indicator	If the transaction is cancelled, a notation or code to identify that the transaction is cancelled	Equity market products and CGS depository interests
8	Original trade date	Trade date of trade to be cancelled Required only for trade cancellations ISO 8601 – YYYYMMDD	Equity market products and CGS depository interests

Ref.	Data requirement	Description	Relevant product data field applies to
9	Exception code	Identifies the reason the order for an executed trade was not displayed on a pre-trade transparent order book Required only for trades executed from orders not displayed on a pre-trade transparent order book. Exception code is not required for partly disclosed orders. Permitted exceptions are: (a) block trades; (b) large portfolio trades; (c) trades at or within the spread or trades with price improvement (from 26 May 2013); (d) trades during post-trading hours period; (e) trades during pre-trading hours period; and (f) out of hours trading	Equity market products and CGS depository interests

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 on a financial services business to provide financial services Note: This is a definition in s9.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act
AMRF	Australian Market Regulation Feed
API	Application Programming Interface
ASIC	Australian Securities and Investments Commission
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 SPI 200 Index Future (ASX SPI 200 Future)	The ASX 24 futures contract listed with the S&P/ASX 200 Index as the underlying product
ASX TradeMatch	The order book operated by ASX, known as 'TradeMatch', that is ASX's central order book for equity market products and CGS depository interests
Australian market licence	An Australian market licence under s795B of the Corporations Act that authorises a person to operate a financial market
best available bid and offer	See 'NBBO'
best bid or offer	The best available buying price or selling price
bid–ask spread	The difference between the best bid and the best offer
block special crossing	An off-order book crossing which may be agreed at any price, where the consideration is at least $1 million
block trade	A block trade is where the resulting transaction is: $1 million or more for tier 1 equity market products; $500,000 or more for tier 2 equity market products; $200,000 or more for tier 3 equity market products; or $200,000 or more for CGS depository interests Note: The products that fall within each tier will be published on our website. We will review the tiers at least quarterly and they will take effect 20 business days following their publication on our website.

Term	Meaning in this document
bundling	The practice of market participants and other service providers providing other services, such as advice, research and analytical tools, in conjunction with trade execution
buy-side	Advising institutions typically concerned with buying, rather than selling, assets or products. Private equity funds, mutual funds, unit trusts, hedge funds, pension funds and proprietary trading desks are the most common types of buy-side entities
capital formation	A method for increasing the amount of capital owned or under one's control, or any method in utilising or mobilising capital resources for investment purposes
Cboe	Cboe Australia Pty Ltd (formerly Chi-X Australia Pty Limited) or the exchange operated by Cboe
CDI (CHESS Depositary Interest)	An instrument used by non-Australian companies to support electronic registration, transfer and settlement of their products listed on ASX
centre point	An ASX-operated execution venue that references the midpoint of the bid–ask spread on ASX's CLOB
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
CGS market operator	An entity that is licensed under s795B(1) of the Corporations Act to operate a CGS market, and has entered into arrangements with the Australian Office of Financial Management (AOFM) to offer trading in CGS depository interests
CGS market participant	A participant, within the meaning of s761A of the Corporations Act, in a CGS market
Chapter 8 (for example)	A chapter of the market integrity rules (in this example numbered 8), unless otherwise specified
CHESS	Clearing House Electronic Subregister System
CHESS HIN	CHESS Holder Identification Number
clearly erroneous trade	A transaction that deviates so substantially from current market prices that it is considered to be executed in error
CLOB (central limit order book)	A central system of limit orders, where bids and offers are typically matched on price–time priority
Corporations Act	*Corporations Act 2001*, including regulations made for the purposes of that Act

Term	Meaning in this document
Corporations Regulations	*Corporations Regulations 2001*
CP 145 (for example)	An ASIC consultation paper (in this example numbered 145)
crossed market	Occurs when the best bid price of an equity market product or CGS depository interest exceeds the best offer price, resulting in a negative spread
crossing	A type of 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: (a) the market participant (i.e. against the market participant's own account); (b) other clients of the market participant; or (c) any other person whose orders access the automated service These orders are not matched on an order book of a licensed market
dark liquidity	Non-pre-trade transparent orders
dark trades/trading	See 'off-order book trading/transactions'
data consolidator	An entity that combines data from various execution venues to produce a consolidated view of order and/or transaction information for use by investors
depository interest	A financial product quoted on a market that confers on the holder a beneficial interest in another financial product (underlying product) to which it relates, where legal title to the underlying product is held by a nominee company on behalf of the holder
equity market products	Shares, interests in managed investment schemes (including ETFs), rights to acquire shares or interests in managed investment schemes under a rights issue, CDIs admitted to quotation on ASX or a Transferable Custody Receipt
ETR (extreme trade range) event	This occurs when: (a) a buy order enters a market and the price is within the upper extreme trade range; (b) a sell order enters a market and the price is within the lower extreme trade range; or (c) a transaction is executed on a market at a price that is within the extreme trade range

Term	Meaning in this document
exchange market	A market that enables trading in listed products, including via a CLOB Note: Not all exchange markets offer primary listings services.
execution venue	An execution venue is a facility, service or location on or through which transactions in equity market products and CGS depository interests are executed and includes: (a) each individual order book maintained by a market operator; (b) a crossing system; and (c) a participant executing a client order against its own inventory otherwise than on or through an order book or crossing system. This includes an order book and other matching mechanisms
extreme trade range	The extreme trade range for a relevant product is all prices more than an absolute value (in cents) or percentage away from the reference price for the product. The extreme trade range reflects the prices at which ASIC considers a transaction is likely to have an impact on market integrity. The extreme trade range for each relevant product is determined by ASIC and reviewed from time to time as required
financial market	Has the meaning given in s767A of the Corporations Act, and includes a facility through which offers to acquire or dispose of financial products are regularly made or accepted
financial product	Generally, a facility through which, or through the acquisition of which, a person does one or more of the following: (a) makes a financial investment (see s763B); (b) manages financial risk (see s763C); and (c) makes non-cash payments (see s763D) Note: See Div 3 of Pt 7.1 of the Corporations Act for the exact definition. In addition to the general categories above, this specifies certain things as being included or excluded from the definition.
FIX protocol	Financial Information eXchange protocol. A messaging standard for communication of financial information
fragmentation	The spread of trading and liquidity across multiple execution venues
fully hidden order	An order on an order book that is not pre-trade transparent
futures market operator	An entity licensed under s795B(1) of the Corporations Act to operate a market in which ASX equity index futures are issued and traded, either through exchange markets or OTC markets
Futures Markets Rules	*ASIC Market Integrity Rules (Futures Markets) 2017*—rules made by ASIC under s798G of the Corporations Act for trading on futures markets
IOSCO	International Organization of Securities Commissions

Term	Meaning in this document
ISO 10383 MIC	A market identifier code under ISO 10383 *Market identifier codes* Note: For a list of valid codes, go to the ISO 10383 MIC homepage.
large portfolio trade	A transaction that includes at least 10 purchases or sales, the market participant acts as agent for both the buyer and seller of the portfolio or as principal buys from or sells to the client, and the consideration of each is not less than $200,000 and the aggregate consideration is not less than $5 million. This has the same definition as 'portfolio crossing'
LEI	Legal Entity Identifier
locked market/price	Occurs when there is no spread because the best available bid price and best available offer price are the same (also the midpoint)
market integrity rules	Rules made by ASIC, under s798G of the Corporations Act, for trading on domestic licensed markets
market licence	An Australian market licence
market licensee	The holder of an Australian market licence Note: This is a definition in s9 of the Corporations Act.
market participant	A participant of a financial market Note: Participant has the meaning given by s767A(4) and (5) of the Corporations Act
NBBO (national best bid and offer)	The highest bid (best buying price) and the lowest offer (best selling price) for a product that is available across all pre-trade transparent order books at the time of the transaction. The best bid and best offer may not necessarily be on the same order book. It may be that the best bid is on the order book of Market X and the best offer is on the order book of Market Y
NGF	National Guarantee Fund
NMI	The National Measurement Institute, division of the Commonwealth Department of Industry, Innovation and Science
NTP	Network Time Protocol
off-order book trading/transactions	Transactions that take place away from a CLOB and that are not pre-trade transparent. It is often referred to as 'dark liquidity' or 'upstairs trading'. It includes bilateral OTC transactions and transactions resulting from a market participant matching client orders or matching a client order against the participant's own account as principal. When this type of trading is done in an automated way and is part of a pool of liquidity, it is referred to as a 'dark pool'
operating rules	As defined in s761A of the Corporations Act
order book	An electronic list of buy orders and sell orders, maintained by or on behalf of a market operator, on which those orders are matched with other orders in the same list

Term	Meaning in this document
OTC	Over the counter
partly disclosed order	An order on an order book that is pre-trade transparent with the exception of either price or volume
pegged order	A specified quantity of a product set to track the best bid or offer on the primary market
post-trade transparency	Information on executed transactions made publicly available after transactions occur
pre-trade transparency	Information on bids and offers being made publicly available before transactions occur (i.e. displayed liquidity)
Pt 7.2A (for example)	A part of the Corporations Act (in this example numbered 7.2A), unless otherwise specified
reg 7.2.07 (for example)	A regulation of the Corporations Regulations (in this example numbered 7.2.07)
responsible market operator	For equity market products, the responsible market operator is ASX. For CGS depository interests, where there is more than one CGS market, the responsible market operator is the CGS market operator determined in writing by ASIC and notified on our website. For ASX equity index futures, the responsible market operator is ASX 24
RG 214 (for example)	An ASIC regulatory guide (in this example numbered 214)
s912A (for example)	A section of the Corporations Act (in this example numbered 912A), unless otherwise specified
Securities Markets Rules	*ASIC Market Integrity Rules (Securities Markets) 2017*—rules made by ASIC under s798G of the Corporations Act for trading on securities markets
SEGC	Securities Exchanges Guarantee Corporation
synchronised clock	A system time clock that matches a reference source clock
tick size	The minimum increment by which the price for an equity market product or CGS depository interest may increase or decrease
trading halt or suspension	A temporary pause in the trading of a product for a reason related to market integrity, such as when an announcement of price-sensitive information is pending (does not include a halt or suspension caused by a technical problem, including a power outage, affecting a market operator's trading system)
trading pause	A period during which the responsible market operator must prevent orders from being matched or executed on its market, but during which bids and offers may be displayed, entered, amended and cancelled
trading reset	Either a trading pause, trading suspension, or the end of trading hours
undisclosed order	A non-pre-trade transparent order

Term	Meaning in this document
Universal Time Clock	A clock that is referenced to UTC(AUS)
UTC(AUS)	The output of the caesium atomic clock designated by the NMI as UTC(AUS)
volatility control	A post-order control that prevents certain orders from being matched beyond set price limits. These controls can limit the disruptive effect of anomalous trades

Related information

Headnotes

CGS, CGS depository interest, Commonwealth Government Securities, competition, domestic market, equity market products, financial markets, licensing, licence application, licence exemption, licensed financial market, market integrity rules, market licence obligations, market operators, overseas market

Legislation

Corporations Act, Chs 2A, 6, 7; Pts 5B.2, 7.2, 7.2A, 7.4, 7.5; s9, 9AD, 11, 46, 201A, 206B, 257B(6), 601AA–601AB, 610, 674, 761A, 765A(2), 766D, 767A, 768A, 791A, 791C–791G, 792A–792F, 792I, 793A, 793D, 793E, 794A–794AA, 794B–794D, 795A, 795B, 796A, 797B, 798A–798C, 798DA–798E, 850A–850C, 851A–851H, 852DA–852DD, 852DG–852DH, 852DL–852DN, 852DQ–852DR, 853A–853C, 853F, 853H, 853K–853M, 880A, 881A, 885C, 885H, 885I(2), 911A, 1274AA, 1705L

Corporations Amendment (Crowd-sourced Funding) Act 2017

Corporations (Fees) Act 2001

Corporations (Fees) Regulations 2001

Corporations Regulations, regs 7.2.06–7.2.08, 7.2.11, 7.2.12, 7.2.14, 7.2.15, 7.6.02AG, 9.12.03

Explanatory Memorandum to the Financial Services Reform Bill 2001

Legislative instruments

ASIC Corporations (ASX-listed Schemes On-market Buy-backs) Instrument 2016/1159

ASIC Corporations (Definition of Approved Foreign Market) Instrument 2017/669

ASIC Market Integrity Rules (Futures Markets) Class Waiver 2025/513

ASIC Market Integrity Rules (Securities Markets) Class Waiver 2025/512

Market integrity rules

Futures Markets Rules, Chapters 4, 8; Parts 4.1–4.3, 8.1–8.3; Rules 4.1.1, 4.2.1, 8.2.2, 8.2.2C, 8.3.1

Securities Markets Rules, Chapters 6–9; Parts 5A.2, 6.1–6.4, 7.1–7.4, 8.1–8.3, 9.1–9.5; Rules 1.4.5, 5.1AA.1, 6.1.1–6.1.7, 6.2.1–6.2.6, 6.3.1–6.3.2,

6.3.4–6.3.7A, 6.4.1, 7.1.1, 7.2.1, 7.3.1, 7.4.2–7.4.4, 8.1.1–8.1.4, 8.2.2–8.2.4, 8.3.1, 9.1.1–9.1.2, 9.2.1–9.2.3, 9.3.1–9.3.2, 9.4.1

Consultation papers

CP 131 *Proposed ASIC market integrity rules: ASX and SFE markets*

CP 136 *Markets Disciplinary Panel*

CP 145 *Australian equity market structure: Proposals*

CP 148 *Proposed market integrity rules: Chi-X market*

CP 168 *Australian equity market structure: Further proposals*

CP 179 *Australian market structure: Draft market integrity rules and guidance*

CP 181 *Retail trading in Commonwealth Government Securities*

CP 314 *Market integrity rules for technological and operational resilience*

CP 342 *Proposed amendments to the ASIC market integrity rules and other ASIC-made rules*

CS 50 *Proposed updates to RG 172, RG 249 and RG 268*

RG 1 *Applying for and varying an AFS licence*

RG 5 *Relevant interests and deemed economic interests*

RG 51 *Applications for relief*

RG 104 *AFS licensing: Meeting the general obligations*

RG 141 *Offers of securities on the internet*

RG 167 *AFS licensing: Discretionary powers*

RG 204 *Applying for and varying a credit licence*

RG 206 *Credit licensing: Competence and training*

RG 211 *Clearing and settlement facilities: Australian and overseas operators*

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

Reports

REP 204 *Response to submissions on CP 131 Proposed ASIC market integrity rules: ASX and SFE markets*

REP 215 *Australian equity market structure*

REP 237 *Response to submissions on CP 145 Australian equity market structure: Proposals*

REP 290 *Response to submissions on CP 168 Australian equity market structure: Further proposals*

REP 311 *Response to submissions on CP 179 and CP 184 Australian market structure: Draft market integrity rules and guidance*

REP 331 *Dark liquidity and high-frequency trading*

REP 332 *Response to submissions on CP 181 Retail trading in Commonwealth Government Securities*

REP 719 *Response to submissions on CP 314 Market integrity rules for technological and operational resilience*

REP 720 *Response to submissions on CP 342 Proposed amendments to the ASIC market integrity rules and other ASIC-made rules*

Other documents

CPS 234 *Iinformation security*

IOSCO, *Mechanisms for trading venues to effectively manage electronic trading risks and plans for business continuity* (PDF 450 KB)

IOSCO, *Mechanisms used by trading venues to manage extreme volatility and preserve orderly trading* (PDF 380 KB)

IOSCO, *Objectives and principles of securities regulation* (PDF 187 KB)

IOSCO, *Operational resilience of trading venues and market intermediaries during the COVID-19 pandemic & lessons for future disruptions* (PDF 654 KB)

IOSCO, *Principles for dark liquidity* (PDF 471 KB)

IOSCO, *Principles on outsourcing* (PDF 639 KB)

IOSCO, *Principles on outsourcing by markets* (PDF 390 KB)

IOSCO, *Thematic review on business continuity plans with respect to trading venues and intermediaries* (PDF 556 KB)

IOSCO, *Transparency and market fragmentation* (PDF 578 KB)

ISO 22301:2019 *Security and resilience—Business continuity management systems—Requirements*

ISO 29119-1:2022 *Software and systems engineering—Software testing—Part 1: General concepts*.

ISO/IEC 20000-2:2019 *Information technology—Service management—Part 2: Guidance on the application of service management systems*