

# Attachment 6 to CS 63: Draft rules



**ASIC**  
Australian Securities &  
Investments Commission

## ASIC Market Integrity Rules (Futures Markets) 2017

September 2026

### About this compilation

This compilation incorporates the changes in Schedule 1 of the *ASIC Market Integrity Rules (Futures Markets) Amendment Instrument 2026/575* following ASIC consultation: see Consultation Paper 386 *Proposed amendments to the ASIC market integrity rules: Trading systems and automated trading* ([CP 386](#)). These changes are in force from 18 March 2028.

This document is intended as an aid to understand our proposed changes to regulatory guidance, as set out in our consultation *Proposed updates to RG 265 and RG 266 and withdrawal of RG 241* ([CS 63](#)). We have prepared this document using the Track Changes feature in MS Word. For the accessible version, see the [ASIC Market Integrity Rules \(Futures Markets\) Amendment Instrument 2026/575](#).

Market participants and market operators can continue to comply with the *ASIC Market Integrity Rules (Futures Markets) 2017* as in force on 15 October 2024 until 18 March 2028.

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# Chapter 1: Introduction

## Part 1.1 Preliminary

### 1.1.1 Enabling legislation

ASIC makes this instrument under subsection 798G(1) of the Corporations Act.

### 1.1.2 Title

This instrument is *ASIC Market Integrity Rules (Futures Markets) 2017*.

### 1.1.4 Scope of these Rules

These Rules apply to:

- (a) the activities or conduct of the Markets;
- (b) the activities or conduct of persons in relation to the Markets; and
- (c) the activities or conduct of persons in relation to financial products traded on the Markets,

as specified in each Chapter, Part or Rule.

### 1.1.5 Entities that must comply with these Rules

The following entities must comply with these Rules:

- (a) Market operators;
- (b) Market Participants; and
- (c) Other Regulated Entities,

as specified in each Rule.

### 1.1.5A Penalties for a contravention of these Rules

The maximum pecuniary penalty payable for a contravention of a provision of these Rules is an amount determined by the Court under section 1317G of the Corporations Act.

### 1.1.6 Conduct by officers, Employees or agents

In these Rules, conduct engaged in on behalf of a person:

- (a) by an officer, Employee, or other agent of the person, and whether or not within the scope of the actual or apparent authority of the officer, Employee, or other agent; or
- (b) by any other person at the direction or with the consent or agreement (whether express or implied) of an officer, Employee, or other agent of the person, and whether or not the

giving of the direction, consent or agreement is within the scope of the actual or apparent authority of the officer, Employee, or other agent,

is deemed to have been engaged in by the person.

### 1.1.7 State of mind of a person

(1) If for the purposes of these Rules in respect of conduct engaged in by a person, it is necessary to establish the state of mind of the person, it is sufficient to show that an officer, Employee, or other agent of the person, being an officer, Employee, or other agent by whom the conduct was engaged in and whether or not the conduct was within the scope of the actual or apparent authority of that officer, Employee, or other agent, had that state of mind.

(2) In subrule (1), a reference to the state of mind of a person includes a reference to the knowledge, intention, opinion, belief or purpose of the person and the person's reasons for the person's intention, opinion, belief or purpose.

### 1.1.8 Application for review by Administrative Review Tribunal of certain decisions made under these Rules

(1) Subject to this Rule, applications may be made to the Tribunal for review of a decision made by ASIC under:

- (a) subrule 1.2.1(1); or
- (b) subrule 1.2.1(3); or
- (c) paragraph 2.2.1(2)(b); or
- [\(ca\) paragraph 2.2B.6\(1\)\(b\); or](#)
- [\(cb\) subrule 2.2B.7\(1\); or](#)
- [\(cc\) subrule 2.2B.10\(2\); or](#)
- (d) paragraph 2.4.1(2)(f); or
- (e) subrule 4.1.1(1); or
- (f) subparagraph 4.1.1(1)(g)(vi); or
- (g) subrule 4.1.1(2); or
- (h) rule 4.3.3; or
- (i) subrule 8.1.1(3); or
- (j) subrule 8.1.4(3).

(2) An application made under subrule (1) may only be made by:

- (a) in relation to paragraphs (a) and (b);
  - (i) the Market Participant that made the application for a waiver of a Rule under Rule 1.2.1;
- (b) in relation to paragraphs (c) and (d);

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- (i) the Market Participant in respect of which the decision by ASIC was made;
- (c) in relation to paragraphs (e) to (j);
  - (i) the Market operator in respect of which the decision by ASIC was made.
- (3) In this Rule:

*decision* and *Tribunal* have the same meaning as in the *Administrative Review Tribunal Act 2024*.

### 1.1.9 Notice of reviewable decision and review rights

- (1) This Rule applies if ASIC makes a decision to which Rule 1.1.8 applies.
- (2) ASIC must take such steps as are reasonable in the circumstances to give to each person who may make an application for review of the decision under Rule 1.1.8 notice, in writing or otherwise:
  - (a) of the making of the decision; and
  - (b) of the person's right to have the decision reviewed by the Tribunal.
- (3) A failure to comply with this Rule does not affect the validity of the decision.

## Part 1.2 Waiver

### 1.2.1 Waiver of Rules

- (1) Subject to Rule 1.2.3, ASIC may, by legislative instrument, relieve any person or class of persons from the obligation to comply with a provision of these Rules, either generally or in a particular case or category, and either unconditionally or subject to such conditions as ASIC thinks fit.
- (2) If any conditions on a waiver given under subrule (1) are imposed, all of the conditions must be complied with for the waiver to be effective.
- (3) ASIC may withdraw, by legislative instrument, a waiver given under subrule (1) at any time.
- (4) Any request by a person for a waiver under subrule (1) must be in writing.

Note: Legislative instruments made under this rule are available on the Federal Register of Legislation. The register may be accessed at [www.legislation.gov.au](http://www.legislation.gov.au).

### 1.2.2 Compliance with conditions

Failure to comply with a condition imposed under Rule 1.2.1 is a contravention of this Rule.

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### 1.2.3 Period during which relief applies

ASIC may specify the period or specific event during which any relief from an obligation to comply with a provision of these Rules may apply.

### 1.2.4 Register

(1) ASIC may establish and maintain a register for recording details of relief granted under Rule 1.2.1 and may enter the following details in the register:

- (a) the date that the relief takes effect;
- (b) the person or class of person relieved from the obligation;
- (c) the provision to which the relief applies;
- (d) brief reasons for the relief; and
- (e) any conditions that apply to the relief.

(2) ASIC may publish the register referred to in subrule (1).

## Part 1.3 Notice, notification and service of documents

### 1.3.1 Market Participant to have email system

A Market Participant must acquire and maintain an operating email system for the purposes of receiving notices under these Rules.

### 1.3.2 Methods of giving notice in writing

Unless otherwise specified in a Rule, ASIC may give notice under these Rules by any of the following methods:

- (a) delivering it to the recipient personally;
- (b) leaving it at or by sending it by courier or post to the address of the recipient last notified to ASIC;
- (c) sending it by facsimile to the recipient's facsimile number last notified to ASIC;
- (d) a circular or bulletin addressed to a class of persons and delivered or communicated by any means permitted under this Rule;
- (e) specific email by any method which identifies a person or person's title as addressee and no notice of non-delivery has been received;
- (f) broadcast email by any method which identifies the addressee and which, having regard to all the relevant circumstances at the time, was as reliable as appropriate for the purposes for which the information was communicated.

## Part 1.4 Interpretation

### 1.4.1 References to time

In these Rules a reference to time is to the time in Sydney, Australia.

### 1.4.2 Words and expressions defined in the Corporations Act

Words and expressions defined in the Corporations Act will unless otherwise defined or specified in these Rules or the contrary intention appears, have the same meaning in these Rules.

### 1.4.3 Definitions

**Anomalous Order** means a:

- (a) Buy Order for which the price is above the maximum Anomalous Order Threshold for the relevant Equity Index Future or ASX SPI 200 Future; and
- (b) Sell Order for which the price is below the minimum Anomalous Order Threshold for the relevant Equity Index Future or ASX SPI 200 Future.

**Anomalous Order Threshold** means a threshold for an Equity Index Future or ASX SPI 200 Future determined under subrule 8.1.1(1).

**Annual Review** has the meaning given by subrule 2.2B.9(1).

**Approved Foreign Bank** has the meaning given by regulation 1.0.02 of the Corporations Regulations.

**Approved Securities** has the meaning given by:

- (a) when used in Chapter 7, Rule 7.1.1; and
- (b) otherwise, in relation to a Market, the operating rules of that Market.

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

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

**ASX 24** means Australian Securities Exchange Limited (ACN 000 943 377).

**ASX 24 Market** means the financial market operated by ASX 24 under the *Australian Market Licence (Australian Securities Exchange Limited) 2002*.

**ASX Clear (Futures)** means ASX Clear (Futures) Pty Limited (ACN 050 615 864).

**ASX Market** means the financial market operated by ASX Limited (ACN 008 624 691) under *Australian Market Licence (ASX Limited) 2002*.

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**ASX SPI 200 Future** means the contract over the market index known as the S&P/ASX 200, that is generally known as the “ASX SPI 200 Future” and that is admitted to quotation on the ASX 24 Market.

**ASX Trade24** means the Order Book operated by ASX 24 and generally known as “ASX Trade24”, that is the central Order Book of ASX 24 for ASX SPI 200 Futures.

**Auction** in Part 8.2 of these Rules, means:

- (a) in relation to the ASX SPI 200 Future, an auction in the ASX SPI 200 Future on ASX Trade24; and
- (b) in relation to Equity Index Futures, an auction in the Equity Index Future on the central Order Book of the Responsible Market Operator for Equity Index Futures.

**Authorised Person** means a person who:

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

**Bid** means, in relation to a financial product, a price and quantity of the financial product to be purchased.

**Block Trade** means any trade which is executed via the Block Trade Facility.

**Block Trade Facility**, in relation to a Market, has the meaning given by the operating rules of that Market.

**Block Trade Order**, in relation to a Market, means an Order in a Contract prescribed by the operator of that Market which must be executed via the Block Trade Facility.

**Call** means the demand for payment of a sum of money made upon a Client.

**CHESS Depositary Interest** has the meaning given to the term “CDI” by Rule 2.13.1 of the operating rules of ASX Settlement Pty Limited (ACN 008 504 532).

~~**Chi-X Market** means the financial market operated by Chi-X Australia Pty Ltd (ACN 129 584 667) under Australian Market Licence (Chi-X Australia Pty Ltd) 2011.~~

**Clearing Participant** means, when used in relation to a Market, a person admitted as a participant under the Clearing Rules.

**Clearing Rules** means, when used in relation to a Market, the operating rules of the clearing and settlement facility with which the Market operator has clearing and settlement arrangements for transactions effected through the Market.

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**Client** means:

- (a) in relation to a Market Participant, any person, partnership or corporation on behalf of whom the Market Participant enters, acquires or disposes of a Futures Market Contract or Option Contract, or on whose behalf the Market Participant proposes to enter, acquire or dispose of a Futures Market Contract or Option Contract or from whom the Market Participant accepts instructions to enter, acquire or dispose of Futures Market Contracts or Option Contracts;
- (b) for the purposes of Rule 2.2.2, includes all persons, partnerships and corporations related to, associated with or affiliated with the Client or otherwise financially dependent upon the Client;
- (c) for the purposes of Rule 2.2.6 and Part 2.3, excludes a related body corporate or a division of the Market Participant;
- (d) for the purposes of Rules 2.2.7, 3.1.1(1), 3.1.13, 3.1.14, 3.1.16 and 3.1.17 and Part 3.3, in respect of a Market Participant which is a corporation, includes a related body corporate or a division of the Market Participant which is separate from the Market Participant's futures division; and
- (e) for the purposes of Rule 3.1.15, includes a related body corporate or a division of the Market Participant—which is separate from the Market Participant's futures division.

**Client Account** means an account of a Client.

**Client Order** means an instruction, provided by a client to a Participant, to enter into a transaction or transactions.

**Client Trade** means a trade of a Market Participant held on behalf of a Client.

**Close Out** means to extinguish an Open Position by matching it with an offsetting Open Position and effecting the settlement of each such Open Position against the other.

**Contract** means a contract entered, acquired or disposed of on a Market or capable of being entered, acquired, or disposed of on a Market.

**Controller** means:

- (a) a person holding 20% or more of the total votes attached to voting shares of a Market Participant or a person who, together with Related Parties, holds 20% or more of such votes; or
- (b) a person who has the power to control a Market Participant, whether that power is direct or indirect or is, or can be, exercised as a result of, by means of, in breach of, or by revocation of, trusts, relevant agreements and practices, or any of them, and whether or not they are enforceable.

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

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

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**Cover** means cash and/or Approved Securities as determined by a Market operator in relation to its Market, and held by a Market Participant against a Client's liability from time to time.

**Cross** or **Crossing**, means a transaction in respect of which a Market Participant acts:

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

**Crossing System** means any automated service provided by a Market Participant which matches or executes client Orders with Orders of:

- (a) the Market Participant;
- (b) other clients of the Market Participant; or
- (c) any other person whose Orders access the automated service;

otherwise than on an Order Book.

**Crossing System Initial Report** has the meaning given by Rule 5.1.1.

**Crossing System Monthly Report** has the meaning given by Rule 5.1.2.

**Dealing Rules** means [these Rules and the operating rules of a Market that govern the submission of Orders and the execution and reporting of Market transactions on the Trading Platform of the relevant Market.](#)

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

**Equity Index Future** means a Futures Market Contract over a market index, where that market index is comprised of more than one Equity Market Product.

**Equity Market Product** means:

- (a) a share in a body;
- (b) a financial product referred to in subparagraph 764A(1)(b)(i) or subparagraph 764A(1)(ba)(i) of the Corporations Act; or
- (c) a right (whether existing or future and whether contingent or not) to acquire, by way of issue, the following under a rights issue:
  - (i) a share covered by paragraph (a); or
  - (ii) a financial product covered by paragraph (b); or
- (d) a CHESS Depository Interest,

admitted to quotation on the ASX Market or admitted to quotation on the ~~TMXChi-X~~ Market under the ~~TMXChi-X~~ Market operating rules, but does not include a CGS Depository Interest.

**Error Trade** means a trade transacted in error.

**ETR Event** means when:

- (a) an Order to buy an Equity Index Future or an ASX SPI 200 Future for which the Bid price is both above the Reference Price and in the Extreme Trade Range for the Equity Index Future or ASX SPI 200 Future (as applicable); or
- (b) an Order to sell an Equity Index Future or an ASX SPI 200 Future, for which the Offer price is both below the Reference Price and in the Extreme Trade Range for the Equity Index Future or ASX SPI 200 Future (as applicable),

is received by a Market operator and is not prevented from entering the relevant Market by the controls the Market operator has in place to comply with Rule 8.1.3.

Note: Under Rule 8.2.2B, an ETR Event occurs on a Market in the circumstances described in this definition whether or not the Buy Order or Sell Order is executed, in whole or in part, on the Market.

**Exchange For Physical** means a transaction where:

- (a) a bona fide physical transaction in a commodity or instrument is completed and physical delivery takes place at the time of the transaction or is intended by both parties to take place at a later time; and
- (b) at or about the same time a Contract, opposite in effect, is entered, acquired or disposed of by a Market Participant or two Market Participants, for the same or similar quantity or amount of the commodity or a substantially similar commodity or instrument between Market Participants, on behalf of the parties to the physical transaction.

**Expression of Interest** means an enquiry made to a Market Participant either:

- (a) to obtain the current best bid and/or offer in a particular Contract; or
- (b) to enquire as to the volume that may be obtained at a given price,

but is not a firm Order to buy or sell.

**Extreme Trade Range:**

- (a) in relation to ASX SPI 200 Futures, has the meaning given by subrule 8.2.1(1); and
- (b) in relation to Equity Index Futures, has the meaning given by subrule 8.2.1(2).

**Family Company** means a corporation:

- (a) controlled by the person or the Immediate Family of the person; or
- (b) in respect of which the person is beneficially entitled to more than 50% of the issued capital.

**Family Trust** means a trust in which:

- (a) the person or the Immediate Family of the person is the sole or majority beneficiary; or
- (b) the person has the ability to remove the trustee of the trust and replace that trustee with his or her own nominee.

**FEX** means FEX Global Pty Ltd (ACN 124 127 224).

**FEX Market** means the market operated by FEX under *Australian Market Licence (FEX Global Pty Ltd) 2013*.

**Futures Market Contract**, in relation to a Market, has the meaning given by the operating rules of that Market.

**House Account** means any account other than a Client Account.

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

**Initial Certification** has the meaning given by paragraph 2.2B.6(1)(a).

**Initial Certification Review** has the meaning given by subrule 2.2B.5(1).

**Initial Margin** means the amount which a Market Participant requires to be paid by a Client in respect of a Futures Market Contract entered into or proposed to be entered into on behalf of a Client.

**Invalid**, in relation to a price established by an auction, or the price of a transaction, means:

- (a) the price has resulted from an error;
- (b) the price is materially different from the price of the last transaction in the same, Equity Index Future or ASX SPI 200 Future (as applicable) on the same Order Book, and the difference in price is not, in the opinion of the relevant Market operator, readily attributable to an announcement that has been made to that Market or some other event; or
- (c) the price has resulted from a transaction that is otherwise required to be cancelled or amended by the operator of the Market on which the transaction is executed.

**Margin** means Initial Margin and Variation Margin.

**Market** means any of the following:

- (a) the ASX 24 Market;
- (b) the FEX Market.

**Material Change** has the meaning given by subrule 2.2B.8(1).

**Material Change Review** has the meaning given by subrule 2.2B.8(1).

**Minimum Volume Threshold** means the threshold determined by a Market operator under its operating rules, being the minimum number of lots in respect of each Contract.

**Month** means calendar month.

**Non-Public Crossing System Information** has the meaning given by subrule 5.2.2(5).

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**Offer** means, in relation to a financial product, a price and quantity of the financial product to be sold.

**Open Position** An open position exists where the obligations under a Contract held by a party, which has not been closed out are yet to be performed and will refer as the context requires either to an open position as defined by the Clearing Rules of a Market, held by a Clearing Participant under the Clearing Rules for that Market, or to such an open position which is held by a Market Participant on the instructions of a client, including open positions held, where applicable on markets other than the Market.

**Option or Option Contract** means an option over:

- (a) a Futures Market Contract or a number of Futures Market Contracts; or
- (b) an option over an Underlying Physical,

as listed by a Market operator in relation to its Market.

**Order** means an instruction to enter into a Contract, or an instruction to amend or cancel a prior instruction to enter into a Contract.

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

~~**Order System** means a software application, satisfactory to a Market operator in relation to its Market, for entering Orders into the Trading Platform through a Terminal.~~

**Other Regulated Entities** means entities prescribed by regulations made for the purposes of paragraph 798H(1)(c) of the Corporations Act, that must comply with these Rules.

**Participant** means:

- (a) in relation to a Market, a person who is allowed to directly participate in the market under the operating rules of the Market other than as a recognised affiliate; or
- (b) in relation to a clearing and settlement facility, a person who is allowed to directly participate in the facility under the facility's operating rules other than as a recognised affiliate.

**Prescribed Person** means, in relation to a Market Participant:

- (a) an Employee, a director, or a partner, of the Market Participant;
- (b) a Controller of the Market Participant or a related body corporate of that Controller;
- (c) the Immediate Family of a person referred to in paragraphs (a) or (b);
- (d) a Family Company and a Family Trust of a person referred to in paragraphs (a) to (c); and
- (e) where a Market Participant or a person referred to in paragraphs (a) to (d) is a body corporate, anybody corporate or other entity controlled by that body corporate.

**Pre-Commencement Market Integrity Rules** means:

- (a) the *ASIC Market Integrity Rules (ASX 24 Market) 2010*; and
- (b) the *ASIC Market Integrity Rules (FEX Market) 2013*.

**Pre-Opening Period**, in relation to a Market, has the meaning given by the operating rules of that Market.

**Pre-Opening Phase**, in relation to a Market, has the meaning given by the operating rules of that Market.

**Principal**, ~~when used in Chapter 5~~ in the context of a Market Participant trading on its own behalf “as Principal”, includes a reference to the Market Participant trading on its own behalf or on behalf of any of the following persons:

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

and does not include where the Market Participant or a related body corporate of the Market Participant is trading as a trustee of a trust in which that trustee has a beneficial interest in the trust of less than 5%, and all of that interest was acquired in lieu of receipt of fees for administering the trust.

**Principal Trader**, in relation to a Market, has the meaning given by the operating rules of that Market.

**Publicly Available Crossing System Information** has the meaning given by subrule 5.2.1(2).

**Related Party:**

- (a) in relation to a body corporate:
  - (i) has the meaning given by section 228 of the Corporations Act; or
  - (ii) means a Substantial Holder of the body corporate;
- (b) in relation to a trust, which is not a registered management investment scheme, means the management company, trustee and their related parties within the meaning of section 228 of the Corporations Act;
- (c) in relation to a trust which is a registered managed investment scheme, means the responsible entity and a related party of the responsible entity under section 228 of the Corporations Act, as modified by section 601LA of the Corporations Act;

- (d) in relation to a person, means:
- (i) his or her spouse, de facto spouse, parent, son, or daughter, or a spouse or de facto spouse of that person;
  - (ii) an entity over which one or more of the persons referred to in subparagraph (i) has control;
  - (iii) an entity that he or she controls, or its holding company or which is controlled by the holding company;
  - (iv) a person who acts, or proposes to act, in concert with anyone referred to above;
  - (v) a person who was a related party in the previous six months, or who would be a related party in the future, under the tests in section 228 of the Corporations Act (applied with any necessary adaptation).

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

**Responsible Market Operator** means:

- (a) in relation to an Equity Index Future:
  - (i) if offers to acquire or dispose of the Equity Index Future are made or accepted on only one Market, the operator of that Market; or
  - (ii) if offers to acquire or dispose of the Equity Index Future are made or accepted on more than one Market, the Market operator determined by ASIC in writing; and
- (b) in relation to ASX SPI 200 Futures, ASX 24.

Note: Instruments made under paragraph (a)(ii) are available on the Federal Register of Legislation. The register may be accessed at [www.legislation.gov.au](http://www.legislation.gov.au).

**Roll Business** means trading a position from the nearest delivery month to an equivalent position in a different delivery month.

**Rules** means these market integrity rules.

**Strategy Trade**, in relation to a Market, has the meaning given by the operating rules of that Market.

**Substantial Holder** when used in the definition of “Principal” in this Rule to refer to a Substantial Holder in a corporation, means a person who has or would have a substantial holding if Part 6C of the Corporations Act applied to that corporation.

~~**Terminal** means an automated Order entry interface through which an Order System routes Orders to the Trading Platform of a Market.~~

**TMX Market** means the financial market operated by TMX Australia Exchange Pty Limited ACN 129 584 667 under Australian Market Licence (Chi-X Australia Pty Ltd) 2011.

**Trading Algorithm** means a computer algorithm which automatically determines with limited or no human intervention, one or more parameters of an Order such as whether to

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initiate an Order, the timing, price or quantity of the Order or how to manage the Order after its submission, but does not include systems or processes used only:

- (a) for the purpose of routing Orders to one or more Trading Platforms;
- (b) for the submission of Orders involving no determination of any Order parameters;
- (c) for producing confirmations of Orders; or
- (d) for post-trade processing of executed transactions.

**Trading Day** for a Market means a day on which that Market is open for trading.

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

- (a) Orders may be entered, amended or cancelled on the Order Books of that Market; and
- (b) Orders are matched and transactions are executed on a continuous basis on that Market,

and includes a time during which an Auction is conducted on the Market.

**Trading Messages** means those messages submitted into a Trading Platform relating to trading functions, such as orders, amendment or cancellation of orders and the reporting or cancellation of Market transactions on the Trading Platform.

**Trading Participant**, in relation to a Market, has the meaning given by the operating rules of that Market.

**Trading Pause** means a period during which a 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 Platform** means a facility made available by a Market operator to Participants of that Market for the entry of Trading Messages, the matching of Orders, the advertisement of invitations to trade and the reporting of transactions.

**Trading Reset**, in relation to an Equity Index Future or ASX SPI 200 Future, means each of a Trading Pause, Trading Suspension, and the end of Trading Hours for the Equity Index Future or ASX SPI 200 Future.

**Trading Suspension** means a halt or suspension in trading on a Market pursuant to the exercise of a power by a Market operator under its operating rules during which Orders may not be matched or executed on the relevant Market, but does not include a halt or suspension caused by a technical problem (including a power outage) affecting the technical infrastructure used by the Market operator for the purposes of receiving Trading Messages, matching and executing Orders and reporting transactions.

**Trading System** means a system that registers Trading Messages for submission into a Trading Platform.

**Trading System Requirements** means the requirements of Part 2.2B.

**Underlying Physical** means the asset, instrument, index, reference rate or any other thing, excluding a Futures Market Contract, whose price movement determines the value of the Contract.

**Variation Margin** means the difference between the value of a Futures Market Contract or Option Contract as shown in the contract, and the value of that contract at any given time.

## Part 1.5 Participants of multiple Markets

### 1.5.1 Participants may rely on notifications

Where these Rules require a Market Participant to give to ASIC any document (however described) in relation to the Market Participant in relation to a Market, the Market Participant may give to ASIC the same document in relation to more than one Market, provided that:

- (a) the Market Participant has notified ASIC in writing that it intends to comply with these Rules by relying on that document, or on documents of that kind, in relation to each Market to which the document applies; and
- (b) the document contains all of the information that would be required to be in the document if it were given separately in relation to each Market.

## Part 1.6 Transitional

### 1.6.1 Status of notifications and certifications given by a Market Participant under the Pre-Commencement Market Integrity Rules

(1) This Rule applies if:

- (a) a Market Participant gave ASIC a written notification or certification under the Pre-Commencement Market Integrity Rules; and
- (b) the notification or certification has not been withdrawn or otherwise ceased to have effect; and
- (c) the power or obligation in the Pre-Commencement Market Integrity Rules to give the notification or certification is incorporated under a corresponding provision in these Rules.

(1A) For the purposes of this Rule, a provision (**old provision**) of the Pre-Commencement Market Integrity Rules corresponds to a provision (**new provision**) of these Rules (and vice versa) if the old provision and the new provision are substantially the same.

(1B) For the purposes of subrule (1A), differences of all or any of the following kinds are not sufficient to mean that two provisions are not substantially the same:

- (a) differences in the numbering of the provisions;
- (b) differences of a minor technical nature (for example, differences in punctuation, or differences that are attributable to the correction of incorrect cross-references);

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- (c) the fact that one of the provisions refers to a corresponding previous law and the other does not;
  - (d) other differences that are attributable to the fact that these Rules apply to more than one Market.
- (2) The notification or certification:
- (a) is taken to have been given to ASIC by the Market Participant under the corresponding provision in these Rules; and
  - (b) will continue in its existing form, and continue to have the same effect under these Rules, as when given under the Pre-Commencement Market Integrity Rules.

## Chapter 2: Market Participants

### Part 2.1 Notification

A Market Participant must notify ASIC as soon as practicable upon becoming aware that a Market operator or a regulatory agency is investigating or has instituted proceedings against it.

### Part 2.2 Supervision and risk management

#### 2.2.1 ~~Limits and connections~~

##### ~~(1) Limits~~

~~A Market Participant must demonstrate prudent risk management procedures including, but not limited to:~~

- ~~(a) set and document appropriate pre-determined Order and/or position limits on each of its Client Accounts, including a volume per Order limit, an aggregate loss limit and an aggregate net session limit, based on the Market Participant's analysis of the Clients' financial resources or other relevant factors;~~
- ~~(ab) set and document appropriate pre-determined Order and/or position limits on each of its House Accounts, including a volume per Order limit, an aggregate loss limit and an aggregate net session limit, based on the Market Participant's analysis of its financial resources or other relevant factors;~~
- ~~(b) set and document maximum price change limits;~~
- ~~(c) the limits determined in paragraphs (a), (ab) and (b) must be input by a Market Participant's risk manager into Trading Platform account maintenance and will be established as preset accounts;~~
- ~~(d) limit setting capability must exist in the Market Participant's Order System which reflects prudent account risk management and the Order System must have Order rejection capability where Orders are in excess of limit parameters set by the Market Participant;~~
- ~~(e) the Market Participant may amend the pre-determined Order and/or position limit based on the Market Participant's analysis of the Clients' financial resources (in the case of a Client Account) or its financial resources (in the case of a House Account) or other relevant factors;~~
- ~~(f) Orders in excess of the agreed pre-determined limits must be rejected by the Market Participant's Order System and may be rejected by the Trading Platform.~~

##### ~~(2) Connections~~

- ~~(a) A Market Participant who has permitted its Client to connect to a Terminal will be responsible under these Rules for any Orders entered through the Terminal by the Client.~~

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- ~~(ab) A Market Participant who has connected to a Terminal for the purposes of trading for a House Account will be responsible under these Rules for any Orders entered through the Terminal.~~
- ~~(b) ASIC may at any time by notice to a Market Participant, require a Market Participant to terminate a connection referred to in paragraph (a) or (ab) either generally or in relation to a particular individual, Client, system or device or class of system or device.~~
- ~~(c) As soon as a Market Participant receives notification under paragraph (b), it must promptly take all steps necessary to terminate such connection.~~

### ~~(3) Obligations prior to Client connection~~

~~Prior to permitting any Client to connect to a Terminal a Market Participant must:~~

- ~~(a) satisfy itself that the Client has the necessary skills, facilities and procedures to operate such a facility;~~
- ~~(b) satisfy itself that the Client understands the risks and obligations attached to the use of such a facility;~~
- ~~(c) ensure that each Order so placed, and any Order System complies with the Rules;~~
- ~~(d) provide appropriate controls on the connection of its Clients and its staff to such systems;~~
- ~~(e) provide appropriate controls on the access to passwords of its Clients and its staff to such systems; and~~
- ~~(f) ensure appropriate controls are implemented for the security of its Clients' premises and physical access of its Clients and its staff to such systems.~~

### ~~(4) Obligations in relation to proprietary connection~~

~~Prior to connecting to a Terminal for the purpose of trading for a House Account, and at all times while connected to a Terminal for the purpose of trading for a House Account, a Market Participant must:~~

- ~~(a) have the necessary skills, facilities and procedures to operate such a facility;~~
- ~~(b) understand the risk and obligations attached to the use of such a facility;~~
- ~~(c) ensure that each Order so placed, and any Order System, complies with the Rules;~~
- ~~(d) provide appropriate controls on the access to passwords of the Market Participant and its Employees to such systems; and~~
- ~~(e) ensure appropriate controls are implemented for the security of its premises and physical access of the Market Participant and its Employees to such systems.~~

## 2.2.2 Concentration of risk

- (1) A Market Participant other than a Principal Trader must not permit any one Client to represent such a percentage of the trading by the Market Participant as may prejudice or

diminish the ability of the Market Participant to meet its obligations under these Rules and at law.

(2) For the purposes of this Rule, **Client** includes all persons, partnerships and corporations related to, associated with or affiliated with the Client or otherwise financially dependent upon the Client.

### 2.2.3 Persons involved in the business—Good fame and character requirement

(1) A Market Participant must ensure that any Employee or other person who is or will be involved in the business of the Market Participant in connection with that Market and, in the case of a body corporate, each director or Controller, is of good fame and character and high business integrity having regard to subrule (2).

(2) In assessing whether a person is of good fame and character and high business integrity for the purpose of subrule (1):

- (a) a person will not be of good fame and character if he or she is disqualified from managing a corporation under the Corporations Act or under the law of another country, or is an insolvent under administration or its equivalent in another country; and
- (b) a person may not be of good fame and character or high business integrity if the person has been:
  - (i) convicted of any offence;
  - (ii) disciplined by or adversely mentioned in a report made by, or at the request of, any government or governmental authority or agency;
  - (iii) adversely mentioned in a report made by, or at the request of, a Market operator, a Clearing Facility, a Settlement Facility or any other exchange, market operator or clearing and settlement facility; or
  - (iv) disciplined by a Market operator, a Clearing Facility, a Settlement Facility or any other exchange, market operator or clearing and settlement facility.

Note: Market operators are subject to an equivalent rule (see: Part 4.4).

### 2.2.4 Order records for Client Orders and accounting records

#### ~~(1) Client Orders~~

~~A Market Participant, other than a Principal Trader, must maintain internal records of instructions received from Clients and trades executed for Clients for a period of not less than five years from the date of the trade, containing the following information:~~

- ~~(a) the nature of the instructions received, including information about: the commodity, the name of the Market, delivery Month, buy or sell, number of lots and price/limit;~~
- ~~(b) the Client name/account number and Client ID;~~
- ~~(c) the person who gave the instructions;~~

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- ~~(d) the time and date of receipt of the instructions, and the person who received the instructions;~~
- ~~(e) the time and date of transmission of the instructions, and the person who transmitted the instructions; and~~
- ~~(f) the time and date of execution of the instructions, the Market those instructions were executed on, and the person who executed the instructions.~~

## ~~(2) Proprietary Orders~~

~~A Market Participant must maintain records of its Representatives' trading for a House Account for a period of not less than five years from the date of a trade, containing the following information:~~

- ~~(a) the time and date of receipt of instructions;~~
- ~~(b) the nature of the instructions received;~~
- ~~(c) the person who received the instructions;~~
- ~~(d) the time and date of transmission of those instructions, and the person who transmitted the instructions; and~~
- ~~(e) the time and date of execution of those instructions, the Market those instructions were executed on and the person who executed the instructions.~~

## ~~(3) Error Trades~~

~~A Market Participant must maintain a separate record of all Error Trades for a period of not less than five years from the date of a trade, containing the following information:~~

- ~~(a) a description of the trade including the Market where the trade was executed and the deal number supplied by the relevant Market operator (if any);~~
- ~~(b) the name of the Representative responsible for the Error Trade;~~
- ~~(c) the name of the Representative responsible for the execution of the trade;~~
- ~~(d) a detailed explanation as to how the trade occurred, including details of the original Client Order (if any) which precipitated the error;~~
- ~~(e) any subsequent action taken by the Market Participant in relation to that trade; and~~
- ~~(f) the financial result of the trade.~~

## ~~(4) Accounting records~~

- ~~(a) A Market Participant must maintain such accounting records as correctly record and explain the transactions of the Market Participant and the financial position of the Market Participant.~~
- ~~(b) In relation to Calls, a Market Participant must at all times maintain such accounting records as accurately indicate in respect of each Call for Initial Margin or Variation Margin made upon Clients:
 
  - ~~(i) the date and time at which such Call was received;~~
  - ~~(ii) the amount of such Call;~~~~

~~(iii) the extent to which the Call was payable by reason of:~~

~~(A) trading undertaken by the Market Participant on its own account or an account of a related corporation; and~~

~~(B) trading undertaken by the Market Participant for Clients, so that the amount of any such Call is apportioned accordingly;~~

~~(iv) the extent to which the Call was met from:~~

~~(A) monies in the Clients' segregated account; and~~

~~(B) other sources (specifying those sources and the amount satisfied from each such source); and~~

~~(e) the date and time at which such Call was met.~~

(1) This Rule applies to a Market Participant, other than a Principal Trader, who receives an instruction to enter into a Market transaction on behalf of a person (the *Client*) whether or not a Trading Message corresponding to that instruction is entered into or matched on a Trading Platform of a Market.

(2) In addition to complying with the requirements of the Corporations Act to the extent that those requirements apply to dealing in the relevant Market, the Market Participant must maintain sufficiently detailed records showing the following:

(a) particulars of the instruction, including, without limitation:

(i) the financial product (including the Contract month) to be bought or sold;

(ii) the number thereof;

(iii) any price or time related aspect of the instruction; and

(iv) any time limit on the instruction;

(b) the name of the Client, account number and Client ID;

(c) if the Client did not give the instruction, the name of the person who gave the instruction;

(d) if applicable, the name and capacity of any Representative of the Market Participant who was nominated by the Market Participant as being responsible for the instruction (unless paragraph 2.2.4(2)(e) applies);

(e) if applicable, the name and capacity of any Representative of the Market Participant who:

(i) received the instruction;

(ii) entered the instruction into a Trading System;

(iii) submitted a Trading Message relating to the instruction into a Trading Platform; and

(iv) otherwise acted on the instruction.

(f) any amendment of any kind to the instruction or resulting Trading Message (including, without limitation, cancellation of the instruction or Trading Message, variation of the

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number of financial products to be bought or sold or variation of any price or time related aspect of the instruction or Trading Message);

- (g) if the instruction gives rise to a Trading Message, the Trading Message that corresponds to that instruction;
- (h) if the Trading Message referred to in paragraph 2.2.4(2)(g) gives rise to a Market transaction:
  - (i) the Market on which that Market transaction occurred; and
  - (ii) the Market transaction that corresponds to that Trading Message; and
- (i) the date and time at which each stage of processing of the instruction and any resulting Trading Message occurred, including but not limited to:
  - (i) the giving of the instruction;
  - (ii) the receiving of the instruction;
  - (iii) the entering of the instruction into a Trading System;
  - (iv) the submitting of a Trading Message relating to the instruction into a Trading Platform;
  - (v) the amendment of the instruction or Trading Message; and
  - (vi) the Market transaction resulting from a Trading Message.

#### **2.2.4A Order records for Proprietary Orders**

(1) This Rule applies to a Market Participant that makes a decision, or gives an instructions to, enter into a Market transaction for a House Account, whether or not the Market transaction is executed.

(2) The Market Participant must, in addition to complying with the requirements of the Corporations Act to the extent that those requirements apply to dealing in the relevant Market, maintain sufficiently detailed records showing:

- (a) particulars of the decision or instruction, including, without limitation:
  - (i) the financial products to be bought or sold;
  - (ii) the number thereof;
  - (iii) any price or time related aspect of the instruction or decision; and
  - (iv) any time limit on the instruction or decision;
- (b) if applicable, the name and capacity of any Representative of the Market Participant who:
  - (i) generated the instruction or made the decision;
  - (ii) entered the instruction into a Trading System; and
  - (iii) submitted a Trading Message relating to the instruction or decision into a Trading Platform;

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- (c) any amendment of any kind to the instruction or decision or resulting Trading Message (including, without limitation, cancellation of the instruction, decision or Trading Message, variation of the number of financial products to be bought or sold or variation of any price or time related aspects of the instruction or decision);
- (d) if the instruction or decision gives rise to a Trading Message, the Trading Message that corresponds to that instruction or decision;
- (e) if the Trading Message referred to in paragraph 2.2.4A(2)(d) gives rise to a Market transaction:
  - (i) the Market on which that Market transaction occurred; and
  - (ii) the Market transaction that corresponds to that Trading Message; and
- (f) the date and time at which each stage of processing of the instruction or decision and any resulting Trading Message occurred, including but not limited to:
  - (i) the giving of the instruction or making of the decision;
  - (ii) the entering of the instruction into a Trading System;
  - (iii) the submitting of a Trading Message relating to the instruction or decision into a Trading Platform;
  - (iv) the amendment of the instruction, decision or Trading Message; and
  - (v) the Market transaction resulting from the Trading Message.

### **2.2.4B Order records for Error Trades**

A Market Participant must maintain a separate record of all Error Trades containing the following information:

- (a) a description of the trade including the Market where the trade was executed and the deal number supplied by the relevant Market operator (if any);
- (b) the name of the Representative responsible for the Error Trade;
- (c) the name of the Representative responsible for the execution of the trade;
- (d) a detailed explanation as to how the trade occurred, including details of the original Client Order (if any) which precipitated the error;
- (e) any subsequent action taken by the Market Participant in relation to that trade; and
- (f) the financial result of the trade.

### **2.2.4C Order records for accounting records**

(1) A Market Participant must maintain accounting records that correctly record and explain the transactions of the Market Participant and the financial position of the Market Participant.

(2) In relation to Calls, a Market Participant must at all times maintain accounting records that accurately record, in respect of each Call for Initial Margin or Variation Margin made upon Clients:

- (a) the date and time at which the Call was received;
- (b) the amount of the Call;
- (c) the extent to which the Call was payable by reason of:
  - (i) trading undertaken by the Market Participant on its own account or an account of a related corporation; and
  - (ii) trading undertaken by the Market Participant for Clients, so that the amount of any such Call is apportioned accordingly;
- (d) the extent to which the Call was met from:
  - (i) monies in the Clients' segregated account; and
  - (ii) other sources (specifying those sources and the amount satisfied from each such source); and
- (e) the date and time at which the Call was met.

#### **2.2.4D Order records to be made immediately**

- (1) A Market Participant must make the records referred to in Rules 2.2.4, 2.2.4A and 2.2.4C immediately after the event to which they relate.
- (2) A Market Participant must, for each paragraph of Rule 2.2.4B, make a record of the information as soon as practicable after an error trade is identified or, if that information is not then available, as soon as practicable after the information becomes available.

#### **2.2.4E Order records to be retained for prescribed period**

A Market Participant must retain the records referred to in Rules 2.2.4, 2.2.4A, 2.2.4B and 2.2.4C for seven years from the date the record is made.

### **2.2.5 Client documentation**

(1) Subject to subrule (2), a Market Participant must have in force, prior to the commencement of trading for a Client, a duly signed agreement with that Client, containing minimum terms to the following effect:

- (a) Client to provide information

In relation to the Client's trading on a Market, the Client will upon the Market Participant's request, provide all information and documentation relevant to that trading, to the Market Participant and the Market Participant is authorised by the Client to provide the information and documentation to ASIC.

- (b) Margins

Unless the Market Participant is performing executing business only and the Client has an agreement in place with a Clearing Participant for the Market where the Client's trading will occur, or is otherwise exempted under these Rules, an acknowledgment by the Client that:

- (i) the Market Participant may Call for payment of Margin such money or property (or Call for the lodgement of Approved Securities in lieu thereof) as the Market Participant, in its absolute discretion, feels is necessary to protect itself from the personal obligation incurred by dealing in Contracts on behalf of the Client;
- (ii) should the Client fail to meet the Call (or lodge Approved Securities) then the Market Participant may (without prejudice to any other rights or powers under the agreement) and without creating an obligation to do so, Close Out, without notice, all or some of the Client's Contracts;
- (iii) the time for payment of Margins is of the essence and if no other time is stipulated by the Market Participant prior to Calling a Margin then the Client is required to comply within 24 hours;
- (iv) liability to pay the Initial Margin accrues at the time the trade is executed regardless of when a Call is made;
- (v) liability to pay Variation Margin accrues at the time the Margin comes into existence regardless of when a Call is made; and
- (vi) the Client is responsible to pay in cash any deficit owing to the Market Participant after closure and that if the Client defaults in payment of such deficit, the Market Participant may realise any securities held by the Market Participant and apply the proceeds against that deficiency.

(c) Tape recordings

An acknowledgment by the Client that the Client's telephone conversations with the Market Participant can be recorded by the Market Participant. The Client is to be given the right to listen to any recording in the event of a dispute or anticipated dispute.

(d) Right to refuse to deal

An acknowledgment by the Client that the Market Participant reserves the right to refuse to deal on behalf of the Client in relation to any dealings in Contracts (other than Closing Out existing Open Positions held in the Market Participant's account on behalf of the Client) or limit the number of Open Positions held on behalf of the Client or both. The Market Participant will inform the Client of any refusal at or before the time of the Client placing the Order or as soon as possible thereafter.

(e) Termination and Closing Out

An acknowledgment that:

- (i) without affecting any existing obligations or liabilities, either the Client or the Market Participant may terminate the agreement at any time by giving the other notice in writing to that effect; and
- (ii) upon termination of the Client agreement that unless otherwise agreed in writing the Market Participant will Close Out all the Client's Futures Market Contracts and Close Out, abandon or exercise any Options not yet exercised.

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**(2) Exception**

Subrule (1) does not apply:

- (a) to a Principal Trader;
- (b) where the Client is another Market Participant of the same Market, and the operating rules of the relevant Market provide that an agreement containing the terms of subrule (1) is deemed to have been entered and come into effect immediately upon the Market Participant accepting the first instruction from the Client to enter a Contract; or
- (c) where the Market Participant is performing execution business only and has an agreement in place with the Client that incorporates the provisions set out in the International Uniform Brokerage Execution Services (“Give-Up”) Agreement 2008 (both client and trader versions).

**2.2.6 Clients’ segregated account obligations**

A Market Participant, who holds Client monies, must comply with the following:

- (a) Client money
  - (i) All money received by the Market Participant from its Clients or by a person acting on behalf of the Client under these Rules or the operating rules of a Market must be deposited in an account maintained by the Market Participant and designated as a Clients’ segregated account.
  - (ii) If the account is operated outside Australia and the law in force in the jurisdiction where it is maintained requires the account to be designated in a particular way, the Market Participant must designate the account in that way.
  - (iii) Where omnibus accounts are operated by a Market Participant (e.g. on behalf of another broker), a House Account and Client Account are to be maintained separately at all levels in the chain to the clearing and settlement facility level.
  - (iv) A Market Participant must not net off the Client Account against the House Account.
- (b) Type of money to be paid into an account

Only the following monies are permitted to be paid into a Clients’ segregated account:

- (i) all money received by the Market Participant from its Client or by a person acting on behalf of its Client;
- (ii) interest on the amount from time to time standing to the credit of the account;
- (iii) interest or other similar payments on an investment, and the proceeds of the realisation of an investment; and
- (iv) any other money as required by the Rules or operating rules of a Market or the law to be paid by the Market Participant into a Clients’ segregated account.

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## (c) When money must be paid into an account

The money must be paid into a Clients' segregated account on the day it is received by the Market Participant, or on the next business day.

## (d) Permitted withdrawal

Withdrawals from a Clients' segregated account made in any of the following circumstances are permissible:

- (i) paying Margins and the settling of dealings;
- (ii) making a payment to, or in accordance with the written direction of, a person entitled to the money;
- (iii) defraying brokerage and other proper charges;
- (iv) paying to the Market Participant money to which the Market Participant is entitled, whether at law or under the Rules or under the operating rules of the Market where the Futures Market Contract or Option Contract was acquired, entered into or disposed of for the Client; and
- (v) making a payment that is otherwise authorised by law.

## (e) Payment to another Australian financial services licensee

- (i) If payment referred to in subparagraph (ii) is made by a Market Participant to the holder of an Australian financial services licence, the Market Participant must ensure that Australian financial services licensee is notified, at the same time as the payment is made or as soon as practicable after, that the money:

- (A) has been withdrawn from an account of the Market Participant maintained for this Rule; and
- (B) should be paid into an account of the Australian financial services licensee maintained for this Rule.

- (ii) If the Australian financial services licensee who receives the payment in subparagraph (i) is also a Market Participant, it must, not later than the day after it receives the payment, pay the money received into an account maintained by it for this Rule.

## (f) Requirement to deposit additional monies in Clients' segregated account

- (i) Where five clear business days (inclusive of the day of the Call) after a Call has been made on a Client for Initial Margin or Variation Margin in accordance with the operating rules of the Market where the Futures Market Contract or Option Contract was acquired or entered into, or such Call should have been made in accordance with those operating rules, the Call which was or should have been made has not been satisfied by payment of monies into a Clients' segregated account or lodgement of Cover, then the Market Participant must pay into the Clients' segregated account an amount of money not less than either:
  - (A) the liability of the Client under such a Call; or

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- (B) the amount which the Market Participant would be obliged to Call the Client on the day after five clear business days (inclusive of the day of the Call) have elapsed,
  - (C) whichever is the lesser.
- (ii) Subject to paragraph (f) such monies may only be withdrawn in accordance with paragraph (d) and only after such monies have been received by the Market Participant.
- (iii) The Market Participant must pay into the Clients' segregated account after five clear business days, any amount (which has not been met by the Client), which arises as a result of debit balances of a Client resulting from realised losses or otherwise.

(g) Prohibited agreements

A Market Participant is prohibited from making any agreement with a Client that the Client's money is not to be held or does not need to be held in a segregated account for the benefit of the Client.

(h) Permissible investments

Where a Market Participant invests money from a Clients' segregated account, the following kinds of investments may be made:

- (i) investment in any manner in which trustees are for the time being authorised by law to invest trust funds;
  - (ii) investment on deposit with an eligible money market dealer;
  - (iii) investment on deposit at interest with:
    - (A) an Australian ADI; or
    - (B) an Approved Foreign Bank;
  - (iv) the acquisition of cash management trust interests;
  - (v) investment in a security issued or guaranteed by the Commonwealth or a State or Territory;
  - (vi) investment on deposit with a licensed clearing and settlement facility; or
  - (vii) an investment in accordance with the specific direction of a Client.
- (i) Monies invested

Where a Market Participant invests money from a Clients' segregated account then:

- (i) the Market Participant must, prior to investing any amount, obtain the Client's written agreement to the following matters:
    - (A) the making of the investment;
    - (B) how earnings on the investment are to be dealt with;
    - (C) how the realisation of the investment is to be dealt with;
    - (D) how any losses made on the investment are to be dealt with; and

- (E) the fee (if any) that the Market Participant proposes to charge for the investment; and
- (ii) such investment must be readily realisable and no less than 50% of monies invested must be on 24-hour call.
- (j) Separation of Market Participants' trading liabilities from Clients' trading liabilities  
A Market Participant must not use a Clients' segregated account to meet any Initial Margin or Variation Margin liabilities which relate to trading by that Market Participant on its own behalf or on behalf of a related corporation.
- (k) Accounting records for withdrawals  
A Market Participant must at all times maintain such accounting records as accurately indicate each withdrawal from a Clients' segregated account.
- (l) Definition of Client  
For the purposes of this Rule, **Client** excludes a related body corporate or a division of the Market Participant.
- (m) Property
  - (i) For the purposes of paragraph (m), **property** includes credit facilities and securities.
  - (ii) On the receipt of property, a Market Participant must:
    - (A) deposit the property in safe custody on or before the next business day after the property is received or deposited;
    - (B) create and maintain the following records:
      - (I) date property received/deposited in safe custody; and
      - (II) particulars of the property so deposited.
  - (iii) A Market Participant must keep Client property segregated from the Market Participant's own property and Market Participants must be able to liquidate Client property as soon as practicable when required.
  - (iv) A Market Participant must not use property held in safe custody to satisfy a Market Participant's debt.

## 2.2.7 Mandatory recording of information by Market Participants

- (1) Recording by Market Participant
  - (a) A Market Participant dealing with Clients must record, via telephone lines and/or other electronic device, at its own expense, all conversations with Clients and other parties relating to Client instructions.
  - (b) A Market Participant must ensure that internal desks transmit all Orders to the futures desks in such a way that instructions are recorded via a telephone line or other electronic device.

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- (c) Should circumstances arise where a Client has placed instructions in a manner where there is no electronic or other record, a Market Participant must ensure that the Client's instructions are recorded in some manner.
- (d) Recordings and records maintained under this Rule must be retained for a minimum three month period.
- (e) Where a Representative of a Market Participant having the relevant conversation is doing so from outside Australia, under an arrangement whereby the Market Participant arranges for other Representatives of the global group to take Orders on behalf of the Market Participant during certain hours each Trading Day (rolling the book), the Market Participant must maintain recordings and records for the period which is customary for regulated intermediaries conducting similar trades in that jurisdiction to retain such records.
- (f) A Market Participant must ensure that all equipment used to record, including electronic devices, is functional at all times.
- (g) For the purposes of this Rule in respect of a Market Participant which is a corporation, a **Client** includes a related body corporate or a division of the Market Participant—which is separate from the Market Participant's futures division.

## 2.2.8 Supervisory procedures

A Market Participant must have appropriate supervisory policies and procedures to ensure compliance by the Market Participant and each person involved in its business as a Market Participant with these Rules, the operating rules of each Market of which it is a Participant, and the Corporations Act.

## 2.2.9 Disclosure statement—Overseas clearing and settlement facility

(1) A Participant of a Market whose operator has clearing and settlement arrangements for transactions effected through the Market with a clearing and settlement facility licensed under subsection 824B(2) of the Corporations Act (***overseas clearing and settlement facility***) must disclose to each Client of the Participant located in Australia, before accepting the first order from the Client to enter into a transaction on the Market that will be cleared and settled by the overseas clearing and settlement facility, the differences between the Clients' transactions being cleared and settled by the overseas clearing and settlement facility and a clearing and settlement facility licensed under subsection 824B(1) of the Corporations Act, including, but not limited to, the following:

- (a) the foreign country where the operator of the overseas clearing and settlement facility has its principal place of business, and that the foreign clearing and settlement facility is regulated primarily under the regulatory regime of that foreign country; and
- (b) that the rights and remedies of investors whose transactions are cleared and settled through the overseas clearing and settlement facility may differ from the rights and remedies of investors whose transactions are cleared and settled by a clearing and settlement facility licensed under subsection 824B(1) of the Corporations Act.

(2) Where a Participant is required to make disclosure to a Client under subrule (1) the Participant must obtain written acknowledgment from that Client that the disclosure required under subrule (1) has been made to it.

(3) A Participant must keep a record of each disclosure made under subrule (1) and each Client acknowledgment under subrule (2) for a period of five years.

## **Part 2.2A Participant's trading management arrangements**

### **2.2A.1 Responsibility of Trading Participant for Trading Messages**

(1) If a Trading Message embedded with a Trading Participant's unique identifier is submitted in a Trading Platform, the Trading Message is taken for all purposes under these Rules to have been submitted in the Trading Platform by or with the knowledge of the Trading Participant.

(2) A Trading Participant must ensure that a Representative of the Trading Participant that submits a Trading Message into a Trading Platform:

- (a) has written authorisation from the Trading Participant to do so;
- (b) is suitably qualified and experienced to perform that function; and
- (c) has demonstrated to the Trading Participant knowledge of the Dealing Rules governing the process of dealing and reporting Market transactions on the Trading Platform of that Market, and the relevant practices of the operator of that Market.

(3) A Trading Participant is responsible for the accuracy of the details of all Trading Messages containing the Trading Participant's unique identifier that are submitted into a Trading Platform.

### **2.2A.2 Organisational and technical resources**

A Trading Participant must have and maintain the necessary organisational and technical resources to ensure that:

- (a) Trading Messages submitted by the Trading Participant do not interfere with:
  - (i) the efficiency and integrity of a Market; or
  - (ii) the proper functioning of a Trading Platform; and
- (b) the Trading Participant complies at all times with these Rules and the operating rules of all Markets of which it is a Trading Participant.

### **2.2A.3 Limits for Client and House Accounts**

(1) A Trading Participant must:

- (a) have for each of its Client Accounts, appropriate limits based on the Market Participant's analysis of the Clients' financial resources or other relevant factors; and

(b) record any changes to the limits in paragraph (1)(a).

(2) A Trading Participant must:

(a) have for each of its House Accounts, appropriate limits based on the Market Participant's analysis of its financial resources or other relevant factors; and

(b) record any changes to the limits in paragraph (2)(a).

(3) A Trading Participant must maintain records of the matters referred to in subrules (1) and (2) for a period of seven years.

## **Part 2.2B Trading System Requirements**

### **2.2B.1 Responsible use of a Trading System**

A Trading Participant must at all times ensure that use of its Trading System does not interfere with:

(a) the efficiency and integrity of a Market;

(b) the proper functioning of any Trading Platform; or

(c) the efficiency and integrity of any Crossing System operated by the Trading Participant.

### **2.2B.2 Trading System controls and arrangements requirements**

(1) Without limiting any other rule, in relation to a Trading System, a Trading Participant must have in place appropriate controls and arrangements, including the following:

(a) controls to prevent Trading Messages being submitted into a Trading Platform that interfere with the efficiency and integrity of the relevant Market or the proper functioning of that Trading Platform, including but not limited to having automated filters, filter parameters and processes to record any changes to the filters or filter parameters;

(b) security arrangements to monitor for and prevent unauthorised persons having access to a Trading System;

(c) controls, including automated controls, that enable immediate suspension, limitation or prohibition of trading in respect of:

(i) one or more Authorised Persons or clients;

(ii) the operation of one or more Trading Algorithms used by the Trading Participant;

(iii) one or more financial products;

(iv) one or more Markets;

(v) one or more Trading Systems;

(d) controls that enable immediate:

(i) suspension of, limitation of, or prohibition on, the entry into a Market of Trading Messages in a series of related Trading Messages where the Trading Participant has

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identified that Trading Messages in the series have entered a Market and have interfered with or are likely to interfere with the efficiency or integrity of the relevant Market;

- (ii) cancellation of Trading Messages in a series that have already entered a Market where the entry of further messages in the series has been suspended, limited or prohibited under subparagraph (i);
- (iii) suspension of, limitation of, or prohibition on, the entry into any Crossing System operated by the Trading Participant of Orders in a series of related Orders where the Trading Participant has identified that Orders in the series have entered the Crossing System operated by the Trading Participant and have interfered with or are likely to interfere with the efficiency or integrity of the Crossing System; and
- (iv) cancellation of Orders in a series that have already entered a Crossing System operated by the Trading Participant where the entry of further Orders in the series has been suspended, limited or prohibited under subparagraph (iii).

(2) A Trading Participant must at all times have direct control over all its- Trading System controls required under subrule (1)(a).

### **2.2B.3 Monitoring and surveillance of trading activity**

(1) A Trading Participant must have in place adequate monitoring systems that enable the Trading Participant to immediately identify a Trading Message or series of Trading Messages that are likely to interfere or have interfered with the efficiency or integrity of a Market, or the proper functioning of a Trading Platform.

(2) A Trading Participant must have in place adequate post-trade surveillance arrangements that enable the Trading Participant to identify as soon as possible a Trading Message or series of Trading Messages that may have created, or may have been intended to create, the appearance described in Rule 3.1.2, having regard to the matters set out in Rule 3.1.2A.

(3) A Trading Participant must maintain records of Trading Messages identified under subrule (1) or (2) and any measures taken in respect of those Trading Messages, for a period of seven years from the date of the relevant Trading Message.

### **2.2B.4 Responsibility and testing of Trading Algorithms**

(1) Without limiting any other rule, a Trading Participant must have appropriate controls and governance arrangements (including written procedures) for the development, testing, approval, deployment and monitoring of all Trading Algorithms used by the Trading Participant or that the Trading Participant makes available to a client.

(2) For the purposes of subrule (1), a Trading Participant must ensure that before it:

- (a) uses a Trading Algorithm for the first time; or
- (b) first makes a Trading Algorithm available to any client; or
- (c) makes a material change to a Trading Algorithm.

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the Trading Participant takes reasonable steps to test that the Trading Algorithm will not interfere with the efficiency and integrity of a Market, or any Crossing System operated by the Trading Participant or the proper functioning of a Trading Platform.

(3) For the purposes of subrule (1) and (2), the development and testing of the Trading Algorithm should be conducted by persons who are suitably qualified to do so.

(4) A Trading Participant must maintain records that demonstrate compliance with –subrules (1) and (2) for a period of seven years.

### **2.2B.5 Review and testing of documentation and systems prior to use of a Trading System**

(1) Before using a Trading System in relation to a Market, a Trading Participant must review the Trading System for the relevant Market (*Initial Certification Review*) as required under this Rule.

(2) For the purposes of subrule (1), the Initial Certification Review must include:

- (a) assessment of whether the Trading Participant’s controls, arrangements and resources in relation to the Trading System enable the Trading Participant to comply with Rule 2.2A.2 and Part 2.2B of these Rules;
- (b) review of the Trading Participant’s policies, procedures, system design documentation, and other relevant documentation in relation to the Trading System;
- (c) review of the Trading Participant’s policies, procedures and other relevant documentation for implementation of changes to the Trading System; and
- (d) testing of the Trading Participant’s controls, arrangements and resources in relation to the Trading System.

(3) A Trading Participant must ensure the Initial Certification Review is conducted by a person who is suitably qualified and experienced to review the Trading Participant’s controls, arrangements and resources relating to the Trading System.

(4) A Trading Participant must document and retain records for a period of at least seven years relating to:

- (a) the methodology, scope and results of the Initial Certification Review; and
- (b) any recommended changes applied to the controls, arrangements and resources relating to the Trading System as a result of the Initial Certification Review.

### **2.2B.6 Initial Certification of a Trading System**

(1) Before using a Trading System in relation to a Market, a Trading Participant must, for the relevant Market:

- (a) give a written certification (Initial Certification) to ASIC that includes the matters set out in subrule (2); and

- (b) receive a written confirmation from ASIC that the Initial Certification complies with subrule (2).

(2) The Initial Certification given by the Trading Participant to ASIC must include:

- (a) the name of the Trading Participant;
- (b) the version number and name of the Trading Participant's Trading System;
- (c) the Market to which the Initial Certification relates;
- (d) whether or not the Trading System permits a client of the Trading Participant to enter Orders into the Participant's Trading System;
- (e) a statement by the Trading Participant whether the Trading Participant has performed the Initial Certification Review required by Rule 2.2B.5;
- (f) a statement whether the Trading Participant has in place organisational and technical resources, arrangements and controls in relation to the Trading System that meet the requirements of Rules 2.2A.2 and 2.2B.2 for the relevant Market; and
- (g) a statement by at least one officer of the Trading Participant who has responsibility for a function of the Trading Participant's business that uses the Trading System (*responsible officer*) that the information provided in the Initial Certification in relation to (a) to (f) above is accurate, the name and position of each responsible officer providing the statement, and the date the responsible officer made the statement.

### 2.2B.7 Further certification

(1) A Trading Participant must, if directed by ASIC in writing to do so, provide a further certification for a Market from an appropriately qualified person acceptable to ASIC as to compliance by the Trading Participant with the Trading System Requirements for the relevant Market.

(2) A Trading Participant must comply with a direction under subrule (1) within the time specified in the direction.

### 2.2B.8 Material Change Review of Trading System

(1) Before making a material change (*Material Change*) to a Trading System in relation to a Market or to the controls, arrangements and resources in relation to that Trading System, a Trading Participant must:

- (a) review (*Material Change Review*) the Material Change as required under this Rule; and
- (b) make a written statement upon completion of the Material Change Review by at least one officer who has responsibility for a function of the Trading Participant's business that uses the Trading System (*responsible officer*) that the Trading Participant's controls, arrangements and resources in relation to the Material Change enable the Trading Participant to comply with Rule 2.2A.2 in relation to the Trading System and Part 2.2B of these Rules, for the relevant Market, and the name and position of each

responsible officer providing the statement, and the date the responsible officer made the statement.

(2) For the purposes of paragraph (1)(a), if the Material Change is implemented, the Material Change Review must include:

- (a) assessment of whether the Trading Participant's controls, arrangements and resources relating to or impacted by the Material Change in relation to the Trading System enable the Trading Participant to comply with Rule 2.2A.2 and Part 2.2B of these Rules;
- (b) review of the Trading Participant's policies, procedures, system design documentation and other relevant documentation relating to or impacted by the Material Change;
- (c) review of the Trading Participant's policies, procedures and other relevant documentation for implementation of the Material Change; and
- (d) testing of the Trading Participant's controls, arrangements and resources in relation to the Material Change.

(3) A Trading Participant must ensure the Material Change Review is conducted by a person who is suitably qualified and experienced to review the Trading Participant's controls, arrangements and resources relating to the Trading System.

(4) A Trading Participant must document and retain records for a period of at least seven years relating to:

- (a) the methodology, scope and results of the Material Change Review; and
- (b) any recommended changes in relation to the Material Change applied to the Trading Participant's controls, arrangements and resources as a result of the Material Change Review.

### **2.2B.9 Annual Review of Trading System**

(1) After a Trading Participant begins using a Trading System in relation to a Market, the Trading Participant must review (*Annual Review*) the Trading System at least once every 12 months unless the Trading Participant has performed a Material Change Review in that period.

(2) For the purposes of subrule (1), the Annual Review must include an assessment of whether the Trading Participant's controls, arrangements and resources in relation to the Trading System enable the Trading Participant to comply with Rule 2.2A.2 and Part 2.2B of these Rules and as necessary involve:

- (a) review of the Trading Participant's policies, procedures, system design documentation, and other relevant documentation in relation to the Trading System;
- (b) review of the Trading Participant's policies, procedures and other relevant documentation for implementation of changes to the Trading System; and
- (c) testing of the Trading Participant's controls, arrangements and resources in relation to the Trading System.

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(3) A Trading Participant must ensure the Annual Review is conducted by a person who is suitably qualified and experienced to review the Trading Participant's controls, arrangements and resources relating to the Trading System.

(4) Where a Trading Participant performs an Annual Review of a Trading System, the Trading Participant must make a written statement within 20 business days upon completion of the Annual Review from at least one officer who has responsibility for a function of the Trading Participant's business that uses the Trading System (*responsible officer*) about whether the Trading Participant has complied with the Trading Participant's obligations in this rule and the name and position of each responsible officer providing the statement, and the date the responsible officer made the statement.

(5) A Trading Participant must document and retain records for a period of at least seven years relating to:

- (a) the methodology, scope and results of the Annual Review; and
- (b) any recommended changes in relation to the Annual Review applied to the Trading Participant's controls, arrangements and resources as a result of the Annual Review.

## **2.2B.10 ASIC direction to limit trading**

(1) This Rule applies where ASIC reasonably considers that:

- (a) a Trading Participant is not complying with the Trading System Requirements in relation to one or more Markets; or
- (b) it is otherwise appropriate to direct a Trading Participant to take the actions referred to in subrule (2).

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

- (a) cease the submission of all or a class of Trading Messages into a Trading Platform in relation to one or more Markets until ASIC is satisfied that the Trading Participant complies with the Trading System Requirements for the relevant Market; or
- (b) immediately suspend, limit or prohibit the submission of all or a class of Trading Messages into one or more Trading Platforms in respect of:
  - (i) one or more Authorised Persons or clients;
  - (ii) one or more financial products;
  - (iii) one or more Markets; or
  - (iv) the operation of one or more Trading Algorithms used by a Trading Participant,

as required by the direction.

## Part 2.3 Account reconciliation obligations

### 2.3.1 Application of Part

(1) This Part applies to a Market Participant who holds Client monies.

(2) For the purposes of this Part:

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

**ASX Clear** means ASX Clear Pty Limited.

**Client** excludes a related body corporate or a division of the Market Participant.

**Clients' Segregated Account at Bank** means the Total Third Party Client Monies held in the clients' segregated account relating to futures contracts traded on any exchange.

**Deposits with a Clearing Participant of FEX** means the total amount of third-party client funds paid to a Clearing Participant for the FEX Market in relation to transactions in futures contracts.

**Deposits with an Overseas Broker** means the total amount of third-party client funds lodged with an Overseas Broker in relation to transactions in futures contracts.

**Deposits with a Participant of ASX** means the total amount of third-party client funds paid to a Participant of the ASX Market in relation to transactions in futures contracts.

**Deposits with a Participant of ASX 24** means the total amount of third-party client funds paid to a Participant of the ASX 24 Market.

**Deposits with a Participant of ASX Clear** means the total amount of third-party client funds paid to a Participant of ASX Clear in relation to transactions in futures contracts.

**Deposits with a Participant of ASX Clear (Futures)** means the total amount of third-party client funds paid to a Participant of ASX Clear (Futures) in relation to transactions in futures contracts.

**Deposits with a Participant of FEX** means the total amount of third-party client funds paid to a Participant of the FEX Market.

**Deposits with ASX Clear (Futures) Client Account** means the total amount of third-party client funds, including margin amounts, lodged with ASX Clear (Futures) in relation to transactions in futures contracts.

**Deposits with FEX Clearer Client Account** means the total amount of third-party client funds, including margin amounts, lodged for transactions in futures contracts effected through the FEX Market with the clearing and settlement facility with which the FEX Market operator has clearing and settlement arrangements.

**Director/Employee Monies** means, in respect of transactions in futures contracts dealt on any exchange, the total amount of money received from:

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- (a) any director, or officer, of the Market Participant; and
- (b) any employee of the Market Participant.

**Overseas Broker** means a broker whose principal place of business is located outside Australia.

**Total Deposits** means:

- (a) in Rule 2.3.2, the sum of subparagraphs 2.3.2(2)(c)(i)–(xii); and
- (b) in Rule 2.3.3, the sum of subparagraphs 2.3.3(3)(c)(i)–(xii).

**Total Futures Client Monies** means the total amount of money received from Clients in respect of transactions in futures contracts, including amounts relating to futures contracts traded on any exchange.

**Total Third Party Client Monies** means Total Futures Client Monies less Director/Employee Monies.

**Variation** means Total Third Party Client Monies less Total Deposits.

## 2.3.2 Daily reconciliation of client funds

(1) A Market Participant must perform an accurate reconciliation, by 7.00 pm on the business day after the business day to which the reconciliation relates, of the aggregate balance held by it at the close of business on each business day in clients' segregated accounts maintained under Rule 2.2.6 and the corresponding balance as recorded in the Market Participant's accounting records.

(2) Each reconciliation referred to in subrule (1) must set out:

- (a) the date to which the reconciliation relates;
- (b) for both the day of the reconciliation and the prior day, the dollar amounts of:
  - (i) Total Futures Client Monies;
  - (ii) Director/Employee Monies; and
  - (iii) Total Third Party Client Monies;
- (c) for both the day of the reconciliation and the prior day, the dollar amounts of:
  - (i) Clients' Segregated Account at Bank;
  - (ii) Deposits with ASX Clear (Futures) Client Account;
  - (iii) Deposits with FEX Clearer Client Account;
  - (iv) Deposits with ASX Clear Client Account;
  - (v) Deposits with a Clearing Participant of FEX;
  - (vi) Deposits with a Participant of ASX Clear (Futures);
  - (vii) Deposits with a Participant of FEX;
  - (viii) Deposits with a Participant of ASX Clear;
  - (ix) Deposits with a Participant of ASX 24;

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- (x) Deposits with a Participant of ASX;
- (xi) Deposits with an Overseas Broker; and
- (xii) funds invested in accordance with section 981C(a) of the Corporations Act; and
- (xiii) Total Deposits;
- (d) the dollar amount of the Variation for both the day of the reconciliation and the prior day;
- (e) the percentage amount of the Variation for both the day of the reconciliation and the prior day;
- (f) an explanation of the reason for a Variation, if the dollar amount of the Variation is more than, or less than, zero; and
- (g) where the movement in Total Futures Client Monies is greater than 20% from the prior day, an explanation of the reason.

### 2.3.3 Monthly reconciliation of clients' funds

(1) A Market Participant must perform an accurate reconciliation, of the aggregate balance held by it at the close of business on the last business day of each calendar month in clients' segregated accounts maintained under Rule 2.2.6 and the corresponding balance as recorded in the Market Participant's accounting records.

(2) Each reconciliation referred to in subrule (1) must be given to ASIC by the last business day of the calendar month following the calendar month to which the reconciliation relates.

(3) Each reconciliation referred to in subrule (1) must set out:

- (a) the date to which the reconciliation relates;
- (b) for both the last business day of the month of the reconciliation and the last business day of the prior month, the dollar amounts of:
  - (i) Total Futures Client Monies;
  - (ii) Director/Employee Monies; and
  - (iii) Total Third Party Client Monies;
- (c) for both the last business day of the month of the reconciliation and the last business day of the prior month, the dollar amounts of:
  - (i) Clients' Segregated Account at Bank;
  - (ii) Deposits with ASX Clear (Futures) Client Account;
  - (iii) Deposits with FEX Clearer Client Account;
  - (iv) Deposits with ASX Clear Client Account;
  - (v) Deposits with a Clearing Participant of FEX;
  - (vi) Deposits with a Participant of ASX Clear (Futures);

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- (vii) Deposits with a Participant of FEX;
  - (viii) Deposits with a Participant of ASX Clear;
  - (ix) Deposits with a Participant of ASX 24;
  - (x) Deposits with a Participant of ASX;
  - (xi) Deposits with an Overseas Broker;
  - (xii) funds invested in accordance with paragraph 981C(a) of the Corporations Act; and
  - (xiii) Total Deposits;
- (d) the dollar amount of the Variation for both the last business day of the reconciliation and the last business day of the prior month;
  - (e) the percentage amount of the Variation for both the last business day of the month of the reconciliation and the last business day of the prior month;
  - (f) an explanation of the reason for a Variation, if the dollar amount of the Variation is more than, or less than, zero; and
  - (g) where the movement in Total Futures Client Monies is greater than 20% from the last business day of the prior month, an explanation of the reason.
- (4) Each reconciliation created for the purposes of this Rule must contain a statement signed by a director or a person authorised in writing by a director, stating that the signatory believes, and has no reason not to believe, that the reconciliation is accurate in all respects.

#### 2.3.4 Obligation to notify ASIC about daily reconciliation

A Market Participant must notify ASIC, in writing, within two business days if:

- (a) a reconciliation required to be performed under Rule 2.3.2 has not been performed in accordance with Rule 2.3.2;
- (b) according to a reconciliation performed under Rule 2.3.2, Total Deposits is less than Total Third Party Client Monies; or
- (c) if it is unable to reconcile its clients' segregated accounts under Rule 2.3.2.

#### 2.3.5 Annual declarations for clients' funds

(1) A Market Participant must prepare and give to ASIC within three months of the end of the financial year of the Market Participant:

- (a) a directors' declaration containing the information set out in Form 1 Part 1 of these Rules, authorised in the manner specified in subrule (2); and
- (b) an auditor's report containing the information set out in Form 1 Part 2 of these Rules, signed by a partner or director of the audit firm.

(2) For the purposes of this Rule, a directors' declaration must be authorised by:

- (a) two directors of the Market Participant whose names appear in the declaration; or

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- (b) one director (***first director***) of the Market Participant and one representative of the Market Participant, whose names appear in the declarations, where the representative has been authorised by the board or by a director other than the first director.
- (c) two representatives of the Market Participant whose names appear in the declaration and who have been authorised by the board or each authorised by a different director of the Market Participant to give the declaration.

### 2.3.6 Scope of audits

(1) A Market Participant must give its auditor access to its premises and Employees and all records, documents, explanations and other information required by the auditor in respect of any audit conducted under paragraph 2.3.5(1)(b).

(2) A Market Participant must:

- (a) not impose any limitation on the extent of any audit required under paragraph 2.3.5(1)(b); and
- (b) permit and direct the auditor to notify ASIC immediately if any limitation is imposed on the auditor, or if the auditor is hindered or delayed in the performance of the auditor's duties.

(3) The records of each of the Market Participant's nominee companies must be included in the audit under paragraph 2.3.5(1)(b).

## Part 2.4 Foreign Participants

### 2.4.1 Minimum presence requirements

(1) This Rule applies to a Market Participant (***Foreign Market Participant***) that:

- (a) is a foreign entity; and
- (b) does not hold an Australian financial services licence.

(2) Before entering into a transaction on a Market, a Foreign Market Participant must provide ASIC with a deed of the Foreign Market Participant for the benefit of and enforceable by ASIC and the other persons referred to in subsection 659B(1) of the Corporations Act, which deed provides:

- (a) that the deed is irrevocable except with the prior written consent of ASIC;
- (b) that the Foreign Market Participant submits to the non-exclusive jurisdiction of the Australian courts in legal proceedings conducted by ASIC (including under section 50 of the ASIC Act) and, in relation to proceedings relating to a financial services law, by any person referred to in subsection 659B(1) of the Corporations Act and whether brought in the name of ASIC or the Crown or otherwise;
- (c) that the Foreign Market Participant covenants to comply with any order of an Australian court in respect of any matter relating to the activities or conduct of the Foreign Market

Participant in relation to a Market or in relation to financial products traded on a Market, including but not limited to any matter relating to the Foreign Market Participant's obligations under:

- (i) the ASIC Act;
- (ii) the Corporations Act;
- (iii) the *Corporations (Fees) Act 2001*;
- (iv) *ASIC Supervisory Cost Recovery Levy Act 2017*; and
- (v) *ASIC Supervisory Cost Recovery Levy (Collection) Act 2017*;
- (d) that if the Foreign Market Participant is not registered under Division 2 of Part 5B.2 of the Corporations Act:
  - (i) the Foreign Market Participant must have at all times an agent who is:
    - (A) a natural person or a company;
    - (B) resident in this jurisdiction; and
    - (C) authorised to accept, on behalf of the Foreign Market Participant, service of process and notices;
  - (ii) the Foreign Market Participant must notify ASIC of any change to:
    - (A) the agent; or
    - (B) the name and address of the agent (if the agent is a company, address means the address of the registered office of the company); and
  - (iii) service of process on the Foreign Market Participant in relation to legal proceedings conducted by ASIC (including under section 50 of the ASIC Act), and in relation to proceedings relating to a financial services law, by any person referred to in subsection 659B(1) of the Corporations Act and whether brought in the name of ASIC or the Crown or otherwise, can be effected by service on the agent;
- (e) that the deed applies notwithstanding that the Foreign Market Participant may have ceased to be a Market Participant; and
- (f) for such additional terms notified by ASIC in writing to the Foreign Market Participant.

## Chapter 3: Trading principles

### Part 3.1 Trading principles for Orders entered on the Trading Platform

#### 3.1.1 Expressions of Interest

(1) A Market Participant must not enter an Order into a Trading Platform based on an Expression of Interest without first confirming with the Client that that Expression of Interest is a firm Order to buy or sell.

(2) For the purposes of subrule (1), in respect of a Market Participant which is a corporation, a **Client** includes a related body corporate or a division of the Market Participant—which is separate from the Market Participant’s futures division.

#### 3.1.1A Market must remain fair and orderly

A Market Participant must not do anything which results in a market for a Contract not being both fair and orderly, or fail to do anything where that failure has that effect.

#### 3.1.2 False or misleading appearance

(1) A Market Participant must not, as Principal, offer to purchase or sell a Contract or deal in any Contract:

~~(a) as Principal;~~

(a) with the intention; or

(b) if that offer to purchase or to sell, or dealing, has the effect, or is likely to have the effect;

of creating a false or misleading appearance;

(c) of active trading in any Contract; or

(d) with respect to the market for, or the price of, any Contract; ~~or~~

(2) A Market Participant must not offer to purchase or sell a Contract or deal in any Contract on account of any other person where:

(a) the Market Participant intends to create; ~~or~~

(b) the Market Participant is aware that the person (or if the person is acting on behalf of another person, that other person) intends to create; or

(c) the Market Participant ought reasonably suspect that:

(i) taking into account the matters specified in Rule 3.1.2A, the person (or if the person is acting on behalf of another person, that other person) has placed the Order with the intention of creating; or

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(ii) taking into account the matters specified in Rule 3.1.2A, the Order placed will have the effect of creating:

a false or misleading appearance:

~~(a) — of taking into account the circumstances of the Order, a Market Participant ought reasonably suspect that the person has placed the Order with the intention of creating;~~

~~— a false or misleading appearance of;~~

~~(d) — active trading in any Contract; or~~

~~(e) — or with respect to the market for, or the price of, any Contract.~~

~~(2) For the purposes of paragraph (1)(a), a reference to a Market Participant offering to purchase or sell a Contract or deal in any Contract as Principal includes a reference to offering to purchase, sell or deal in any Contract on its own behalf or on behalf of the following persons:~~

~~a partner of the Market Participant;~~

~~a director of, company secretary of, or person who has a substantial holding in the Market Participant;~~

~~the spouse of, non-adult children of, family company of, or family trust of a partner, director, company secretary, or person who has a substantial holding in the Market Participant;~~

~~a body corporate in which the interests of one or more of the partners of the Market Participant singly or together constitute a controlling interest; and~~

~~a related body corporate of the Market Participant.~~

### **3.1.2A Circumstances of the Order**

~~(3) For the purposes of subrule (1)(b)(iii), in considering the circumstances of the Order, the Market Participant must have regard to the~~ The following matters concerning the circumstances of the Order to which the offer to purchase, sell or deal in any Contract relates, are specified for the purpose of paragraph 3.1.2(2)(c):

- (a) whether the Order or execution of ~~the~~that Order would be inconsistent with the history of or recent trading in that Contract;
- (b) whether the Order or execution of ~~the~~that Order would alter the market for, or the price of, the Contract;
- (c) the time the Order is entered or any instructions concerning the time of entry of ~~the~~that Order;
- (d) whether a person mentioned in paragraph 3.1.2(2)(c) on whose behalf the Order is placed or another person who the Market Participant knows to be a Related Party of that person mentioned in paragraph 3.1.2(2)(c), may have an interest in creating a false or misleading appearance of active trading in any Contract or with respect to the market for, or the price of, any Contract;
- (e) whether the Order is accompanied by settlement, delivery or security arrangements which are unusual;

- (f) where the Order appears to be part of a series of Orders, whether when put together with other Orders which appear to make up the series, the Order or the series is unusual having regard to the matters referred to in this [Rule 3.1.2](#) ~~subrule~~;
- (g) whether there appears to be a legitimate commercial reason for ~~that~~ a person [mentioned in paragraph 3.1.2\(2\)\(c\)](#) placing the Order, unrelated to an intention to create a false or misleading appearance of active trading in [any Contract](#) or with respect to the market for, or price of, any Contract;
- (h) whether the proposed transaction, bid or offer which is proposed will involve no change of beneficial ownership;
- (i) the frequency with which Orders are placed by [a person mentioned in paragraph 3.1.2\(2\)\(c\)](#);
- (j) the volume of Contracts the subject of each Order placed by [a person mentioned in paragraph 3.1.2\(2\)\(c\)](#); ~~and~~
- (k) the extent to which a person [mentioned in paragraph 3.1.2\(2\)\(c\)](#) amends or cancels an instruction to purchase or sell a Contract relative to the number of transactions executed for that person; ~~and~~ -
- (l) [any other relevant matter](#).

### 3.1.3 Entering Orders without an intent to trade

- (1) A Market Participant must not enter Orders where there does not exist an intent to trade.
- (2) For the purposes of this Rule, circumstances which indicate that there does not exist an intent to trade include:
  - (a) Orders which are entered at price limits substantially higher or lower than the previous settlement price of the specific Contract, or alternatively, entered with unusually large volume levels; or
  - (b) placement, modification and cancellation of Orders during the Pre-Opening Phase, which are entered with intent to affect the opening price of any Futures Market Contract or Option Contract.

### 3.1.4 Orders to be transmitted as soon as received

- (1) Subject to subrule (3), subrule 3.3.1(1) and paragraph 3.4.1(b), a Market Participant must transmit Orders to a Trading Platform as soon as they are received.
- (2) Subrule (1) applies to Orders that can, in accordance with Client instructions, be immediately transmitted to a Trading Platform and include “limit” and “market” Orders.
- (3) Exceptions to subrule (1) are:
  - (a) Orders that cannot be transmitted to a Trading Platform such as “market on close”, “stop loss” or “market if touched”;

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- (b) “at best” Orders, provided these Orders are transmitted to a Trading Platform at such time as the Market Participant forms the view that the best price may be achieved; and
- (c) Orders where Client instructions preclude immediate transmission unless those instructions would cause the Market Participant to breach these Rules.

### 3.1.5 Orders to be transmitted and executed in the sequence received

(1) Subject to subrule (2), subrule 3.3.1(1) and paragraph 3.4.1(b) a Market Participant must:

- (a) transmit Orders in the sequence in which they are received;
- (b) not leave an Order in a Trading Platform and then promote another Client Order to take the place of a cancelled Client Order;
- (c) not promote an Order to take the place of a cancelled Client Order;
- (d) reduce the volume of an aggregated Order by the amount remaining of a cancelled Order where a Client cancels an Order which was part of the aggregated Order; and
- (e) not engage in broking or offering of a favourable queue position.

(2) Orders may be transmitted and executed outside of the sequence in which they are received where Orders are aggregated under Rule 3.1.6.

### 3.1.6 Aggregation of Orders

(1) Subject to subrule 3.3.1(1) and paragraph 3.4.1(d), a Market Participant must not aggregate Orders for entry into a Trading Platform unless permitted under subrules (2A) or (2B).

(2A) For the ASX 24 Market, the only types of Orders which, when received, may be aggregated for placement into the Trading Platform of the ASX 24 Market, are:

- (a) all futures or options Orders received when the ASX 24 Market is neither open, nor in the Pre-Opening Phase;
- (b) spread or custom market Orders received during the Pre-Opening Phase of the ASX 24 Market;
- (c) all futures or options Orders received and recorded at exactly the same time;
- (d) Orders that, by definition, cannot be entered upon receipt, for example “market on open” or “market on close”; and
- (e) Orders negotiated under Part 3.3 of these Rules (pre-negotiated business).

(2B) For the FEX Market the only types of Orders which, when received, may be aggregated for placement into the Trading Platform of the FEX Market, are:

- (a) all futures or options Orders received when the FEX Market is neither open, nor in the Pre-Opening Period;
- (b) spread or custom market Orders received during the Pre-Opening Period of the FEX Market;

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- (c) all futures or options Orders received and recorded at exactly the same time;
- (d) Orders that, by definition, cannot be entered upon receipt, for example “market on open” or “market on close”; and
- (e) Orders negotiated under Part 3.3 of these Rules (pre-negotiated business).

### 3.1.7 Disclosure

(1) Subject to paragraphs 3.3.1(1)(b) and 3.4.1(c), a Market Participant must not disclose any information about Orders or Expressions of Interest unless where otherwise permitted or required under these Rules or the law or exempted under subrule (2).

(2) No Market Participant may disclose to another party information (including Expressions of Interest) which is not generally available, or should not reasonably be considered to be generally available, to Market Participants. Only details of Orders and Expressions of Interest that have been disclosed on a Trading Platform may be disclosed to Clients.

(3) The disclosure of information about a Client’s Order, where the Order has been entered into the Trading Platform of a Market, but not at a level that is visible to other Market Participants of that Market is disclosure of information which is not generally available, nor reasonably considered to be generally available.

(4) For the purposes of this Rule, **Order** is an instruction to deal or trade on behalf of a Client or an intention to deal or trade by a party dealing proprietary business.

### 3.1.8 Withholding Orders

(1) Subject to paragraphs 3.3.1(1)(a) and 3.4.1(b), a Market Participant must not withhold an Order with an intent to obtain a counterparty or counterparties.

(2) A Market Participant must not withhold two or more Orders with the intent to avoid trading with a Market.

### 3.1.9 Withdrawing Orders

A Market Participant must not withdraw Orders in whole or in part for the benefit of another person.

### 3.1.10 Pre-arrangement

Subject to paragraphs 3.3.1(1)(b) and 3.4.1(a), a Participant of a Market must not arrange the details of a potential trade between two or more parties unless Participants of the same Market have been made generally aware of all relevant details of the potential trade, or unless specifically permitted otherwise under these Rules.

### 3.1.11 Trading to the exclusion of others

A Participant of a Market must not execute or attempt to execute trades with the intent to exclude other Participants of the same Market or their Representatives.

### 3.1.12 Wash trades

(1) Subject to subrule (2), a Market Participant must not allow trades to occur such that both sides of the trade are on behalf of the same account (a *wash trade*).

(2) Subrule (1) does not prohibit:

- (a) a transaction where both sides are taken by the same Market Participant where the ultimate Clients are different;
- (b) a transaction where both sides are by the same entity but acting in different capacities; and
- (c) a transaction where each side is for a different division of the same Market Participant entity which is trading separately and for different purposes.

(3) Subject to subrules (4), (5) and (6):

- (a) a Participant of the FEX Market must report to ASIC all breaches of subrule (1) occurring on the FEX Market; and
- (b) a Participant of the ASX 24 Market must report to ASIC all the following breaches of subrule (1) occurring on the ASX 24 Market:
  - (i) wash trades of 50 lots or more in volume;
  - (ii) a wash trade that is not or does not appear to be inadvertent; and
  - (iii) wash trades that do not relate to the following Market Contracts:
    - (A) 30 Day Interbank Cash Rate futures;
    - (B) 90 Day Bank Accepted Bills futures;
    - (C) 3 Year Commonwealth Treasury Bond futures;
    - (D) 10 Year Commonwealth Treasury Bond futures;
    - (E) SPI 200 Index futures; or
  - (iv) where a Market Participant's Client with direct market access has executed a wash trade and the Client intended to cross the trade.

(4) Where a Participant of the ASX 24 Market breaches subrule (1) that Market Participant must maintain a wash trade register in respect of any wash trade executed under their mnemonic, recording details of breaches of subrule (1) that were not reported to ASIC under paragraph (3)(b).

(5) A Market Participant is not required to report a wash trade to ASIC where a Client with direct market access has inadvertently executed a wash trade and the Market Participant has processes in place to review, and reviews in accordance with those processes, the actions of

the Client to ensure the trade was inadvertent and subsequently records the details required by paragraph (3)(b) on its wash trade register.

(6) Where an error results in a Market Participant allocating both sides of a trade to its error account, the Market Participant is not required to report this as a wash trade to ASIC but must record the trade on its wash trade register.

(7) For the purposes of subrules (4), (5) and (6) a **wash trade register** is a register of the following information in relation to the wash trades referred to in subrules (4), (5) and (6):

- (a) time and date of trade execution;
- (b) deal number and full Order details;
- (c) an explanation as to why/how the trade occurred;
- (d) details of any subsequent action taken by the Market Participant; and
- (e) details on whether the wash trade was inadvertent or deliberate.

### 3.1.13 Acting in accordance with Client instructions and Client's best interests

(1) A Market Participant must:

- (a) act on behalf of a Client only in accordance with that Client's instructions, unless to do so would be contrary to the Rules;
- (b) not act in a manner which has, or is intended to have, a detrimental effect, on the Client's best interests.

(1A) A Market Participant must give priority to the Client's instructions where there is a conflict between the Client's interests and the Market Participant's interests.

(2) For the purposes of this Rule, a **Client** of a Market Participant which is a corporation includes a related body corporate or a division of the Market Participant which is separate from that Market Participant's futures division.

### 3.1.14 Personal account trading

(1) A person must not initiate a trade on a Market in any Contract for that person's account where that person has or is likely to have knowledge or information about any Client Orders of a Market Participant to trade, or instructions to trade, in the same or similar commodity.

(2) For the purpose of this Rule, a person has traded for that person's account if that person trades for any entity, person or account:

- (a) in which that person has a beneficial interest, including a Market Participant's House Account in which the person has a financial interest; or
- (b) in which that person might by exercise of some discretion have a beneficial interest, including a Market Participant's House Account in which the person has, or may have, a financial interest; or

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- (c) over which that person exercises any control (other than an account of the Market Participant of which the person is a director, partner or Employee where such control is exercised in that capacity); or
  - (d) which is a corporation in whose shares that person has a “Relevant Interest” as that term is defined by the Corporations Act; or
  - (e) which is that person’s relative or a relative’s account in which that person has a financial interest.
- (3) For the purposes of this Rule:
- (a) a **Client** of a Market Participant which is a corporation includes a related body corporate or a division of the Market Participant which is separate from the Market Participant’s futures division;
  - (b) **a person having a financial interest in an account** includes any benefit which that person may enjoy as the result of the operation of that account, or trading under that account; and
  - (c) a **relative** of a person refers to spouse, parents, son, daughter, brother, sister, grandparents, grandchildren, aunts and uncles.

### 3.1.15 Dual trading prohibition

(1) A Market Participant’s Representative must not initiate a trade for any Market Participant’s House Account in a Contract, where that Representative is holding or is likely to hold the Market Participant’s Client Orders to trade, or for any reason is likely to have knowledge or information of the Market Participant’s Client Orders to trade, in the same or similar commodity unless permitted under subrule (3).

(2) Conflict management

A Market Participant must ensure that Employees initiating trading for Client Orders cannot initiate trades for the Market Participant’s House Account and that an Employee who initiates trades for the Market Participant’s House Account will not be privy to information concerning Client Orders.

(3) A Market Participant which executes a trade to cover an Error Trade is not in breach of subrule (1).

(4) In this Rule:

- (a) **Client** includes a related body corporate or a division of the Market Participant which is separate from that Market Participant’s futures division.
- (b) **House Account** means an account operated by a Market Participant for principal dealing only. It excludes dealings by the Market Participant on behalf of a corporation related to the Market Participant or another division within that Market Participant’s corporation which is separate from its futures division.

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- (c) **initiate** means that the Employee originates an Order to trade in a Futures Market Contract or Option Contract.
- (d) **similar commodity** includes, without limitation:
  - (i) in the case of an interest rates based Contract, all other interest rate based Contracts and,
  - (ii) in the case of an SPI contract, individual share futures Contracts.

### 3.1.16 Trades to be allocated in sequence of Order receipt

- (1) Subject to subrule (3) a Market Participant and its Representative must allocate trades to Clients in the sequence in which the Orders are received.
- (2) For the purposes of this Rule a **Client** of a Market Participant which is a corporation includes a related body corporate or a division of the Market Participant which is separate from that Market Participant's futures division.
- (3) A Market Participant may allocate out of sequence where:
  - (a) Orders are aggregated under Rule 3.1.6;
  - (b) the Market Participant uses either of the following pro-rata methods:
    - (i) volume weighted average method; or
    - (ii) percentage basis;
  - (c) the Market Participant has advised, in writing, each Client whose Orders may be allocated out of sequence under this Rule, nominating the pro-rata method selected under paragraph (b); and
  - (d) the Market Participant has retained a record of the advice sent to the Client under paragraph (c) while the Client remains a Client of the Market Participant and for a period of five years after that Client ceases to be a Client of the Market Participant.
- (4) A Market Participant must notify ASIC in writing prior to adopting or changing its policy of allocating Orders on one of the pro-rata methods set out in paragraph (3)(b).

### 3.1.17 Post-allocation prohibition

- (1) A Market Participant must not offer and/or allocate trades to a Client unless those trades have been obtained under instructions previously obtained from that Client.
- (2) For the purposes of this Rule a **Client** of a Market Participant which is a corporation includes a related body corporate or a division of the Market Participant which is separate from that Market Participant's futures division.

## Part 3.2 Strategy Trading

### 3.2.1 Strategy Trade records

- (1) A Market Participant must maintain a record of all Strategy Trades, for a period of five years.
- (2) Market Participants must allocate each leg of a Strategy Trade to the same account.

## Part 3.3 Pre-negotiated business orders

### 3.3.1 Pre-negotiated business

- (1) Where a Market Participant receives an instruction from a Client which can be executed as pre-negotiated business on a Market, the Market Participant may:
  - (a) withhold transmission of the instructions in order to solicit Orders from Clients and other Market Participants of that Market;
  - (b) disclose details of Clients' instructions; and
  - (c) aggregate Orders received from Clients in satisfaction or part satisfaction of the originating Client Order.
- (2) For the purposes of subrule (1), *pre-negotiated business* on a Market refers to Orders involving Contracts which have been:
  - (a) permitted to be pre-negotiated in the operating rules of the relevant Market; and
  - (b) are in numbers of Contracts greater than or equal to the number designated by the Operator of the relevant Market.

#### 3.3.1A Entry of orders

- (1) If counterparties have been solicited by a Market Participant pursuant to paragraph 3.3.1(1)(a), the Market Participant must:
  - (a) make an enquiry through the message facility of the Trading Platform of the relevant Market, for a market in that contract month or strategy;
  - (b) wait until the period of time prescribed in the operating rules or in the procedures of the relevant Market, has elapsed since the entry of the enquiry or, if no such time is prescribed, 30 seconds; and
  - (c) then immediately enter the Order on the Trading Platform of the relevant Market for execution.
- (2) An enquiry under paragraph (1)(a) must:
  - (a) specify all information that is material to the pricing and trading of the orders to be executed;

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- (b) where applicable, include a description of the contract, class and series of the option(s) that will form the strategy;
- (c) where applicable, include a description of the intended trade using common market terminology; and
- (d) if the trade involves a ratio of futures or options and/or a delta hedge, information that explicitly specifies the ratio, delta and the price basis for the hedge in the underlying commodity, as applicable.

(3) Where a Participant of a Market (***first Market Participant***) holds opposing Orders at a specific price, and a bid or offer is entered in the relevant Market by another Participant of that Market (***other Market Participant***) following the message sent under paragraph (1)(a) that is at the same or better price than the opposing Orders held by the first Market Participant, the first Market Participant must give priority to trading against the bid or offer entered by the other Market Participant.

### 3.3.2 Client authorisation

Before entering a pre-negotiated business Order on behalf of a Client under Rule 3.3.1, a Market Participant must be authorised in writing by the Client to do so either specifically or generally. The authorisation must state that the Client authorises Orders to be pre-negotiated on the Client's behalf.

### 3.3.3 Definition of Client

(1) For the purpose of this Part 3.3 in respect of any Market Participant that is a corporation, a ***Client*** includes a related body corporate or a division of the Market Participant which is separate from the Market Participant's futures division.

(2) For the purposes of trading out of a trade allocated to a Market Participant that is an Error Trade, the Market Participant's futures division is classified as a Client.

## Part 3.4 Trading principles for Block Trades

### 3.4.1 Participant entitlements

Where a Market Participant receives a Block Trade Order from a Client, the Market Participant may:

- (a) solicit counterparties to the Block Trade Order amongst other Participants of the same Market;
- (b) withhold transmission of the Block Trade Order in order to solicit those counterparties;
- (c) disclose those details of the Block Trade Order as authorised by the Clients; and
- (d) aggregate Orders where each Order is greater than or equal to the Minimum Volume Threshold for that Contract.

### 3.4.2 Prohibitions

- (1) Market Participants must not aggregate separate Orders in order to meet Minimum Volume Thresholds.
- (2) Market Participants must not use the Block Trade Facility to execute Roll Business.

### 3.4.3 Unfilled Block Trade Orders

- (1) Subject to subrule (2), where counterparties have been solicited under paragraph 3.4.1(a) amongst other Market Participants of the relevant Market and the Block Trade Order remains unfilled, then the Block Trade Order may revert to an Order.
- (2) The Orders solicited from counterparties referred to in subrule (1) must not be entered into a Trading Platform unless a period of 60 seconds has elapsed from the entry of the originating Block Trade Order.

### 3.4.4 Client authorisation

- (1) Before executing a Block Trade Order on behalf of a Client on a Market, a Participant of that Market must be authorised by the Client to do so either specifically or generally.
- (2) The Market Participant must keep a record of the identity of the authoriser, and the date and time of the authorisation.

## Part 3.5 Trading principles for Exchange For Physical transactions

### 3.5.1 Prohibitions

No Exchange For Physical transaction may be effected:

- (a) where the parties to each side of the physical transaction are the same or are acting on behalf of the same person; or
- (b) where both sides of the Futures Market Contract are taken out by the same Market Participant on its own account or are taken out on behalf of the same Client.

### 3.5.2 Evidence of physical transaction

- (1) Subject to subrule (2) where either a Participant of a Market or its Client is a party to an Exchange For Physical transaction, the Participant must ensure that evidence of the physical transaction, as set out in the operating rules for the relevant Market, is obtained by the Participant.
- (2) The requirements under subrule (1) can alternatively be met by undertaking the following procedures:
  - (a) retaining and maintaining an updated list of Representatives authorised to register Exchange For Physical transactions on behalf of the Participant;

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- (b) obtaining and retaining executed copies of a Client undertaking which contains undertakings from the Client including that the Client will provide to the Participant full details of the physical transaction (including documentary evidence) which attach to Exchange For Physical transactions effected by the Participant on behalf of the Client; and
- (c) requesting appropriate physical evidence on an “as needs basis” from the Client if the Participant is required to demonstrate compliance with this Rule.

### 3.5.3 Client authorisation

(1) Before executing an Exchange For Physical Order on behalf of a Client, a Market Participant must be authorised by the Client to do so either specifically or generally.

(2) The Market Participant must keep a record of the identity of the authoriser, and the date and time of the authorisation.

## Part 3.6 Suspicious activity reporting

### 3.6.1 Notification requirement

(1) Subject to subrule (2), if a Market Participant has reasonable grounds to suspect that:

- (a) a person (the **Insider**) has placed an Order into or entered into a transaction on a Market in relation to a financial product while in possession of inside information (within the meaning of section 1042A of the Corporations Act), whether or not the Market Participant is aware of:
  - (i) the identity of the Insider; or
  - (ii) all of the details of the order or transaction; or
- (b) a transaction or an order transmitted to a Trading Platform of a Market has or is likely to have the effect of:
  - (i) creating an artificial price for trading in financial products on a Market;
  - (ii) maintaining at a level that is artificial (whether or not it was previously artificial) a price for trading in financial products on a Market;
  - (iii) creating, or causing the creation of, a false or misleading appearance of active trading in financial products on a Market; or
  - (iv) creating, or causing the creation of, a false or misleading appearance with respect to the market for, or the price for trading in, financial products on a Market, whether or not the Market Participant is aware of:
    - (v) the intention of any party to the transaction or order; or
    - (vi) all of the details of the transaction or order,

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the Market Participant must, as soon as practicable, notify ASIC in writing of the details of the transaction or order (to the extent known to the Market Participant) and the reasons it suspects the matter set out in paragraphs (a) and, or, (b).

(2) A Market Participant is not required to notify ASIC under subrule (1) if the Market Participant has reported the information that would otherwise be required to be contained in the notification to ASIC under subrule (1) to the Australian Transaction Reports and Analysis Centre under section 41 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* or under section 16 of the *Financial Transaction Reports Act 1988*.

### 3.6.2 Confidentiality

A Participant who notifies ASIC under subrule 3.6.1(1) must not disclose that the notification was made, or the information contained in the notification, to any person other than:

- (a) for the purposes of seeking legal advice; or
- (b) as required by law.

## Chapter 4: The Market operator

### Part 4.1 Provision of surveillance and supervision data by the Market operator

#### 4.1.1 Data provision to assist surveillance of activities and conduct on the Market

(1) Data to assist surveillance of activities and conduct on a Market

A Market operator must deliver to ASIC, or to a service provider nominated by ASIC and notified to the operator in accordance with Rule 4.1.2, all data items as generated on or by its Trading Platform, being:

- (a) Order price and volume entries;
- (b) Order modifications;
- (c) Order cancellations;
- (d) trade price and volume entries;
- (e) trade type;
- (f) “Firm ID” and “Trader ID” code or other broker number and identifier code, where available; and
- (g) information as containing details of the Contracts traded through the Market operator’s Trading Platform, being:
  - (i) contract codes;
  - (ii) time stamps on all Order entries, trades, amendments, cancellations and deletions;
  - (iii) unique order and deal (or trade) identifier data;
  - (iv) Order type;
  - (v) Order characteristics; and
  - (vi) such additional data items or fields notified by ASIC to the Market operator under Rule 4.1.2 and which are generated on or by the Market operator’s Trading Platform, but a Market operator is not required to provide those additional data items or fields unless they are generated on or by the Market operator’s Trading Platform.

(1A) A Market operator must keep records of all data items referred to in subrule (1) for a period of seven years.

(2) Format requirements

The data required by subrule (1) must be in such format as ASIC notifies the Market operator in accordance with Rule 4.1.2.

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**(3) Delivery requirements**

The data required by subrule (1) must be delivered by a Market operator to ASIC or its nominated service provider in a manner and/or to a location notified by ASIC to the Market operator in accordance with Rule 4.1.2.

**4.1.2 Notification**

A notification by ASIC to a Market operator of:

- (a) a service provider nominated under subrule 4.1.1(1);
- (b) additional data items or fields under subparagraph 4.1.1(1)(g)(vi);
- (c) format under subrule 4.1.1(2); or
- (d) a manner and/or location of delivery under subrule 4.1.1(3),

must be in writing and allow the Market operator a reasonable period to comply.

**Part 4.2 Provision of information about Market Participants****4.2.1 Market operators to maintain records about Participants**

A Market operator must maintain the information specified below about each Participant of its Market and advise ASIC in writing of any changes which are made to the information (including any changes resulting from the admission of new Market Participants) within two business days of the change being made:

- (a) Market Participant name;
- (b) the unique identifier that is used by the Market operator to identify the trading activities of the Market Participant on the Market operator's Trading Platform; and
- (c) Market Participant type, being:
  - (i) Trading Participant; or
  - (ii) Principal Trader.

**Part 4.3 Record keeping****4.3.1 Market operators to keep records which demonstrate compliance**

A Market operator must keep records that enable it to demonstrate that it has complied with its obligations under the Rules and Part 7.2 of the Corporations Act, including without limitation records which:

- (a) demonstrate the Market operator has adequate arrangements for operating the Market, such as records relating to:

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- (i) handling conflicts between the commercial interests of the Market operator and the need for the Market operator to ensure that the Market operates in a way which is fair, orderly and transparent;
- (ii) the Market operator's monitoring and enforcement of its operating rules, such as records relating to:
  - (A) decisions made by the Market operator in relation to each application for admission as a Participant of its Market;
  - (B) each market-related dispute made to the Market operator, its assessment, investigation and resolution;
- (iii) decisions made by the Market operator about:
  - (A) imposing a Trading Pause in the event of an identified ETR Event;
  - (B) placing a financial product in Trading Suspension or lifting or removing a Trading Suspension;
  - (C) cancelling a transaction; or
- (iv) any outsourcing arrangement that the Market operator has in place with another person (including a related body corporate) in connection with operating the Market;
- (b) are used by the Market operator's board of directors or senior managers to consider whether the Market operator has sufficient financial, technological and human resources to operate the Market properly; or
- (c) demonstrate the Market operator's compliance with its licence conditions.

#### 4.3.2 Records to be retained for prescribed period

A Market operator must retain the records referred to in this Part for seven years from the date the record is made.

#### 4.3.3 Records kept outside Australia

If a record required to be kept by a Market operator under this Part is kept outside Australia, the Market operator must, if directed in writing by ASIC to produce that record at a place in Australia by a specified time, comply with that direction:

- (a) within the time specified in the direction if that is a reasonable time; or
- (b) in any other case, within a reasonable time.

## Part 4.4 Supervision and risk management

### 4.4.1 Persons involved in the business—Good fame and character requirement

(1) A Market operator must ensure that any Employee or other person who is or will be involved in the business of operating the Market and, in the case of a body corporate, each director or Controller, is of good fame and character and high business integrity having regard to subrule (2).

(2) In assessing whether a person is of good fame and character and high business integrity for the purpose of subrule (1):

- (a) a person will not be of good fame and character if he or she is disqualified from managing a corporation under the Corporations Act or under the law of another country, or is an insolvent under administration or its equivalent in another country; and
- (b) a person may not be of good fame and character or high business integrity if the person has been:
  - (i) convicted of any offence;
  - (ii) disciplined by or adversely mentioned in a report made by, or at the request of, any government or governmental authority or agency;
  - (iii) adversely mentioned in a report made by, or at the request of, a Market operator, a Clearing Facility, a Settlement Facility or any other exchange, market operator or clearing and settlement facility; or
  - (iv) disciplined by a Market operator, a Clearing Facility, a Settlement Facility or any other exchange, market operator or clearing and settlement facility.

Note: Market Participants are subject to an equivalent rule (see: Part 2.2).

# Chapter 5: Crossing Systems

## Part 5.1AA Application

### 5.1AA.1 Application of Chapter

This Chapter applies to:

- (a) Participants of the ASX 24 Market; and
- (c) Orders and transactions in financial products able to be traded on the ASX 24 Market, unless otherwise specified in each Rule.

## Part 5.1 Reporting requirements for Crossing Systems

### 5.1.1 Reporting requirements for Crossing Systems—Crossing System Initial Report

(1) A Market Participant that operates, or proposes to operate, a Crossing System must lodge with ASIC a report (the *Crossing System Initial Report*) which describes:

- (a) the date on which the Crossing System began operating, or will begin to operate, in this jurisdiction;
- (b) access to the Crossing System, including the criteria for determining persons who are eligible to use the Crossing System;
- (ba) if applicable, the information required by item 5, column 3, of the table in subrule 5.2.1(2);
- (c) how Orders are prioritised and matched, and transactions are executed, on the Crossing System;
- (d) how the price for transactions on the Crossing System is determined;
- (e) the fees, commissions, rebates or other charges paid by or to the Market Participant and users of the Crossing System;
- (f) whether the Market Participant that operates the Crossing System deals as Principal with clients on the Crossing System and if so, the arrangements the Market Participant has in place for the management of conflicts of interest that may arise between the Market Participant and those clients;
- (g) the name of the Market to which:
  - (i) transactions executed on the Crossing System are reported; and
  - (ii) Orders matched on the Crossing System are transmitted for execution;
- (h) where more than one Market is named under paragraph (g), the circumstances in which each Market is used for the purposes set out in paragraph (g); and

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- (i) whether Orders on the Crossing System are purged at the end of the day or remain on the Crossing System until matching or execution on the Crossing System next resumes, and if the Orders are not purged, the period of time they remain on the Crossing System.

(2) The Market Participant must lodge a Crossing System Initial Report with ASIC no later than 20 business days before the day the Market Participant begins to operate the Crossing System.

### 5.1.2 Reporting Requirements for Crossing Systems—Crossing System Monthly Report

A Market Participant that operates a Crossing System during a calendar month must, if there have been any changes during that calendar month to the information last provided to ASIC in the Market Participant's Crossing System Initial Report or Crossing System Monthly Report:

- (a) prepare, within 20 business days of the end of the calendar month, a report (the ***Crossing System Monthly Report***) setting out the changes to the information provided in the Market Participant's Crossing System Initial Report or Crossing System Monthly Report last provided to ASIC; and
- (b) provide the Crossing System Monthly Report prepared under paragraph (a) to ASIC as soon as practicable after it has been prepared.

## Part 5.2 Disclosure requirements for Crossing Systems

### 5.2.1 Disclosure requirements for Crossing Systems—Information on a website

(1) A Market Participant that operates a Crossing System must keep for a period of seven years and make available Publicly Available Crossing System Information in relation to that Crossing System:

- (a) on a website that is publicly accessible; and
- (b) free of charge.

(2) For the purposes of these Rules, ***Publicly Available Crossing System Information*** means the information set out in column 3 of the following table.

| Item | Type of information | Publicly Available Crossing System Information                      |
|------|---------------------|---------------------------------------------------------------------|
| 1    | Operator            | The code identifying the Crossing System.                           |
| 2    | Start Date          | The date the Crossing System began to operate in this jurisdiction. |
| 3    | Products            | The types of financial products traded on the Crossing System.      |

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| Item | Type of information                    | Publicly Available Crossing System Information                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4    | Access Criteria                        | The criteria used to determine eligibility to use the Crossing System.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 5    | Aggregation and other Crossing Systems | <p>If Orders may be executed or matched in another Crossing System because they are transmitted by the Market Participant or by the Market Participant's Crossing System:</p> <p>(a) to one or more other Crossing Systems or to a Market Participant that operates a Crossing System; or</p> <p>(b) to another person (an <b>Aggregator</b>) who further transmits the Orders to one or more other Crossing Systems or to a Market Participant that operates a Crossing System; or</p> <p>if Orders may be executed or matched in the Market Participant's Crossing System with Orders received (whether directly, or via an Aggregator) from a Crossing System operated by another Market Participant, or from a Market Participant that operates a Crossing System:</p> <p>(c) the code identifying the other Crossing System;</p> <p>(d) the legal name of the Market Participant that operates the other Crossing System; and</p> <p>(e) for each Crossing System and Market Participant identified under paragraphs (c) and (d), whether Orders are transmitted to, or received from the other Crossing System or Market Participant (whether directly, or via an Aggregator), or both.</p> |

Note: An Aggregator may be, for example, another Market Participant that receives orders and operates an aggregation algorithm that transmits received orders to one or more other execution venues (licensed markets, or other Crossing Systems).

(3) A Market Participant must, within one business day of implementing changes to the operation of the Crossing System described in the Publicly Available Crossing System Information, update the website where the Publicly Available Crossing System Information is made available, to reflect those changes.

(4) A Market Participant must give ASIC a copy of:

- (a) the Publicly Available Crossing System Information made available under subrule (1); and
- (b) each update to the Publicly Available Crossing System Information made available under subrule (3),

within one business day of making that information available on the website under this Rule.

(5) ASIC may determine in writing a list of the Crossing System codes referred to in subrule (2).

Note: Instruments made under subrule (5) are available on the Federal Register of Legislation. The register may be accessed at [www.legislation.gov.au](http://www.legislation.gov.au).

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## 5.2.2 Disclosure requirements for Crossing Systems—Information for users

(1) A Market Participant that operates a Crossing System must:

- (a) prior to accepting an Order from a client for the first time after the time at which a Market Participant must comply with this Rule, provide the client with a copy of the Publicly Available Crossing System Information or inform the client of the website address where that information is available; and
- (b) for all clients who have been provided with a copy of the Publicly Available Crossing System Information or informed of the website address where that information is available under paragraph (a), inform those clients each time an update to the Publicly Available Crossing System Information is made available under subrule 5.2.1(3), prior to accepting an Order from that client after the information has been updated.

(2) A Market Participant that operates a Crossing System must:

- (a) prior to accepting an Order from a client for the first time; and
- (b) prior to accepting an Order from a client after the Non-Public Crossing System Information has been updated under subrule (3),

provide that client with a document containing the Non-Public Crossing System Information in relation to that Crossing System.

(3) A Market Participant must, within one business day of implementing changes to the operation of the Crossing System described in the Non-Public Crossing System Information, update the Non-Public Crossing System Information to reflect those changes.

(4) A Market Participant must give ASIC a copy of:

- (a) the Non-Public Crossing System Information provided under subrule (2), within one business day of first providing that information; and
- (b) each update to the Non-Public Crossing System Information under subrule (3), within one business day of that update.

(5) For the purposes of these Rules, ***Non-Public Crossing System Information*** means the information set out in column 3 of the following table.

| Item | Type of information | Non-Public Crossing System Information                                                                                                                         |
|------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1    | User obligations    | A description of the obligations imposed on users of the Crossing System by the operator of the Crossing System.                                               |
| 2    | Order Types         | A description of the order types available to those who have access to the Crossing System, including a description of the characteristics of each order type. |

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| Item | Type of information | Non-Public Crossing System Information                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3    | Operations          | <p>A description of the operation of the Crossing System, including but not limited to:</p> <ul style="list-style-type: none"> <li>(a) how Orders are managed, including how prices are determined and cancellations are managed;</li> <li>(b) details of any different treatment or arrangements for certain users or order types;</li> <li>(c) the level of anonymity given to Orders, including whether indications of interest are allowed;</li> <li>(d) the circumstances in which Orders of the Market Participant trading as Principal may interact with other Orders in the Crossing System, and the nature of those Principal Orders (for example, proprietary desk, facilitation, or market-maker);</li> <li>(e) whether Orders of related bodies corporate of the operator enter the system, and if so, how conflicts arising because Orders of related bodies corporate enter the Crossing System, are managed;</li> <li>(f) how any other conflicts of interest that may arise are managed; and</li> <li>(g) if there are liquidity providers or market-makers whose Orders access the Crossing System, the commitments (if any) they may have and any benefits they receive.</li> </ul> |
| 4    | Fees                | <p>The fees imposed for Orders to gain access to the Crossing System, or to be matched or executed in the Crossing System, and an indication whether those fees differ from (e.g. by being in addition to) the Market Participant's standard fees.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

### 5.2.3 Notification of Crossing System outages

(1) If technical or other system issues materially affect the efficiency of or proper functioning of a Crossing System operated by a Market Participant, that Participant must provide the following information, in writing, to ASIC and all users with Orders in the Crossing System other than users who are retail clients:

- (a) a description of the effect of the technical or other system issues;
- (b) how the technical or other system issues are being managed by the Market Participant;
- (c) any alternative arrangements for users' Orders that have been put in place by the Market Participant while the technical or other system issues persist; and
- (d) when the technical or other system issues have been resolved,

as soon as practicable after the technical or other system issue arises, or the issue is resolved, as applicable.

## Part 5.3 Fair treatment, fairness and priority in dealing and opting out by users of Crossing Systems

### 5.3.1 Fair treatment of all users of a Crossing System

(1) A Market Participant that operates a Crossing System must ensure that the Crossing System is operated by a common set of procedures that balance the interests of all users of the Crossing System and do not unfairly discriminate between users of the Crossing System.

(2) Subrule (1) does not prevent a Market Participant that operates a Crossing System from providing less favourable treatment for its own use of the Crossing System, or less favourable treatment for use of the Crossing System by its related bodies corporate.

### 5.3.2 Fairness and priority in dealing

A Market Participant that operates a Crossing System must ensure that the Crossing System deals fairly and in due turn with:

- (a) clients' Orders; and
- (b) a client Order and an Order of the Participant trading as Principal.

### 5.3.3 Relevant factors

(1) In considering whether Rule 5.3.2 has been complied with, the following factors are relevant:

- (a) the Market Participant acts in accordance with its instructions;
- (b) Orders that do not involve the exercise of discretion by the Market Participant in relation to the time or price or quantity of the Order are entered in the Crossing System in the sequence in which they are received, and otherwise as expeditiously as practicable;
- (c) Orders of a client (which is not a Prescribed Person) that involve the exercise of discretion by the Market Participant in relation to the time or price or quantity of the Order are given preference, within the meaning of subrule (2), over the Market Participant's Orders as Principal, unless the client otherwise consents;
- (d) if the sequence of entry of Orders into the Crossing System is not clearly established by the time the Orders were received, and one of the Orders is for the Market Participant trading as Principal, the Market Participant gives preference to the Order of a client over the Market Participant's Orders as Principal;
- (e) if the Market Participant has acted in accordance with its procedures to ensure that a person initiating, transmitting or executing an Order who is aware of instructions of a client (which is not a Prescribed Person) to deal in the relevant financial products that has not been entered in the Crossing System does not use that information to the disadvantage of that client;
- (f) the Market Participant buys or sells for a wholesale client;

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- (g) allocation of transactions executed on the Crossing System occurs fairly; and
- (h) a Participant's Orders as Principal are not knowingly interposed between Orders of its clients that would otherwise have Crossed.

(2) In paragraph (1)(c), a reference to a Market Participant giving preference to an Order of a client over the Participant's Orders as Principal means that from the time of receipt of the Order until it is fully executed, the Market Participant does not enter into, as Principal, a transaction executed on the Crossing System for the same financial products on the same terms, having regard to subrule (3), unless:

- (a) the financial products are allocated to the client in accordance with the client's instructions; or
- (b) the financial products are allocated to the client pursuant to an allocation policy previously disclosed to the client, to which the client consents, under which the Market Participant may buy or sell (and be allocated) the same financial products as Principal.

(3) For the purposes of subrule (2), a limit Order which cannot be executed owing to price differences is not on the same terms.

### 5.3.4 Opting out of Crossing Systems

A Market Participant that operates a Crossing System must permit a client or other user of the Crossing System to opt out of having its Orders sent to the Participant's Crossing System (including any other Crossing System that may be accessible through the Market Participant's Crossing System), and the Market Participant must not impose on a user that opts out any additional operational or administrative requirements as a consequence of opting out of the Crossing System.

## Part 5.4 Crossing Systems—Monitoring and suspicious activity reporting

### 5.4.1 Monitoring activities in a Crossing System

- (1) A Market Participant that operates a Crossing System must:
  - (a) monitor use of its Crossing System for compliance with the obligations of users described in subrule 5.2.2(5);
  - (b) monitor use of its Crossing System for compliance with the operating procedures of the Crossing System; and
  - (c) take action to ensure breaches identified by the Market Participant during the course of the monitoring undertaken under paragraphs (a) and (b) do not recur.
- (2) A Market Participant must notify ASIC, in writing, of all significant breaches identified by the Participant during the course of monitoring undertaken under subrule (1) as soon as practicable after identification of the relevant breach.

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(3) A Market Participant must keep records:

- (a) that demonstrate the monitoring activities it undertakes under subrule (1); and
- (b) of all breaches identified under subrule (1),

for a period of seven years.

#### 5.4.2 Crossing System suspicious activity reporting

(1) Subject to subrule (2), if a Market Participant that operates a Crossing System has reasonable grounds to suspect that:

- (a) a person (***the Insider***) has placed an Order into or entered into a transaction on the Crossing System operated by the Participant in relation to a financial product while in possession of inside information (within the meaning of section 1042A of the Act), whether or not the Market Participant is aware of:
  - (i) the identity of the Insider; or
  - (ii) all of the details of the Order or transaction; or
- (b) a transaction or an Order transmitted to or executed on the Crossing System operated by the Market Participant has or is likely to have the effect of:
  - (i) creating an artificial price for trading in financial products on a financial market operated in this jurisdiction;
  - (ii) maintaining at a level that is artificial (whether or not it was previously artificial) a price for trading in financial products on a financial market operated in this jurisdiction;
  - (iii) creating, or causing the creation of, a false or misleading appearance of active trading in financial products on a financial market operated in this jurisdiction; or
  - (iv) creating, or causing the creation of, a false or misleading appearance with respect to the market for, or the price for trading in, financial products on a financial market operated in this jurisdiction,

whether or not the Market Participant is aware of:

  - (v) the intention of any party to the transaction or Order; or
  - (vi) all of the details of the transaction or Order,

the Market Participant must, as soon as practicable, notify ASIC in writing of the details of the transaction or Order (to the extent known to the Participant) and the reasons it suspects the matter set out in paragraphs (a) and/or (b).

(2) A Market Participant is not required to notify ASIC under subrule (1) if the Market Participant has reported the information that would otherwise be required to be contained in the notification to ASIC under subrule (1) to the Australian Transaction Reports and Analysis Centre under section 41 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* or under section 16 of the *Financial Transaction Reports Act 1988*.

### 5.4.3 Confidentiality

A Market Participant who notifies ASIC under subrule 5.4.2(1) must not disclose that the notification was made, or the information contained in the notification, to any person other than:

- (a) for the purposes of seeking legal advice; or
- (b) as required by law.

## Part 5.5 Crossing System system controls

### 5.5.1 Crossing System—Efficiency and integrity controls

(1) A Market Participant that operates a Crossing System must at all times have appropriate automated filters designed to ensure the efficiency and integrity of the Crossing System.

(2) A Market Participant that operates a Crossing System must ensure it has controls that enable immediate:

- (a) suspension of, limitation of, or prohibition on, the entry into any Crossing System operated by the Market Participant of Orders in a series of related Orders where the Market Participant has identified that Orders in the series have entered the Crossing System operated by the Market Participant and have interfered with or are likely to interfere with the efficiency or integrity of the Crossing System; and
- (b) cancellation of Orders in a series that have already entered a Crossing System operated by the Market Participant where the entry of further Orders in the series has been suspended, limited or prohibited under paragraph (a).

(3) A Market Participant that is subject to Rule 2.2B.2 of these Rules does not have to comply with this Rule.

Note: Rule 2.2B.2 requires Trading Participants to have ~~automated filters and~~ Trading System controls and arrangements.

# Chapter 7: Margins and right of Close Out

## Part 7.1 Interpretation

### 7.1.1 Definitions

In this Chapter:

**Approved Ratings Agency** means a credit rating agency holding an Australian financial services licence authorising it to give general advice by issuing a credit rating.

**Approved Securities** means securities appearing on the list below for which a Trading Participant has, and is able to demonstrate, direct control over and authority to liquidate:

- (a) a letter of credit or guarantee in favour of the Trading Participant issued in documentary form by an Australian ADI or by a foreign bank with at least a short-term investment grade credit rating from an Approved Ratings Agency (provided that the Australian ADI or foreign bank is not the Client);
- (b) a letter of credit or guarantee in favour of the Trading Participant issued by the New South Wales Treasury Corporation, the Queensland Treasury Corporation or the Tasmanian Public Finance Corporation;
- (c) not more than 75% of the market value of shares in one or more of the top 100 Australian companies listed on an Australian stock exchange approved under the Corporations Act, measured by market capitalisation at the time the Cover was lodged;
- (d) not more than 70% of the market value of shares in one or more of the top 10 listed New Zealand companies, measured by market capitalisation at the time the Cover was lodged;
- (e) not more than 90% of the market value of Australian government securities that have a residual maturity of over one year;
- (f) not more than 95% of the market value of Australian government securities that have a residual maturity of under one year;
- (g) for a Trading Participant trading on a foreign financial market, not more than 90% of the market value of foreign government securities that have a residual maturity of under 12 months if:
  - (i) the security is approved by that foreign financial market;
  - (ii) the security is acceptable as Cover by a futures broker of that country; and
  - (iii) the country has a Standard & Poor's long-term and short-term credit rating for sovereigns of AAA and A-1 respectively;
- (h) not more than 95% of the market value of bills of exchange accepted or endorsed by an Australian ADI (provided the Australian ADI is not the Client); and
- (i) not more than 95% of the market value of Negotiable Certificates of Deposit issued by an Australian ADI (provided the Australian ADI is not the Client).

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**Clearing Facility** means, when used in relation to the activities or conduct of a Market, the clearing and settlement facility with which the Market operator has clearing and settlement arrangements for transactions effected through the Market.

**Initial Margin** means the amount which a Trading Participant requires to be paid by a Client in respect of a Futures Market Contract entered into or proposed to be entered into on behalf of a Client.

**Variation Margin** means the difference between the value of a Futures Market Contract or Option Contract as shown in the contract, and the value of that contract at any given time.

## Part 7.2 Obligations for Trading Participants

### 7.2.1 Margin obligations

A Trading Participant, other than a Principal Trader, must comply with the margin obligations in this Part.

### 7.2.2 Calling Initial Margin

(1) As soon as possible after the execution of the Client's instructions on a Market, a Trading Participant of that Market must Call at least the minimum Initial Margin that is determined from time to time under the Clearing Rules of that Market.

(2) In calculating the amount of Initial Margin, a Trading Participant must not offset the Initial Margin on another Contract due by the Client to the Trading Participant unless that other Contract is for the opposite position on the same Market in the same delivery month and in respect of the same commodity.

(3) Nothing in subrule (1) prevents a Trading Participant from Calling an amount higher than the minimum Initial Margin referred to in subrule (1).

(4) A Trading Participant must not accept anything but cash in satisfaction of Initial Margin from a Client, unless the Trading Participant has agreed to accept and has received Cover by way of Approved Securities.

### 7.2.3 Calling Variation Margin

(1) Subject to subrule (2), a Trading Participant must Call Variation Margin from a Client when the Client has a net debit Variation Margin position, unless the Client is a Clearing Participant of the Clearing Facility for that Market and the Contracts are registered with the Clearing Facility for that Market in the name of that Clearing Participant.

(2) Where the amount of a Call in subrule (1) would be \$1,000 or less, the making of such a Call shall be at the discretion of the Trading Participant.

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### 7.2.4 Liability for Margins

A Trading Participant's Client agreement must provide that:

- (a) liability of the Client for the Initial Margin shall arise upon execution of the instructions given by the Client, irrespective of the time when the Call is made; and
- (b) liability for Variation Margin shall arise at the same time as the Variation Margin comes into existence, irrespective of the time when any Call is made.

### 7.2.5 Satisfaction of Calls for Margin

(1) A Trading Participant's Client agreement must provide that Calls for Initial Margin and Variation Margin must be satisfied by payment unless the Trading Participant agrees to accept and receives, in lieu of payment, Approved Securities.

(2) A Trading Participant's Client agreement must provide that:

- (a) if the Trading Participant receives Approved Securities in accordance with subrule (1), such Approved Securities shall be retained by the Trading Participant until such time as the liability of the Client is extinguished either by the relevant contracts being Closed Out or payment being made by a Buyer or delivery in accordance with the Rules being effected by a Seller; and
- (b) if the liability of the Client is not extinguished, as set out in paragraph (a), then the Approved Securities may be realised by the Trading Participant and the proceeds applied against that liability.

(3) A Trading Participant must ensure liability of a Client for Initial Margin is Covered at all times.

### 7.2.6 Time for payment of Margins

(1) Where a Call is made for Initial or Variation Margin, the Trading Participant must stipulate the time for payment or lodgement of Approved Securities, which must not be greater than:

- (a) 24 hours if the Client's address is within Australia; or
- (b) 48 hours if the Client's address is outside Australia.

(2) Subject to subrule (4) and Rule 7.2.10, a Trading Participant must not provide credit for a Client beyond the periods specified in paragraphs (1)(a) and (b).

(3) A Trading Participant's Client agreement must provide that time shall be of the essence in respect of payment or lodgement under this Part 7.2.

(4) A Trading Participant will not be in breach of subrule (2) where the Trading Participant exercises a reasonable discretion to not Close Out in accordance with subrule 7.2.8(3).

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### 7.2.7 Spread margins

(1) Where a Trading Participant holds a spread position executed on a Market on behalf of a Client, the Trading Participant must Call an Initial Margin of not less than the amount for that spread determined by the Clearing Facility for that Market.

(2) When one leg of a spread position executed on a Market is in the first delivery (spot) month, the Initial Margin required on that leg must not be less than the amount required by the Clearing Facility for that Market on the first delivery (spot) month, and the other leg of the spread must attract the normal Initial Margin requirements.

### 7.2.8 Obligation of Close Out

(1) Subject to subrule (3), where a Client is in default by failing to pay a Call (or lodge Approved Securities) within the time stipulated under subrule 7.2.6(1), a Trading Participant must, immediately upon expiry of that time period, Close Out to the extent necessary to counter the Call, all or any existing Open Positions in any market held by the Trading Participant on account of the Client.

(2) A Trading Participant's Client agreement must provide that the Trading Participant shall not be liable to the Client for any loss sustained by the Client as a result of the Trading Participant Closing Out in accordance with subrule (1).

(3) A Trading Participant shall not be obliged to Close Out futures positions in accordance with subrule (1) where the Trading Participant exercises a reasonable discretion to not Close Out having regard to:

- (a) the expertise and financial status of the Client;
- (b) any genuine attempts by the Client to meet the Call within the time prescribed; and
- (c) whether relevant actions or omissions of third parties resulted in the Client failing to pay the Call.

### 7.2.9 Margin requirements—Trading on financial markets other than Markets operated by the Market operator, Margin Action Book and Margin Default Register

(1) Where a Trading Participant of a Market is dealing in Contracts on behalf of Clients on a market other than the relevant Market, the Trading Participant must comply with any margin obligations contained in the rules of that market.

(2) Where the rules of a market referred to in subrule (1) do not contain any margin obligations, the Trading Participant must comply with the margin obligations set out in this Part when dealing in Contracts on behalf of Clients on that market as if it were dealing in Contracts on behalf of Clients on the relevant Market.

(3) A Trading Participant must ensure that it has procedures in place to determine the Initial Margin and Variation Margin Calls are being made as soon as possible after the execution of the Client's instructions on a Market, including, but not limited to, the maintenance of a Margin Action Book and a Margin Default Register for the relevant Market.

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(4) For the purposes of subrule (3), a **Margin Action Book** is a document recording, without limitation, the following information about action taken in relation to Margin Calls:

- (a) Client name;
- (b) amount of Call required;
- (c) time and date Client contacted;
- (d) Client response; and
- (e) date funds received.

(5) For the purposes of subrule (3), a **Margin Default Register** is a document recording, without limitation, the following information in relation to non-receipt of Margin payments:

- (a) Client name;
- (b) amount of the Call;
- (c) time and date of the initial Call and any subsequent Calls;
- (d) details of escalation and other relevant steps taken by the Trading Participant;
- (e) details of whether the Trading Participant closed out the Client's positions and, if not, the reasons why the Trading Participant has not done so, having regard to subrule 7.2.8(3); and
- (f) date and amount of funds received or details of action taken by the Client.

### 7.2.10 Credit lines

A Trading Participant must not accept credit lines for payment of margins unless:

- (a) the Trading Participant is an Australian ADI and:
  - (i) the monies are lent by a separate credit division of the Australian ADI;
  - (ii) such monies are lent in accordance with normal credit policy of the Australian ADI; and
  - (iii) the facility is used to pay obligations for Initial and Variation Margins and that such obligations are met by actual payment into the clients' segregated account of the Trading Participant through a direct call on the facility; or
- (b) the credit is provided to Clients of the Trading Participant by a related entity of the Trading Participant to meet Initial Margins and Variation Margins and:
  - (i) the related entity's core business activity is the provision of credit to Clients; and
  - (ii) the related entity is not a subsidiary of the Trading Participant.

### 7.2.11 Notifying ASIC

(1) A Trading Participant must advise ASIC, in writing, as soon as a Call has not been met by a Client and the Trading Participant has not closed out the Client's positions.

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(2) Subject to any reasonable discretion exercised by the Trading Participant in accordance with subrule 7.2.8(3), the notification referred to in subrule (1) must be given as soon as there is any doubt to a reasonable person that the funds will not arrive from the Client.

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# Chapter 8: Extreme price movements

## Part 8.1A Application

### 8.1A.1 Application of Chapter

- (1) This Chapter applies to Market operators.
- (2) In this Chapter, **Relevant Products** means Equity Index Futures and ASX SPI 200 Futures.

## Part 8.1 Order entry controls for Anomalous Orders

### 8.1.1 Requirement to have Anomalous Order Thresholds

- (1) A Market operator must determine an Anomalous Order Threshold for each Relevant Product that is quoted on its Market.
- (2) A Market operator must notify ASIC in writing of the Anomalous Order Threshold for each Relevant Product that is quoted on its Market, not less than 21 days before first adopting the Anomalous Order Threshold for the purposes of Rule 8.1.3.
- (3) ASIC may notify a Market operator that an Anomalous Order Threshold the Market operator has notified to ASIC or adopted for the purposes of Rule 8.1.3 is not appropriate to promote market integrity or a fair, orderly or transparent market.
- (4) If ASIC notifies a Market operator under subrule (3) in relation to a Relevant Product, the Market operator must, as soon as practicable, determine a new Anomalous Order Threshold for the Relevant Product and notify ASIC in writing of the new Anomalous Order Threshold before adopting the Anomalous Order Threshold for the purposes of Rule 8.1.3.
- (5) In determining an Anomalous Order Threshold for a Relevant Product a Market operator must take into account, at a minimum:
  - (a) the price at which a single Order deviates substantially from:
    - (i) prevailing market conditions for the Relevant Product;
    - (ii) historical trading patterns; and
  - (b) the relevant index multiplier for the Equity Index Future or ASX SPI 200 Future.

### 8.1.2 Requirement to make Anomalous Order Thresholds publicly available

A Market operator must make an Anomalous Order Threshold determined under Rule 8.1.1 publicly available before adopting the Anomalous Order Threshold for the purposes of Rule 8.1.3.

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### 8.1.3 Requirement to prevent Anomalous Orders from entering Markets

A Market operator must have in place adequate controls to prevent Anomalous Orders from entering an Order Book (*Relevant Order Book*) of its Market at all times on a Trading Day other than a time during which:

- (a) Orders for Relevant Products are not matched and transactions are not executed on a continuous basis on the Relevant Order Book; or
- (b) an Auction is being conducted on the Relevant Order Book.

### 8.1.4 Requirement to have adequate arrangements in relation to Anomalous Order Thresholds

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

- (a) determining Anomalous Order Thresholds in accordance with Rule 8.1.1;
- (b) regularly reviewing, and if necessary, amending, the Anomalous Order Threshold for each Relevant Product quoted on its Market, to take into account changes to the matters set out in subrule 8.1.1(5); and
- (c) monitoring, and if necessary, adjusting, the controls referred to in Rule 8.1.3 to ensure that the controls are adequate to prevent Anomalous Orders from entering its Market.

(2) A Market operator must notify ASIC in writing:

- (a) of the arrangements that the Market operator has in place under paragraph (1)(a), not less than 21 days before first adopting an Anomalous Order Threshold for the purposes of Rule 8.1.3 in accordance with those arrangements; and
- (b) each time a Market operator revises the arrangements it has in place under paragraph (1)(a), not less than two business days before adopting the revised arrangements for the purposes of paragraph (1)(a).

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

(4) If ASIC notifies a Market operator under subrule (3), that Market operator must, as soon as practicable, revise its arrangements and notify ASIC in writing of the revised arrangements not less than two business days before adopting them for the purposes of paragraph (1)(a).

(5) A Market operator must record in writing the arrangements required by subrule (1).

## Part 8.2 Extreme Trade Range

### 8.2.1 Extreme Trade Range

(1) The *Extreme Trade Range* for the ASX SPI 200 Future means all prices which are greater than 5% away from the Reference Price for the ASX SPI 200 Future.

(2) The ***Extreme Trade Range*** for an Equity Index Future means all prices which are greater than 5% away from the Reference Price for the Equity Index Future.

### 8.2.2 Obligation on Market operator to determine and notify Reference Price

(1) The Responsible Market Operator must determine a Reference Price for each Relevant Product after each Trading Reset, as follows:

- (a) if there is an Auction in the Relevant Product after the Trading Reset and before the first transaction after a Trading Reset, the price established by the Auction;
- (b) if:
  - (i) the Responsible Market Operator determines, acting reasonably, that the price established by the Auction referred to in paragraph (a) is Invalid;
  - (ii) the Auction referred to in paragraph (a) does not establish a price; or
  - (iii) there is no Auction in the Relevant Product after the Trading Reset and before the first transaction after a Trading Reset;
- (c) the price of the first transaction after a Trading Reset; or
- (d) if paragraph (b) applies and the price of the first transaction after a Trading Reset is Invalid, a price determined by the Responsible Market Operator, acting reasonably, to be not Invalid.

(2) The Responsible Market Operator must, each time it determines a Reference Price for a Relevant Product in accordance with subrule (1), immediately:

- (a) use the Reference Price to determine the Extreme Trade Range for the Relevant Product in accordance with Rule 8.2.1, until the next Trading Reset for the Relevant Product; and
- (b) notify ASIC and the Market operator of each other Market on which the Relevant Product is quoted, of the Reference Price for the Relevant Product.

(3) Subject to subrule (4), each Market operator that receives a notification under paragraph (2)(b) must immediately use the Reference Price in the notification to determine the Extreme Trade Range for the Relevant Product in accordance with Rule 8.2.1, until it next receives a notification under paragraph (2)(b) in relation to the Relevant Product.

(4) A Market operator that operates an Order Book for Relevant Products other than:

- (a) ASX Trade24 (in the case of ASX SPI 200 Futures); or
- (b) the central Order Book of the Responsible Market Operator for Equity Index Futures (in the case of Equity Index Futures);

must determine the Reference Price for each Relevant Product for that Order Book after each Trading Reset on that Order Book, as:

- (c) the price of the first transaction after a Trading Reset; or
- (d) if paragraph (c) applies and the price of the first transaction after a Trading Reset is Invalid, a price determined by the Market operator, acting reasonably, to be not Invalid,

until the Market operator receives a notification of the Reference Price for the Relevant Product under paragraph (2)(b).

### 8.2.2A Requirement to prevent extreme price movements

A Market operator must have in place adequate controls to prevent a transaction in a Relevant Product executing on an Order Book (***Relevant Order Book***) of its Market in the Extreme Trade Range for the Relevant Product, at all times during a Trading Day other than at a time during which:

- (a) Orders are not matched and transactions are not executed on a continuous basis on the Relevant Order Book; or
- (b) an Auction is being conducted on the Relevant Order Book.

### 8.2.2B Requirement to identify and notify of ETR Event

(1) A Market operator must identify when an ETR Event occurs on an Order Book (***Relevant Order Book***) of its Market, at all times on a Trading Day other than at a time during which:

- (a) orders for financial products are not matched and transactions are not executed on a continuous basis on the Relevant Order Book; or
- (b) an Auction is being conducted on the Relevant Order Book.

(2) Where a Market operator (other than the Responsible Market Operator) identifies that an ETR Event has occurred on an Order Book of its Market, that Market operator must immediately notify the Responsible Market Operator of the ETR Event.

(3) Where a technical problem (including a power outage) prevents a Market operator from making a notification referred to in subrule (2) immediately, the notification must be made to the Responsible Market Operator without delay by another appropriate means.

### 8.2.2C Requirement to impose Trading Pause

(1) Where the Responsible Market Operator:

- (a) identifies an ETR Event on an Order Book of its own Market; or
  - (b) receives a notification of an ETR Event from another Market operator,
- in relation to a Relevant Product, the Responsible Market Operator must immediately:
- (c) impose a Trading Pause on the Relevant Product for a period of two minutes; and
  - (d) notify ASIC and the Market operator of each other Market on which the Relevant Product is quoted, that the Trading Pause has been imposed.

(2) A Market operator that receives a notification under paragraph (1)(d) must immediately place each Relevant Product the subject of the notification into a Trading Pause on its Market.

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(3) A Market operator that places a Relevant Product into a Trading Pause in accordance with subrule (2) may only lift or remove that Trading Pause after that Market operator receives a notification under subrule (4) in relation to the same Relevant Product.

(4) The Responsible Market Operator must immediately notify ASIC and the Market operator of each other Market on which the Relevant Product is quoted when it lifts or removes the Trading Pause imposed on the Relevant Product under subrule (1).

(5) Where a technical problem (including a power outage) prevents the Responsible Market Operator from making a notification referred to in paragraph (1)(d) or subrule (4) immediately, the notification must be made to ASIC and the Market operator of each other Market on which the Relevant Product is quoted, without delay by another appropriate means.

(6) The Responsible Market Operator must make publicly available information concerning:

- (a) the fact that a Trading Pause will result from an ETR Event;
- (b) the length of a Trading Pause resulting from an ETR Event; and
- (c) how the Responsible Market Operator will resume trading in the Relevant Product on its Market after a Trading Pause resulting from an ETR Event.

### 8.2.3 Notification of transactions in Extreme Trade Range

If a transaction is executed on a Market within the Extreme Trade Range for a Relevant Product, the operator of that Market must, as soon as practicable after becoming aware that the transaction was executed:

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

### 8.2.4 Market operator arrangements in relation to Extreme Trade Range

(1) The Responsible Market Operator must have in place adequate arrangements for notifying ASIC and other Market operators of Reference Prices in accordance with subrule 8.2.2(2), and the imposition and lifting or removal of a Trading Pause under paragraph 8.2.2C(1)(d) and subrule 8.2.2C(4).

(2) A Market operator must have in place adequate arrangements for:

- (a) identifying when an ETR Event occurs on its Market, in accordance with subrule 8.2.2B(1);

- (ab) notifying the Responsible Market Operator that an ETR Event has occurred on its Market, in accordance with subrule 8.2.2B(2), unless the Market operator is the Responsible Market Operator;
- (b) notifying ASIC, other Market operators and the relevant Market Participants once the Market operator has become aware that a transaction was executed on its Market in the Extreme Trade Range, in accordance with paragraphs 8.2.3(a) and (b); and
- (c) making publicly available the price and time of a transaction executed in the Extreme Trade Range, and, where applicable, the range of prices and times, and total number, of transactions executed in the Extreme Trade Range at or around the same time, in accordance with paragraph 8.2.3(c).

## Part 8.3 Transparent cancellation policies

### 8.3.1 Market operator to have transparent cancellation policies

- (1) A Market operator must have adequate policies and procedures for the cancellation of transactions in Relevant Products entered into on its Market.
- (2) A Market operator's policies and procedures under subrule (1) must:
  - (a) include a policy that all transactions executed on its Market within the Extreme Trade Range and identified by or to the Market operator will be cancelled;
 

Note: Under subrule 8.2.2B(1) and paragraph 8.2.4(2)(a), a Market operator must identify when an ETR Event, including the execution of a transaction in the Extreme Trade Range, occurs on its Market and must have in place adequate arrangements for identifying when an ETR Event occurs on its Market.
  - (b) set out the circumstances, if any, in which transactions in Relevant Products other than transactions referred to in paragraph (a):
    - (i) will be cancelled;
    - (ii) may be cancelled subject to a discretion; or
    - (iii) will not be cancelled;
  - (c) provide for the timely cancellation of transactions in Relevant Products; and
  - (d) describe how the Market operator will communicate with relevant Market Participants about the cancellation of transactions in Relevant Products.
- (3) A Market operator must comply with its policies and procedures required under subrule (1).
- (4) A Market operator must ensure that the policies and procedures it has in place to comply with subrule (1), and any changes to those policies and procedures, are made available to Participants of its Market before those policies and procedures, or those changes, take effect.

# Chapter 8A: Market operators—Critical Business Services, Information Security and Business Continuity Plans

## Part 8A.1 Application and Definitions

### 8A.1.1 Application of Chapter

This Chapter applies to Market operators.

### 8A.1.2 Definitions

In this Chapter:

***Business Continuity Plans*** has the meaning given by Rule 8A.5.1.

***Critical Business Services***, in relation to a Market operator, means functions, infrastructure, processes or systems which in the event of failure to operate effectively, would or would be likely to cause significant disruption to the Market operator's Market Operations or materially impact the Market operator's Market Services.

Note: Critical Business Services referred to in this definition would generally include but are not limited to, functions, infrastructure, processes and systems that deliver or support order entry, routing and matching, trade execution, dissemination of market data, trading risk management, market surveillance, reporting of executed trades to a clearing and settlement facility and regulatory data reporting.

***Critical Business Services Arrangements*** has the meaning given by Rule 8A.3.1.

***Incident*** has the meaning given by subparagraph 8A.5.1(6)(a)(i).

***Information Asset*** means information and information technology, including software, hardware and data (both soft and hard copy).

***Major Event*** has the meaning given by Rule 8A.5.1.

***Market Operations***, in relation to a Market operator, means the operations, activities and conduct of the Market operator's Market or of the Market operator in connection with that Market.

***Market Services***, in relation to a Market operator, means the services, data and associated products provided by the Market operator in connection with the Market operator's Market.

***Outsourcing Arrangement*** means an arrangement between a Market operator and another person (***Service Provider***) under which the Service Provider will provide, operate or support one or more of the Market operator's Critical Business Services.

***Service Provider***: has the meaning given in the definition of ***Outsourcing Arrangement***.

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## Part 8A.2 Trading controls

### 8A.2.1 Market operator to have trading controls

A Market operator must have controls, including automated controls, that enable immediate suspension, limitation or prohibition of the entry by a Market Participant of Trading Messages where required for the purposes of ensuring the Market is fair, orderly and transparent.

## Part 8A.3 Critical Business Services

### 8A.3.1 Resilience, reliability, integrity and security

#### Adequate arrangements

(1) A Market operator must have adequate arrangements (*Critical Business Services Arrangements*) to ensure the resilience, reliability, integrity and security of its Critical Business Services.

Note: Arrangements referred to in subrule (1) would generally include, but are not limited to, policies, procedures and organisational resources including financial, human and technological resources.

(2) Without limiting subrule (1), a Market operator's Critical Business Services Arrangements must include arrangements for:

- (a) identifying Critical Business Services; and
- (b) identifying, assessing, managing and monitoring for any risks to the resilience, reliability, integrity and security of Critical Business Services; and
- (c) ensuring Critical Business Services have sufficient and scalable capacity for ongoing and planned Market Operations and Market Services; and
- (d) preventing unauthorised access to or use of Critical Business Services; and
- (e) managing the implementation of new Critical Business Services and of changes to existing Critical Business Services in accordance with Rule 8A.3.2; and
- (f) dealing with a Major Event in accordance with Part 8A.5 of these Rules; and
- (g) managing Outsourcing Arrangements in relation to Critical Business Services in accordance with Rule 8A.3.3.

#### Review and change of arrangements

(3) A Market operator must undertake a review of its Critical Business Services Arrangements:

- (a) following each material change to its Critical Business Services; and
- (b) at least once every 12 months,

and apply recommended changes to the Critical Business Services Arrangements arising from the review to ensure they comply with subrules (1) and (2).

#### **Documentation of arrangements**

(4) A Market operator must document:

- (a) its Critical Business Services Arrangements; and
- (b) the scope and results of each review performed in accordance with subrule (3); and
- (c) any changes applied to the Critical Business Services Arrangements as a result of the review or otherwise,

and must maintain that documentation for a period of at least seven years from the later of the date it is created or the date it is last amended.

### **8A.3.2 Change management for Critical Business Services**

(1) A Market operator must have adequate arrangements to ensure that its Critical Business Services Arrangements continue to comply with subrule 8A.3.1(1) following the implementation of a new Critical Business Service or of a change to an existing Critical Business Service.

(2) Without limiting subrule (1), the arrangements referred to in that subrule must include arrangements for:

- (a) testing new Critical Business Services or material changes to existing Critical Business Services before implementation; and
- (b) communicating with persons that may be materially impacted by the implementation for the purposes of ensuring those persons are adequately informed about the nature, timing and impact of the implementation a reasonable time before it occurs; and
- (c) ensuring, to the extent reasonably practicable, that persons that may be materially impacted by the implementation are adequately prepared for the implementation before it occurs.

Note: Persons that may be materially impacted by the implementation may include ASIC, Market Participants, other Market operators and the operators of licensed clearing and settlement facilities.

(3) Without limiting paragraph (2)(b), a Market operator must give written notice of the proposed implementation to ASIC a reasonable time before the implementation.

### **8A.3.3 Outsourcing of Critical Business Services**

(1) A Market operator that enters into an Outsourcing Arrangement must:

- (a) before entering into the Outsourcing Arrangement, conduct due diligence enquiries for the purposes of ensuring the Service Provider has the ability and capacity to provide the services covered by the Outsourcing Arrangement effectively; and

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- (b) ensure that the Outsourcing Arrangement is contained in a documented legally binding agreement between the Market operator and the Service Provider that:
  - (i) sets out the nature, scope and quality of the services to be provided under the Outsourcing Arrangement; and
  - (ii) requires the Service Provider to give written notice to the Market operator before the Service Provider:
    - (A) enters into any arrangement with another person (***Sub-Contractor***) under which the Sub-Contractor will provide services material to the provision by the Service Provider of the services covered by the Outsourcing Arrangement; and
    - (B) makes any other material change to the manner in which the services covered by the Outsourcing Arrangement are provided; and
  - (iii) deals with the circumstances and manner in which the Outsourcing Arrangement may be terminated; and
  - (iv) provides for the orderly transfer of services provided under the Outsourcing Arrangement to the Market operator or another Service Provider in the event of termination of the Outsourcing Arrangement; and
- (c) while the Outsourcing Arrangement is in place, monitor the performance of the Service Provider for the purposes of ensuring the Service Provider is providing the services covered by the Outsourcing Arrangement effectively and has the ability and capacity to continue to provide those services effectively; and
- (d) have in place adequate arrangements to:
  - (i) identify any conflicts of interest between the Market operator and the Service Provider, including conflicts involving Sub-Contractors and related entities of the Market operator, Service Provider and any Sub-Contractor; and
  - (ii) manage any conflicts of interest which have been identified or could arise; and
- (e) have in place adequate arrangements to ensure the Market operator is able to comply with its obligations under the Act and these Rules in relation to the Critical Business Services the subject of an Outsourcing Arrangement including, without limitation, arrangements with the Service Provider to:
  - (i) ensure the resilience, reliability, integrity and security of those Critical Business Services in accordance with Rule 8A.3.1; and
  - (ii) ensure the confidentiality, integrity and availability of information obtained, held or used by the Market operator in relation to those Critical Business Services in accordance with Part 8A.4 of these Rules; and
  - (iii) deal with a Major Event in accordance with Part 8A.5 of these Rules; and

Note: Such arrangements may include, without limitation, requirements on the Service Provider to:

- (a) protect technology from security breaches and cyber-incidents; and
- (b) protect proprietary and client-related information and software; and
- (c) protect confidential, market-sensitive and personal information from intentional or inadvertent disclosure to unauthorised individuals; and

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- (d) establish, implement and maintain emergency procedures and a plan for disaster recovery with periodic testing of backup facilities.
  - (f) ensure that the Market operator and its auditors are able to promptly, upon request, access books, records and other information of the Service Provider relating to the Critical Business Services; and
  - (g) ensure that ASIC has the same access to all books, records and other information relating to the Critical Business Services and maintained by the Service Provider, that ASIC would have if not for the Outsourcing Arrangement; and
  - (h) ensure that for each Outsourcing Arrangement, the Market operator's Board or a director or senior manager have confirmed that they have complied with the Market operator's obligations in this subrule and made a written attestation to that effect.
- (2) The Market operator must comply with subrule (1) in a manner that is appropriate to:
- (a) the nature, complexity and risks of the Outsourcing Arrangement; and
  - (b) the materiality of the Outsourcing Arrangement to the Market operator's Market Operations and Market Services.
- (3) In determining for the purposes of subrule (1) whether the Service Provider has the ability and capacity to provide the services covered by the Outsourcing Arrangement effectively, the Market operator must take into account the extent to which the Service Provider is providing the same or similar services to other Market operators and Market Participants.
- (4) A Market operator must give written notice to ASIC as soon as practicable after the Market operator enters into an Outsourcing Arrangement, and in any event no later than 20 business days after entering into the Outsourcing Arrangement.

## Part 8A.4 Information security

### 8A.4.1 Information security

- (1) A Market operator must have adequate arrangements to ensure the confidentiality, integrity and availability of information obtained, held or used by the Market operator in relation to its Market Operations and Market Services.
- (2) Without limiting subrule (1), the arrangements referred to in that subrule must include:
  - (a) arrangements to identify and document Information Assets that are integral to the provision of the Market operator's Market Operations and Market Services; and
  - (b) controls, including automated controls, designed to prevent unauthorised access to Information Assets; and
  - (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.

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(3) A Market operator must have adequate arrangements to ensure the availability of access to data obtained, held or used by the Market operator in its Market Operations and Market Services.

(4) Without limiting subrule (3), the arrangements referred to in that subrule must include arrangements designed to provide for the backup of the data and the timely recovery of the data in the event of any theft, corruption or loss of the data.

(5) A Market operator must notify ASIC in writing, as soon as possible and, in any case, no later than 72 hours, after becoming aware of any:

- (a) unauthorised access to or use of its Critical Business Services that impacts the effective operation or delivery of those services; or
- (b) unauthorised access to or use of market-sensitive, confidential or personal information.

## Part 8A.5 Business Continuity Plans

### 8A.5.1 Business continuity

#### Business Continuity Plans

(1) A Market operator must establish, implement and maintain plans (*Business Continuity Plans*) for effectively responding to an event (*Major Event*) that would or would be likely to cause significant disruption to the Market operator's Market Operations or materially impact the Market operator's Market Services.

Note: A Major Event may include the failure of or disruption to a Critical Business Service, including one operated by a Service Provider, or an event such as a pandemic or influenza event, natural disaster, cyber-attack or power failure.

(2) A Market operator's Business Continuity Plans must be designed to enable:

- (a) continuity of the usual operation of the Market operator's Critical Business Services, Market Operations and Market Services during a Major Event; and
- (b) to the extent continuation of the usual operation of the Market operator's Critical Business Services, Market Operations and Market Services during a Major Event is not possible, timely and orderly restoration of those usual operations following the Major Event.

(3) A Market operator's Business Continuity Plans must be appropriate to the nature, scale and complexity of the Market operator's Critical Business Services, Market Operations and Market Services and to the Market operator's structure and location.

(4) Without limiting subrules (1) to (3), the Market operator's Business Continuity Plans must identify and address:

- (a) the types of Major Events that may impact the Market operator's Critical Business Services, Market Operations and Market Services; and

- (b) activation procedures including trigger conditions for enacting the Market operator's Business Continuity Plans; and
- (c) the potential impact Major Events may have on the Market operator's Critical Business Services, Market Operations and Market Services; and
- (d) the classification of types of Major Events according to the potential severity of the impacts referred to in paragraph (c); and
- (e) escalation procedures that are appropriate to the classification referred to in paragraph (d); and
- (f) the actions, arrangements and resources required to achieve the outcomes referred to in subrule (2); and

Note: The actions, arrangements and resources covered by this paragraph would include key operational functions and processes, staff, alternate suppliers/service providers, technology, alternative premises and other physical infrastructure.

- (g) specific objectives for the time taken to achieve the outcomes referred to in paragraph (2)(b); and
- (h) procedures for communicating during a Major Event with persons that may be impacted by the Major Event, for the purposes of ensuring those persons are adequately informed about:
  - (i) the nature and impact of the Major Event; and
  - (ii) the steps that are being taken or will be taken to manage the Major Event; and
  - (iii) the likely timing of the steps referred to in subparagraph (ii); and
  - (iv) the likely timing of the resumption of the usual operation of the Market operator's Critical Business Services, Market Operations and Market Services; and
- (i) any operational dependencies between the Market operator and any other person that may affect the matters referred to in paragraphs (a) to (h).

(5) Without limiting paragraph (4)(i), a Market operator must have in place adequate arrangements to ensure that the Market operator is able to carry out its Business Continuity Plans with respect to any Critical Business Services the subject of an Outsourcing Arrangement.

#### **Notification of an Incident or Major Event**

(6) Without limiting paragraph (4)(h), a Market operator must:

- (a) notify ASIC immediately upon becoming aware of:
  - (i) an unexpected disruption to the usual operation of the Market operator's Critical Business Services that may interfere with the fair, orderly or transparent operation of any Market (**Incident**); or
  - (ii) a Major Event; and

- (b) 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.

(7) If a notification is made under subrule (6), the Market operator must within seven days of the notification provide ASIC with a written report detailing:

- (a) the circumstances of the Incident or Major Event; and
- (b) the steps taken to manage the Incident or Major Event.

#### **Review, update and testing of plans**

(8) A Market operator must:

- (a) review and test its Business Continuity Plans and the arrangements referred to in subrule (5):
  - (i) at a frequency and in a manner appropriate to the nature, scale and complexity of the Market operator's Critical Business Services, Market Operations and Market Services and to the Market operator's structure and location; and
  - (ii) at a minimum:
    - (A) each time there is a material change to the Market operator's Critical Business Services, Market Operations and Market Services or to the Market operator's structure and location; and
    - (B) as soon as practicable after the occurrence of a Major Event; and
    - (C) once every 12 months; and
- (b) update the Business Continuity Plans as required to ensure they comply with subrules (1) to (4).

#### **Documentation of plans and testing**

(9) A Market operator must document:

- (a) its Business Continuity Plans; and
- (b) the scope and results of all reviews and testing performed in accordance with subrule (8),

and must maintain that documentation for a period of at least seven years from the later of the date it is created or the date it is last amended.

## **Part 8A.6 Governance**

### **8A.6.1 Responsibility for compliance**

- (1) A Market operator must have appropriate governance arrangements and adequate financial, technological and human resources to comply with its obligations under this Chapter 8A.

(2) Without limiting subrule (1), the arrangements referred to in that subrule must include arrangements for the Market operator's Board or senior management to have oversight of the establishment, implementation, maintenance, review, testing and documentation of the Market operator's Business Continuity Plans.

# Chapter 8B: Market Participants—Critical Business Services, Information Security and Business Continuity Plans

## Part 8B.1 Application and Definitions

### 8B.1.1 Application of Chapter

This Chapter applies to Market Participants.

### 8B.1.2 Definitions

In this Chapter:

***Business Continuity Plans*** has the meaning given by Rule 8B.4.1.

***Critical Business Services***, in relation to a Market Participant, means functions, infrastructure, processes or systems which in the event of failure to operate effectively, would or would be likely to cause significant disruption to the Market Participant's Participant Operations or materially impact the Market Participant's Participant Services.

Note: Critical Business Services referred to in this definition would generally include but are not limited to, functions, infrastructure, processes and systems that deliver or support order acceptance, routing and entry, clearing and settlement of transactions, payments and deliveries of financial products and funds, accounting for or reconciling client money, trust accounts, securities and funds, confirmations and regulatory data reporting.

***Critical Business Services Arrangements*** has the meaning given by Rule 8B.2.1.

***Information Asset*** means information and information technology, including software, hardware and data (both soft and hard copy).

***Major Event*** has the meaning given by Rule 8B.4.1.

***Outsourcing Arrangement*** means an arrangement between a Market Participant and another person (***Service Provider***) under which the Service Provider will provide, operate or support one or more of the Market Participant's Critical Business Services.

***Participant Operations***, in relation to a Market Participant, means the operations, activities or conduct of the Market Participant in connection with each Market of which it is a Participant.

***Participant Services***, in relation to a Market Participant, means the services provided by the Market Participant in connection with each Market of which it is a Participant.

***Service Provider***: has the meaning given in the definition of ***Outsourcing Arrangement***.

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## Part 8B.2 Critical Business Services

### 8B.2.1 Resilience, reliability, integrity and security

#### Adequate arrangements

(1) A Market Participant must have adequate arrangements (*Critical Business Services Arrangements*) to ensure the resilience, reliability, integrity and security of its Critical Business Services.

Note: Arrangements referred to in subrule (1) would generally include, but are not limited to, policies, procedures and organisational resources including financial, human and technological resources.

(2) Without limiting subrule (1), a Market Participant's Critical Business Services Arrangements must include arrangements for:

- (a) identifying Critical Business Services; and
- (b) identifying, assessing, managing and monitoring for any risks to the resilience, reliability, integrity and security of Critical Business Services; and
- (c) ensuring Critical Business Services have sufficient and scalable capacity for the Market Participant's ongoing and planned Participant Operations and Participant Services; and
- (d) preventing unauthorised access to or use of Critical Business Services; and
- (e) managing the implementation of new Critical Business Services and of changes to existing Critical Business Services in accordance with Rule 8B.2.2; and
- (f) dealing with a Major Event in accordance with Part 8B.4 of these Rules; and
- (g) managing Outsourcing Arrangements in relation to Critical Business Services in accordance with Rule 8B.2.3.

#### Review and change of arrangements

(3) A Market Participant must undertake a review of its Critical Business Services Arrangements:

- (a) following each material change to its Critical Business Services; and
- (b) at least once every 12 months,

and apply recommended changes to the Critical Business Services Arrangements arising from the review to ensure they comply with subrules (1) and (2).

#### Documentation of arrangements

(4) A Market Participant must document:

- (a) its Critical Business Services Arrangements; and
- (b) the scope and results of each review performed in accordance with subrule (3); and
- (c) any changes applied to the Critical Business Services Arrangements as result of a review or otherwise,

and must maintain that documentation for a period of at least seven years from the later of the date it is created or the date it is last amended.

## 8B.2.2 Change management for Critical Business Services

(1) A Market Participant must have adequate arrangements to ensure that its Critical Business Services Arrangements continue to comply with subrule 8B.2.1(1) following the implementation of a new Critical Business Service or of a change to an existing Critical Business Service.

(2) Without limiting subrule (1), the arrangements referred to in that subrule must include arrangements for:

- (a) testing new Critical Business Services or material changes to existing Critical Business Services before implementation; and
- (b) communicating with persons that may be materially impacted by the implementation for the purposes of ensuring those persons are adequately informed about the nature, timing and impact of the implementation a reasonable time before it occurs; and
- (c) ensuring, to the extent reasonably practicable, that persons that may be materially impacted by the implementation are adequately prepared for the implementation before it occurs.

Note: Persons that may be materially impacted by the implementation may include ASIC, other Market Participants, Market operators and the operators of licensed clearing and settlement facilities.

## 8B.2.3 Outsourcing of Critical Business Services

(1) A Market Participant that enters into an Outsourcing Arrangement must:

- (a) before entering into the Outsourcing Arrangement, conduct due diligence enquiries for the purposes of ensuring the Service Provider has the ability and capacity to provide the services covered by the Outsourcing Arrangement effectively; and
- (b) ensure that the Outsourcing Arrangement is contained in a documented legally binding agreement between the Market Participant and the Service Provider, that:
  - (i) sets out the nature, scope and quality of the services to be provided under the Outsourcing Arrangement; and
  - (ii) requires the Service Provider to give written notice to the Market Participant before the Service Provider:
    - (A) enters into any arrangement with another person (***Sub-Contractor***) under which the Sub-Contractor will provide services material to the provision by the Service Provider of the services covered by the Outsourcing Arrangement; or
    - (B) makes any other material change to the manner in which the services covered by the Outsourcing Arrangements are provided; and

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- (iii) deals with the circumstances and manner in which the Outsourcing Arrangement may be terminated; and
  - (iv) provides for the orderly transfer of services provided under the Outsourcing Arrangement to the Market Participant or another Service Provider in the event of termination of the Outsourcing Arrangement; and
- (c) while the Outsourcing Arrangement is in place, monitor the performance of the Service Provider for the purposes of ensuring the Service Provider is providing the services covered by the Outsourcing Arrangement effectively and has the ability and capacity to continue to provide those services effectively; and
- (d) have in place adequate arrangements to:
  - (i) identify any conflicts of interest between the Market Participant and the Service Provider, including conflicts involving Sub-Contractors and related entities of the Market Participant, Service Provider and any Sub-Contractor; and
  - (ii) manage any conflicts of interest which have been identified or could arise; and
- (e) have in place adequate arrangements to ensure the Market Participant is able to comply with its obligations under the Act and these Rules in relation to the Critical Business Services the subject of an Outsourcing Arrangement including, without limitation, arrangements with the Service Provider to:
  - (i) ensure the resilience, reliability, integrity and security of those Critical Business Services in accordance with Rule 8B.2.1; and
  - (ii) ensure the confidentiality, integrity and availability of information obtained, held or used by the Market Participant in relation to those Critical Business Services in accordance with Part 8B.3 of these Rules; and
  - (iii) deal with a Major Event in accordance with Part 8B.4 of these Rules; and

Note: Such arrangements may include, without limitation, requirements on the Service Provider to:

- (a) protect technology from security breaches and cyber-incidents; and
  - (b) protect proprietary and client-related information and software; and
  - (c) protect confidential, market-sensitive and personal information from intentional or inadvertent disclosure to unauthorised individuals; and
  - (d) establish, implement and maintain emergency procedures and a plan for disaster recovery with periodic testing of backup facilities.
- (f) ensure that the Market Participant and its auditors are able to promptly, upon request, access books, records and other information of the Service Provider relating to the Critical Business Services; and
- (g) ensure that ASIC has the same access to all books, records and other information relating to the Critical Business Services and maintained by the Service Provider, that ASIC would have if not for the Outsourcing Arrangement; and
- (h) ensure that for each Outsourcing Arrangement, the Market Participant's Board or a director or senior manager have confirmed that they have complied with the Market Participant's obligations in this subrule and made a written attestation to that effect.

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(2) The Market Participant must comply with subrule (1) in a manner that is appropriate to:

- (a) the nature, complexity and risks of the Outsourcing Arrangement; and
- (b) the materiality of the Outsourcing Arrangement to the Market Participant's Participant Operations and Participant Services.

(3) In determining for the purposes of subrule (1) whether the Service Provider has the ability and capacity to provide the services covered by the Outsourcing Arrangement effectively, the Market Participant must take into account the extent to which the Service Provider is providing the same or similar services to other Market Participants.

## Part 8B.3 Information security

### 8B.3.1 Information security

(1) A Market Participant must have adequate arrangements to ensure the confidentiality, integrity and availability of information obtained, held or used by the Market Participant in relation to its Participant Operations and Participant Services.

(2) Without limiting subrule (1), the arrangements referred to in that subrule must include:

- (a) arrangements to identify and document Information Assets that are integral to the provision of the Market Participant's Participant Operations and Participant Services; and
- (b) controls, including automated controls, designed to prevent unauthorised access to Information Assets; and
- (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.

(3) A Market Participant must have adequate arrangements to ensure the availability of access to data obtained, held or used by the Market Participant in its Participant Operations and Participant Services.

(4) Without limiting subrule (3), the arrangements referred to in that subrule must include arrangements designed to provide for the backup of the data and the timely recovery of the data in the event of any theft, corruption or loss of the data.

(5) A Market Participant must maintain, for a period of at least seven years after the relevant event, records of any:

- (a) unauthorised access to or use of its Critical Business Services that impacts the effective operation or delivery of those services; or
- (b) unauthorised access to or use of market-sensitive, confidential or personal information.

## Part 8B.4 Business Continuity Plans

### 8B.4.1 Business continuity

#### Business Continuity Plans

(1) A Market Participant must establish, implement and maintain plans (***Business Continuity Plans***) for effectively responding to an event (***Major Event***) that would or would be likely to cause significant disruption to the Market Participant's Participant Operations or materially impact the Market Participant's Participant Services.

Note: A Major Event may include the failure of a Critical Business Service, including one operated by a Service Provider, or an event such as a pandemic or influenza event, natural disaster, cyber-attack or power failure.

(2) A Market Participant's Business Continuity Plans must be designed to enable:

- (a) continuity of the usual operation of the Market Participant's Critical Business Services, Participant Operations and Participant Services during a Major Event; and
- (b) to the extent continuation of the usual operation of the Market Participant's Critical Business Services, Participant Operations and Participant Services during a Major Event is not possible, timely and orderly restoration of those usual operations following the Major Event.

(3) A Market Participant's Business Continuity Plans must be appropriate to the nature, scale and complexity of the Market Participant's Critical Business Services, Participant Operations and Participant Services and to the Market Participant's structure and location.

(4) Without limiting subrules (1) to (3), the Market Participant's Business Continuity Plans must identify and address:

- (a) the type of Major Events that may impact the Market Participant's Critical Business Services, Participant Operations and Participant Services; and
- (b) activation procedures including trigger conditions for enacting the Market Participant's Business Continuity Plans; and
- (c) the potential impact Major Events may have on the Market Participant's Critical Business Services, Participant Operations and Participant Services; and
- (d) the classification of types of Major Events according to the potential severity of the impacts referred to in paragraph (c); and
- (e) escalation procedures that are appropriate to the classification referred to in paragraph (d); and
- (f) the actions, arrangements and resources required to achieve the outcomes referred to in subrule (2); and

Note: The actions, arrangements and resources covered by this paragraph would include key operational functions and processes, staff, alternate suppliers/service providers, technology, alternative premises and other physical infrastructure.

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- (g) specific objectives for the time taken to achieve the outcomes referred to in paragraph (2)(b); and
- (h) procedures for communicating during a Major Event with persons that may be impacted by the Major Event, for the purposes of ensuring those persons are adequately informed about:
  - (i) the nature and impact of the Major Event; and
  - (ii) the steps that are being taken or will be taken to manage the Major Event; and
  - (iii) the likely timing of the steps referred to in subparagraph (ii); and
  - (iv) the likely timing of the resumption of the usual operation of the Market Participant's Critical Business Services, Participant Operations and Participant Services; and
- (i) any operational dependencies between the Market Participant and any other person that may affect the matters referred to in paragraphs (a) to (h).

(5) Without limiting paragraph (4)(i), a Market Participant must have in place adequate arrangements to ensure that the Market Participant is able to carry out its Business Continuity Plans with respect to any Critical Business Services the subject of an Outsourcing Arrangement.

#### **Notification of a Major Event**

(6) Without limiting paragraph (4)(h), a Market Participant must notify ASIC immediately upon becoming aware of a Major Event.

(7) If a notification is made under subrule (6), the Market Participant must within seven days of the notification provide ASIC with a written report detailing:

- (a) the circumstances of the Major Event; and
- (b) the steps taken to manage the Major Event.

#### **Review, update and testing of plans**

(8) A Market Participant must:

- (a) review and test its Business Continuity Plans and the arrangements referred to in subrule (5):
  - (i) at a frequency and in a manner appropriate to the nature, scale and complexity of the Market Participant's Critical Business Services, Participant Operations and Participant Services and to the Market Participant's structure and location; and
  - (ii) at a minimum:
    - (A) each time there is a material change to the Market Participant's Critical Business Services, Participant Operations and Participant Services or to the Market Participant's structure and location; and
    - (B) as soon as practicable after the occurrence of a Major Event; and

- (c) once every 12 months; and
- (b) update the Business Continuity Plans as required to ensure they comply with subrules (1) to (4).

#### **Documentation of plans and testing**

(9) A Market Participant must document:

- (a) its Business Continuity Plans; and
- (b) the scope and results of all reviews and testing performed in accordance with subrule (8),

and must maintain that documentation for a period of at least seven years from the later of the date it is created or the date it is last amended.

## **Part 8B.5 Governance**

### **8B.5.1 Responsibility for compliance**

- (1) A Market Participant must have appropriate governance arrangements and adequate financial, technological and human resources to comply with its obligation under this Chapter 8B.
- (2) Without limiting subrule (1), the arrangements referred to in that subrule must include arrangements for the Market Participant's Board or senior management to have oversight of the establishment, implementation, maintenance, review, testing and documentation of the Market Participant's Business Continuity Plans.

# Schedule

## Form 1 Part 1

### DIRECTORS' DECLARATION

#### CLIENT FUNDS

As directors of .....[entity name] ("the Participant"), we are responsible for maintaining an effective internal control structure, including establishing and maintaining accounting records and effective internal controls designed to ensure compliance with the requirements of Rule 2.2.6 of the *ASIC Market Integrity Rules (Futures Markets) 2017* in relation to clients' segregated accounts.

In carrying out this responsibility, we have had regard to the interests of the clients and owners of the Participant, and to the general effectiveness and efficiency of the operations of the Participant.

In the opinion of the directors, the Participant maintained, in all material respects, during the.....[insert number] month period ended .....[insert date] suitably designed and effective internal controls to comply with the requirements of Rule 2.2.6 of the *ASIC Market Integrity Rules (Futures Markets) 2017* in relation to clients' segregated accounts.

.....

Authorised in accordance with subrule 2.3.5(2)

.....

Name

.....

Date

.....

Authorised in accordance with subrule 2.3.5(2)

.....

Name

.....

Date

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## Form 1 Part 2

### Annual Statement of Client Funds

#### Auditor's Report

We have audited the accounting records and internal control policies and procedures ("internal controls") of .....[entity name] (the "Participant") designed to ensure compliance with the requirements of Rule 2.2.6 of the *ASIC Market Integrity Rules (Futures Markets) 2017* ("Futures Markets Rules") in relation to clients' segregated accounts (the "Clients' Segregated Accounts Rules") in order to express an opinion about their effectiveness for the period/year ended .....[date] ("the Financial Year").

The directors of the Participant are responsible for maintaining an effective internal control structure, including establishing and maintaining accounting records and effective internal controls designed to ensure compliance with the requirements of the Clients' Segregated Accounts Rules. We have conducted an independent audit of the internal controls designed to ensure compliance with the requirements of the Clients' Segregated Accounts Rules in order to express an opinion on them to the directors of the Participant for the Financial Year ended.....[insert date].

Our audit has been conducted in accordance with Australian Auditing Standards and accordingly included such tests and procedures as we considered necessary in the circumstances. Our procedures included examination, on a test basis, of evidence supporting the Participant's accounting records and operation of its internal controls in relation to compliance with the requirements of the Clients' Segregated Accounts Rules. These procedures have been undertaken to form an opinion whether in all material aspects, the Participant maintained suitably designed and effective internal controls to ensure compliance with the requirements of the Clients' Segregated Accounts Rules for the Financial Year.

This report has been prepared for the Participant in order to meet its obligations to give this report to ASIC in accordance with paragraph 2.3.5(1)(b) of the Futures Markets Rules. We disclaim any assumption of responsibility for reliance on this report to any person other than the Participant and ASIC, or for any purpose other than that for which it was prepared.

#### Inherent Limitations

Because of the inherent limitations of any internal control structure it is possible that fraud, errors or noncompliance with laws and regulations may occur and not be detected. Further, the overall internal control structure, within which the internal controls designed to ensure compliance with the requirements of the Clients' Segregated Accounts Rules operate, has not been audited, and no opinion is expressed as to its effectiveness.

An audit is not designed to detect all weaknesses in internal controls or all instances of noncompliance with the requirements of the Clients' Segregated Accounts Rules as it is not performed continuously throughout the period/year and the tests performed over the internal controls are on a sample basis having regard to the nature and size of the Participant.

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Any projection of the evaluation of internal controls to future periods is subject to the risk that the internal controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The audit opinion expressed in this report has been formed on the above basis.

**[Qualified] Auditor's Opinion**

In our opinion, [except for the matters referred to in the qualification below,] the Participant maintained, in all material respects during the Financial Year, suitably designed and effective internal controls to comply with the requirements of the Clients' Segregated Accounts Rules.

**Qualification (if applicable)**

Name of Audit Firm .....

Director's/Partner's Signature

.....

Name of director/Partner .....

Address of Audit Firm .....

Date .....

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# Endnotes

## Endnote 1 – Instrument history

| Instrument number                                                                                                      | Date of FRL registration | Date of commencement<br>( <i>underlined</i> = <i>not yet commenced</i> )                                               | Application, saving or transitional provisions |
|------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| ASIC Market Integrity Rules (Futures Markets) 2017 (F2017L01475)                                                       | 16/11/2017               | 07/05/2018                                                                                                             | -                                              |
| ASIC Market Integrity Rules (Securities Markets and Futures Markets 2018 (No.1) (F2018L00585)                          | 03/05/2018               | 04/05/2018                                                                                                             | -                                              |
| ASIC Market Integrity Rules (Securities Markets and Futures Markets) Amendment Instrument 2022/74 (F2022L00294)        | 09/03/2022               | Schedule 2: 10/03/2023                                                                                                 | -                                              |
| <b>as amended by</b>                                                                                                   |                          |                                                                                                                        |                                                |
| ASIC Market Integrity Rules (Securities Markets and Futures Markets) Amendment Instrument 2022/329 (F2022L00751)       | 08/06/2022               | Schedule 2: 09/06/2022                                                                                                 | -                                              |
| ASIC Market Integrity Rules (Securities Markets and other ASIC-Made Rules) Amendment Instrument 2022/117 (F2022L00295) | 09/03/2022               | Schedule 2 items 1-5: 10/03/2022<br>Schedule 2 items 6, 7, 9, 10: 06/04/2022<br>Schedule 2 items 8, 11, 12: 10/06/2022 | -                                              |
| <b>as amended by</b>                                                                                                   |                          |                                                                                                                        |                                                |
| ASIC Market Integrity Rules (Securities Markets and Futures Markets) Amendment Instrument 2022/329 (F2022L00751)       | 08/06/2022               | Schedule 3: 09/06/2022                                                                                                 | -                                              |

## Endnote 2 – Amendment history

ad. = added or inserted   am. = amended   LA = Legislation Act 2003   rep. = repealed   rs. = repealed and substituted   *underlined* = not yet commenced

| Provision affected | How affected |
|--------------------|--------------|
| Rule 1.1.3         | rep. s48D LA |

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ad. = added or inserted   am. = amended   LA = Legislation Act 2003   rep. = repealed   rs. = repealed and substituted   underlined = not yet commenced

| Provision affected              | How affected                                      |
|---------------------------------|---------------------------------------------------|
| Rule 1.1.3A                     | rep. s48C LA                                      |
| Rule 1.1.3 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.1.4 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.1.5 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.1.5A                     | ad. F2022L00295, Schedule 2, item [5]             |
| Rule 1.1.6 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.1.7 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.1.8                      | ad. F2022L00295, Schedule 2, item [6]             |
| Rule 1.1.9                      | ad. F2022L00295, Schedule 2, item [6]             |
| Rule 1.2.1                      | rs. F2022L00295, Schedule 2, item [7]             |
| Rule 1.2.1 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.2.2 (Penalty)            | rep. F2022L00295, Schedule 2, item [3]            |
| Rule 1.2.3 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.2.4 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.3.1 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.3.2 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.4.1 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.4.2 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.5.1 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Rule 1.6.1 (Note)               | rep. F2022L00295, Schedule 2, item [4]            |
| Part 2.1 (Penalty)              | rep. F2022L00295, Schedule 2, item [2]            |
| <del>Rule 2.2.1 (Penalty)</del> | <del>rep. F2022L00295, Schedule 2, item [3]</del> |
| Rule 2.2.2 (Penalty)            | rep. F2022L00295, Schedule 2, item [2]            |
| Rule 2.2.3                      | rs. F2022L00295, Schedule 2, item [8]             |
| Rule 2.2.3 (Penalty)            | rep. F2022L00295, Schedule 2, item [3]            |
| Rule 2.2.4 (Penalty)            | rep. F2022L00295, Schedule 2, item [2]            |

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ad. = added or inserted   am. = amended   LA = Legislation Act 2003   rep. = repealed   rs. = repealed and substituted   underlined = not yet commenced

| Provision affected          | How affected                           |
|-----------------------------|----------------------------------------|
| Rule 2.2.5 (Penalty)        | rep. F2022L00295, Schedule 2, item [2] |
| Rule 2.2.6 (Penalty)        | rep. F2022L00295, Schedule 2, item [3] |
| Rule 2.2.7 (Penalty)        | rep. F2022L00295, Schedule 2, item [2] |
| Rule 2.2.8 (Penalty)        | rep. F2022L00295, Schedule 2, item [3] |
| Rule 2.2.9 (Penalty)        | rep. F2022L00295, Schedule 2, item [2] |
| Rule 2.3.2 (Penalty)        | rep. F2022L00295, Schedule 2, item [3] |
| Rule 2.3.3 (Penalty)        | rep. F2022L00295, Schedule 2, item [3] |
| Rule 2.3.4 (Penalty)        | rep. F2022L00295, Schedule 2, item [2] |
| Rule 2.3.5 (Penalty)        | rep. F2022L00295, Schedule 2, item [3] |
| Rule 2.3.6 (Penalty)        | rep. F2022L00295, Schedule 2, item [2] |
| Rule 2.4.1 (Penalty)        | rep. F2022L00295, Schedule 2, item [3] |
| Rule 3.1.1 (Penalty)        | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.1.2 (Penalty)        | rep. F2022L00295, Schedule 2, item [3] |
| Rule 3.1.3 (Penalty)        | rep. F2022L00295, Schedule 2, item [3] |
| Rule 3.1.4 (Penalty)        | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.1.5 (Penalty)        | rep. F2022L00295, Schedule 2, item [3] |
| Subrule 3.1.6(2A) (Penalty) | rep. F2022L00295, Schedule 2, item [3] |
| Subrule 3.1.6(2B) (Penalty) | rep. F2022L00295, Schedule 2, item [3] |
| Rule 3.1.7 (Penalty)        | rep. F2022L00295, Schedule 2, item [3] |
| Rule 3.1.8 (Penalty)        | rep. F2022L00295, Schedule 2, item [3] |
| Rule 3.1.9 (Penalty)        | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.1.10 (Penalty)       | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.1.11 (Penalty)       | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.1.12 (Penalty)       | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.1.13 (Penalty)       | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.1.14 (Penalty)       | rep. F2022L00295, Schedule 2, item [2] |

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| Provision affected    | How affected                           |
|-----------------------|----------------------------------------|
| Rule 3.1.15 (Penalty) | rep. F2022L00295, Schedule 2, item [3] |
| Rule 3.1.16 (Penalty) | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.1.17 (Penalty) | rep. F2022L00295, Schedule 2, item [3] |
| Rule 3.2.1 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.3.1 (Note)     | rep. F2022L00295, Schedule 2, item [4] |
| Rule 3.3.1A (Penalty) | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.3.2 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.3.3 (Note)     | rep. F2022L00295, Schedule 2, item [4] |
| Rule 3.4.1 (Note)     | rep. F2022L00295, Schedule 2, item [4] |
| Rule 3.4.2 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.4.3 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.4.4 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.4.4            | rs. F2022L00295, Schedule 2, item [9]  |
| Rule 3.5.1 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.5.2 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.5.3            | rs. F2022L00295, Schedule 2, item [10] |
| Rule 3.5.3 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 3.6.1            | ad. F2022L00295, Schedule 2, item [11] |
| Rule 3.6.2            | ad. F2022L00295, Schedule 2, item [11] |
| Rule 4.1.1 (Penalty)  | rep. F2022L00295, Schedule 2, item [3] |
| Rule 4.1.2 (Note)     | rep. F2022L00295, Schedule 2, item [4] |
| Rule 4.2.1 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 4.3.1 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 4.3.2 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 4.3.3 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 4.4.1            | ad. F2022L00295, Schedule 2, item [12] |

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| Provision affected    | How affected                           |
|-----------------------|----------------------------------------|
| Rule 5.1.1 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 5.1.2 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 5.2.1 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 5.2.2 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 5.2.3 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 5.3.1 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 5.3.2 (Penalty)  | rep. F2022L00295, Schedule 2, item [3] |
| Rule 5.3.3 (Penalty)  | rs. F2018L00585, Schedule 1, item [6]  |
| Rule 5.3.3 (Note)     | rep. F2022L00295, Schedule 2, item [4] |
| Rule 5.3.4 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 5.4.1 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 5.4.2 (Penalty)  | rep. F2022L00295, Schedule 2, item [1] |
| Rule 5.4.3 (Penalty)  | rep. F2022L00295, Schedule 2, item [1] |
| Rule 7.2.1 (Penalty)  | rep. F2022L00295, Schedule 2, item [3] |
| Rule 8.1A.1 (Note)    | rep. F2022L00295, Schedule 2, item [4] |
| Rule 8.1.1 (Penalty)  | rep. F2022L00295, Schedule 2, item [3] |
| Rule 8.1.2 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 8.1.3 (Penalty)  | rep. F2022L00295, Schedule 2, item [3] |
| Rule 8.1.4 (Penalty)  | rep. F2022L00295, Schedule 2, item [3] |
| Rule 8.2.1 (Note)     | rep. F2022L00295, Schedule 2, item [4] |
| Rule 8.2.2 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 8.2.2A (Penalty) | rep. F2022L00295, Schedule 2, item [3] |
| Rule 8.2.2B (Penalty) | rep. F2022L00295, Schedule 2, item [3] |
| Rule 8.2.2C (Penalty) | rep. F2022L00295, Schedule 2, item [3] |
| Rule 8.2.3 (Penalty)  | rep. F2022L00295, Schedule 2, item [2] |
| Rule 8.2.4 (Penalty)  | rep. F2022L00295, Schedule 2, item [3] |

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|----------------------|----------------------------------------|
| Rule 8.3.1 (Penalty) | rep. F2022L00295, Schedule 2, item [3] |
| Rule 8A.1.1          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8A.1.2          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8A.2.1          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8A.3.1          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8A.3.2          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8A.3.3          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8A.4.1          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8A.5.1          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8A.6.1          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8B.1.1          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8B.1.2          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8B.2.1          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8B.2.2          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8B.2.3          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8B.3.1          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8B.4.1          | ad. F2022L00294, Schedule 2, item [1]  |
| Rule 8B.5.1          | ad. F2022L00294, Schedule 2, item [1]  |