



## **Operating Rules: Procedures**

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**Section 1: INTERPRETATION & APPLICATION OF THE RULES****P1.1: Definitions**

- 1.1 Words defined in the **rules** have the same meaning in these **procedures** unless otherwise specified.

**P Definitions: Active Continuous Trading****1. Trading Halt or Suspension in Underlying Assets**

- 1.1 For the sake of clarity, the period during which no firm price is available for at least 10% by value of the **underlying assets** of the **investment product** will include, in the case of an **investment product** with a single **underlying asset**, when there is a trading halt or suspension in that **underlying asset**.

**P Definitions: Exchange Traded Fund (ETF)****1. A Foreign Company Specified in the Procedures**

- 1.1 An open ended management investment company registered with the US Securities and Exchange Commission under the Investment Company Act 1940 (USA) is a foreign company specified in the **procedures**, for the purposes of the definition of **Exchange Traded Fund**.

**P1.2: Rules of Interpretation**

- 1.1 These **procedures** are segmented according to the **rule** to which each **procedure** relates. So, for example, the procedure headed "**P5.4 Market-related disputes**" (referred to in these **procedures** as "**procedure 5.4**") contains the **procedure(s)** for **rule 5.4**. Each **procedure** is further segmented into parts and/or numbered paragraphs. This layout is for convenience only and does not affect interpretation.
- 1.2 For the sake of clarity, the rules of interpretation in **rule 1.2** also apply to the **procedures**.

**P1.5: Waivers**

- 1.1 For the sake of clarity, failure to comply with the terms and conditions of any waiver will render a **participant** or **product issuer** liable to action for contravention of the **rule** in respect of which the waiver was granted. Failure to comply with any conditions attached to a waiver may also amount to a breach of **rule 1.5** but if the **rule** in respect of which the waiver is granted is not breached then it is unlikely that action would be taken for contravention of any condition attached to the waiver.

- 1.2 A register will be maintained by **Chi-X** of each waiver granted under **rule 1.5** and which shall record:
- (a) The **rule** from which the waiver is granted;
  - (b) The **participant(s)** and **product issuer(s)** to whom the waiver has been granted;
  - (c) The basis on which the waiver was granted;
  - (d) The date on which the waiver takes effect;
  - (e) The terms and conditions of the waiver.
- 1.3 The register will be made available on the **Chi-X** web site.
- 1.4 **Chi-X** may, in its absolute discretion, keep confidential any or all aspects of a waiver that has been applied for and/or granted.

#### **P1.6: Reviews**

##### **1. Requesting a Review**

- 1.1 A **participant** can only request a review of a decision if the **rules** state that the decision may be reviewed.
- 1.2 The following **rules** state that a **participant** may request a review of the decisions that are specified:
- (a) rule 4.9(c) states that a participant may request a review of a decision by Chi-X under rule 4.9(a) to register or deregister a participant as a market maker;
  - (b) **rule 5.2** states that a **participant** may request a review of a decision by **Chi-X** under **rule 5.1(e)** to modify or restrict a **participant's** access to the market in order to ensure a fair, orderly and transparent market;
  - (c) **rule 5.5** states that a **participant** may request a review of the exercise by **Chi-X** of the powers in **rule 5.4(d)** in respect of a market-related **dispute**;
  - (d) **rule 9.1(b)** states that a **participant** may request a review of disciplinary action taken by **Chi-X** under **rule 9.1(a)**;

- (e) **rule 9.6** states that a **participant** may request a review of a decision by **Chi-X** under the default powers in **rule 9.5** to restrict, suspend or terminate a **participant's** access to the **Chi-X market**.
  - (f) **rule 14.2(b)** states that a review may be requested of a decision under **rule 14.2(a)** to refuse or to deregister the registration of a **product issuer**;
  - (g) **rule 14.37(c)** states that a **participant** may request a review of a direction issued by **Chi-X** under **rule 14.37(a)**, to a **product issuer** and/or a **guarantor**.
- 1.3 Notification of a request for a review must comply with **procedure 13.7** and be given to:
- (a) **Chi-X Compliance** in the case of a notification of a request for a review made under **rules 4.9(c), 5.2, 9.1(b), 9.6, 14.2(b)** or **14.37(c)**;
  - (b) **Market Operations** in the case of a notification of a request for a review made under **rule 5.5(a)**.
- 1.4 Further **procedures** relating to reviews are also contained in:
- (a) **procedure 5.5** in respect of the review of a decision relating to a market dispute;
  - (b) **procedure 9.1** in respect of the review of a decision relating to disciplinary action
- 2. Chi-X Response**
- 2.1 **Chi-X** may respond to a request for a review by serving upon the **participant** and the Secretary of the **Review Committee** a statement in response setting out all material facts and attaching all relevant documents.
- 3. Review Process**
- 3.1 **Chi-X** will appoint appropriately qualified persons to a panel from which the members of a **Review Committee** will, when required, be drawn. **Chi-X** will appoint an appropriately qualified person, who may be a member of **Chi-X** staff, to act as the Secretary of the **Review Committee**.
- 3.2 Upon receiving a request from a **participant** to review a decision, **Chi-X** will constitute a **Review Committee** consisting of three members drawn from the panel. These three persons will sit as the **Review Committee**. **Chi-X** will appoint one of the three members of the **Review Committee** as the Chairman. The Secretary of the **Review Committee** will provide copies of all documents served by the **participant** and **Chi-X** to each member of the **Review Committee**.

#### 4. Formalities, recording and transcripts

4.1 The **Review Committee** may conduct the review as it sees fit. The **Review Committee** may record or make a transcript of any proceedings (or both). If a transcript or recording is made, the **Review Committee** must make it available to **Chi-X** and to the **participant(s)** that is/are party to the review.

#### 5. Procedural fairness and conflicts of interest

5.1 The **Review Committee** must conduct the proceedings without bias, provide the **participant(s)** and **Chi-X** with a fair hearing and observe the rules of procedural fairness.

5.2 A person must not sit as a member of a **Review Committee** if they have a conflict of interest which precludes their participation. Members of the **Review Committee** must excuse themselves if the Chairman determines that they have a conflict of interest which precludes their participation.

#### 6. Notification of decision

6.1 The **Review Committee** will notify **Chi-X** and the relevant **participant** of the decision and the reason for its decision as soon as it is reasonably practicable to do so. The **Review Committee** has the power to direct what details of its decision may be made public.

6.2 **Chi-X** may, subject to paragraph 6.1 of this **procedure** 1.6, publicly announce a decision of the **Review Committee**.

#### 7. Register

7.1 **Chi-X** will keep a register of all decisions of the **Review Committee**. The register will, subject to paragraph 6.1 of this **procedure** 1.6, be made available for inspection on the **Chi-X** website: [www.chi-x.com.au](http://www.chi-x.com.au).

#### 8. Interim Measures

8.1 Lodging a request for a review pursuant to **rules** 4.9(c), 5.2, 5.5, 9.6, 14.2(b) or 14.37(c) has no impact on the decision in respect of which the request is made. That decision will remain in force unless and until it is changed by the Review Committee.

#### 9. Review Outcomes

9.1 In the case of a review conducted pursuant to a request made under **rules** 4.9(c), 5.2, 5.5, 9.6, 14.2(b) or 14.37(c), the **Review Committee** may confirm, vary or quash the decision in respect of which the review is being sought.

9.2 In the case of a review conducted pursuant to **participant** objection under **rule 9.1(b)** or a referral from **Chi-X** under **rule 9.1(d)**, a **Review Committee** may impose or utilise one or more of the sanctions in **rule 9.3** and as outlined in **procedure 9.1**.

9.3 There is no appeal from a decision of the **Review Committee**.

9.4 The decision of the **Review Committee** may be enforced by **Chi-X** as if it were the decision that was reviewed.

## 10. **Review Fees**

10.1 The fees for lodging a request for a review are as follows:

- (a) a review under **rule 4.9(c)** of a decision under **rule 4.9(b)** to register or deregister a participant as a market maker - \$5,000.
- (b) a review under **rule 5.2** of a decision under **rule 5.1(e)** to restrict/modify a participant's access to the market for the purpose of maintaining a fair, orderly and transparent market - \$5,000.
- (c) a review under **rule 5.5** of the exercise by **Chi-X** of the powers in **rule 5.4(d)** in respect of a market **dispute** - nil;
- (d) a review under **rule 9.1(b)** of disciplinary action taken by **Chi-X** under **rule 9.1(a)** - \$5,000;
- (e) a review under **rule 9.6** of a decision by **Chi-X** under the default powers in **rule 9.5** to restrict suspend or terminate a **participant's** access to the **Chi-X market** - \$5,000;
- (f) a review under **rule 14.2(b)** of a decision under **rule 14.2(a)(i)** or **rule 14.2(a)(iii)** - \$5,000;
- (g) a review under **rule 14.37(c)** of a direction issued under **rule 14.37(a)** to take specified steps - \$5,000.

10.2 A **Review Committee** has the discretion to order the refund of a fee paid by a **participant** for a review of under **rule 9.1(b)** of disciplinary action taken by **Chi-X** under **rule 9.1(a)**.

### **P1.7: Procedures**

1.1 When making substantive amendments to the **procedures**, **Chi-X** will ordinarily consult with **participants** regarding the proposed amendments (by circular) at least four weeks prior to the amendments becoming effective.



- 1.2 **Chi-X** will commence this process by notifying **participants** (by circular) of the proposed amendments, and **participants** will then be given an opportunity to comment. **Chi-X** will consider any comments received from **participants** before the **procedure** amendments are finalised and implemented.
- 1.3 Note however, that this process will not apply to amendments which are not substantive, amendments which relate to changes to the trading system which are notified in advance to the market and any amendments which need to be implemented as a matter of urgency.

## Section 2: PARTICIPATION

### P2.3 Guidance

- 1.1 An applicant may have already provided documentation to **ASIC** that sets out its management structure and allocation of responsibilities. If this is the case and the documentation remains up to date then the applicant may provide that same documentation (including any notice provided to **ASIC** of a significant change) to **Chi-X** and seek to rely on it to satisfy the requirements in **rule 2.2(c)**. If any such documentation provided to **ASIC** is not up to date then the applicant may seek to rely upon what was provided to **ASIC** supplemented by appropriately marked up material.

### P2.4 Additional requirements for applicants that do not hold an AFSL

- 1.1 For the purposes of **rule 2.4**, an applicant that does not hold an Australian financial services licence must:
- (a) satisfy **Chi-X** that that it is not required to hold an Australian financial services licence\*;
  - (b) if the applicant is domiciled outside Australia:
    - (i) satisfy **Chi-X** that the applicant is regulated by a foreign exchange or regulatory authority in respect of its activities as a **participant** of **Chi-X**; or
    - (ii) provide **Chi-X** with a legal opinion from independent lawyers in each jurisdiction in which it would be undertaking activities as a participant of **Chi-X**, outlining the basis on which it is not required to be regulated in that jurisdiction for those activities;
  - (c) provide any undertaking and performance bond required by **Chi-X** in respect of its participation.

\*An applicant may satisfy **Chi-X** that it is not required to hold an Australian financial services licence by providing **Chi-X** with a legal opinion from independent lawyers outlining the basis on which the applicant is not required to hold an Australian financial services licence in respect of its activities as a participant of **Chi-X**.

### Section 3: ONGOING COMPLIANCE

#### P3.1: Changes to particulars

1.1 For the purposes of **rule 3.1(c)**, changes to the following items must be notified to **Chi-X**. The notice of change must include relevant details of the change. The notice must be given by the time set out in the table below:

Item	Information	Time to Notify
1.	Any change to the <b>participant's</b> name, or any name under which the <b>participant</b> carries on business	Before change becomes effective
2.	Any change to any address at which the <b>participant</b> carries on business	Before change becomes effective
3.	The proposed appointment of a new director, responsible manager under the <b>Corporations Act</b> , or responsible executive under the Market Integrity Rules	Before the appointment takes effect
4.	The removal or resignation of any director, responsible manager or responsible executive	Immediately
5.	A person who is not a <b>controller</b> becomes a <b>controller</b> or a person who is a <b>controller</b> ceases to be a <b>controller</b>	Immediately
6.	There is any change to a licence or other authorisation which authorises the <b>participant</b> to carry on its business as a <b>participant</b>	Immediately
7.	There is any change to the management structure which the <b>participant</b> has previously provided to <b>Chi-X</b>	Immediately
8.	The proposed appointment of a new auditor	Within 5 <b>business days</b> of the change taking effect
9.	Details of any change to the <b>participants</b> clearing arrangements under <b>rule 6</b>	In accordance with <b>procedure 6.3</b>
10.	The removal or resignation of <b>participant's</b> auditor	Within 5 <b>business days</b> of the change taking effect
11.	Change of any nominated executives previously advised to <b>Chi-X</b>	Immediately
12.	The commencement of enforcement or other form of proceedings by any regulator, including action taken by any Australian market operator	Immediately
13.	There is any other material change in information concerning the <b>participant's</b> business from that previously provided to <b>Chi-X</b>	Immediately

**P3.2: Record Keeping**

- 1.1 **Participants** must maintain the records required to be kept under the **rules** in a hard copy form or a form whereby they can be convertible into a hard copy within a reasonable time.

**Section 4: TRADING**

**P4.2: Hours of Operations**

**1. Trading phases**

1.1 The trading phases for the **Chi-X market** are set out below:

Phase	Time AEST	Supported Functions
Technical Connectivity	06:00	<ul style="list-style-type: none"> <li>• Commencement of technical connectivity to the <b>Chi-X market</b>.</li> <li>• <b>Participants</b> may login to the <b>Chi-X</b> technical infrastructure.</li> </ul>
Pre-Market	06:35 until 09:59	<ul style="list-style-type: none"> <li>• <b>Participants</b> may check connectivity and details concerning securities available for trading but will <u>not</u> be able to enter orders into the <b>Chi-X market</b>;</li> <li>• The <b>Chi-X</b> trading system will not <b>match orders</b>;</li> <li>• <b>Participants</b> may report trades under the <b>rules</b> by the time specified in the <b>Market Integrity Rules (Competition in Exchange Markets)</b>.</li> </ul>
Continuous Trading	10:00 until 16:12	<ul style="list-style-type: none"> <li>• <b>Participants</b> may enter <b>orders</b> into the <b>Chi-X market</b>, including hidden but not visible MOC orders;</li> <li>• <b>Orders</b> are matched in accordance with the <b>rules</b>;</li> <li>• Trade reporting is supported in accordance with the <b>rules</b>.</li> </ul>
@Last	16:12 until 16:20	<ul style="list-style-type: none"> <li>• <b>Participants</b> may only enter visible and hidden MOC <b>orders</b> into the <b>Chi-X market</b> in this phase;</li> <li>• MOC <b>orders</b> are matched in accordance with the <b>rules</b>.</li> </ul>
Post-Trading Administration	16:13 until 18:55	<ul style="list-style-type: none"> <li>• This phase initially operates in parallel with the @Last Trading phase and the following applies to non-MOC <b>orders</b> during this phase: <ul style="list-style-type: none"> <li>○ <b>Participants</b> cannot enter or amend <b>orders</b> but may cancel <b>orders</b>;</li> <li>○ The <b>Chi-X</b> trading system does not <b>match orders</b> in this phase;</li> <li>○ <b>Participants</b> may report trades under the <b>rules</b>;</li> <li>○ All <b>orders</b> remaining in the <b>Chi-X market</b> at the end of this phase will automatically be cancelled.</li> </ul> </li> </ul>

Technical Ends	Connectivity	19:00	<ul style="list-style-type: none"><li>• All <b>participant</b> connections to <b>Chi-X</b> are closed.</li><li>• Intraday trade cancellations no longer possible.</li></ul>
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#### **P4.3: Trade Reporting**

##### **1. Reporting Requirements**

- 1.1 A **participant** must comply with the requirements in this **procedure** 4.3 when reporting a **relevant transaction** to **Chi-X** under **rule** 4.3.

##### **2. Reporting Process**

- 2.1 This section of Procedure 4.3 outlines the reporting process for equity market products. The executing **participant** (which is typically the seller under the **Market Integrity Rules (Competition in Exchange Markets)** but not in all cases) is to report the **relevant transaction** in accordance with and at the times specified in the **Market Integrity Rules (Competition in Exchange Markets)**.

- 2.2 Where the **off market transaction** is a large principal transaction, the participant may delay reporting to the **Chi-X market** in accordance with the **Market Integrity Rules (Competition in Exchange Markets)**.

- 2.3 Upon receipt of trade reports in respect of **off market transactions**, **Chi-X** will:
- (a) send an unsolicited trade confirmation message to the counterparty if the counterparty to the **off market transaction** is a **participant**; and
  - (b) publish details of the trade on its market data feed.

##### **3. Categories of off market trade to be specified on trade report**

- 3.1 This section of Procedure 4.3 outlines technical requirements for trade reports in equity market products. On each trade report submitted to the **Chi-X market**, **participants** must specify the details required in the **Chi-X** technical specifications, including one of the following pre-trade transparency exceptions under the **Market Integrity Rules (Competition in Exchange Markets)** that is relied upon for the **off market transaction**:

- (a) Block trades;
- (b) Large portfolio trades;
- (c) Trades with price improvement;
- (d) Permitted trades during the post-trading hours period;

- (e) Permitted trades during pre-trading hours period; and
- (f) Out of hours trades.

3.2 **Relevant transactions** executed:

- (a) during the Post-Trading Administration phase must, if reported to the **Chi-X market**, be reported immediately on the **business day** on which they are transacted; and
- (b) after the end of the Post-Trading Administration phase must, if reported to the **Chi-X market**, be reported by no later than the time specified in the **Market Integrity Rules (Competition in Exchange Markets)**.

4. **Reporting of Foreign to Foreign transactions**

4.1 This part of **procedure** 4.3 applies to **securities** with foreign ownership limits, as specified in Schedule 1 of the ASX Settlement Operating Rules.

4.2 A foreign to foreign (FOR) transaction is one in which there is no increase in the foreign ownership of the relevant security. If reported as foreign to foreign, **Chi-X** will provide this information to the **designated central counterparty** so that settlement of the transaction can be effected in accordance with the ASX Settlement Operating Rules applicable to FOR financial products. In practical terms, this means that the transaction will be excluded from settlement so that ownership of the securities passes from one foreign owner to another foreign owner.

4.3 FOR trades may be submitted to **Chi-X** as a trade report using the appropriate identifier for FOR transactions details of which are set out in the technical specifications.

5. **Reporting Process – Off Market Transaction in Investment Products**

5.1 This section of procedure 4.3 applies to trade reports of **investment products**. A **participant** may report an **Exchange Traded Fund Special Trade** in accordance with **rule** 14.36 and the associated **procedures**.

5.2 A **participant** may report an **off market transaction** in a **warrant** during the Post-Trading Administration trading phase where the **off market transaction**:

- (a) completes an order received prior to 16:12 on the trading day;
- (b) is a bona fide hedge; or
- (c) executes an order received after 16:12 on the trading day.

**P 4.4: Classes of Financial Products**

- 1.1 For the purposes of **rule 4.4**, **financial products** in the following classes may be quoted on the **Chi-X market** for trading by **participants** if determined by **Chi-X**:
- (a) securities quoted on **ASX**;
  - (b) listed managed investment products quoted on **ASX**, including ETFs;
  - (c) **investment products** granted **quotation** by **Chi-X**.
- 1.2 The list of specific **financial products** available for on-market trading and trade reporting will be published on the **Chi-X** website: [www.chi-x.com.au](http://www.chi-x.com.au).

**P4.5: Orders and matching**

**1. Pegged Orders**

- 1.1 For the purposes of **rule 4.5(a)(ii)**, the reference source for pegged **orders** on the **Chi-X market** will be the following **reference prices**:

Table 1.1

Pegged Order Types	Reference Price
NearPointX (Primary Peg), FarPointX (Market Peg) and Mid-PointX (Mid-Peg) orders	A national best bid and offer (NBBO) as calculated by <b>Chi-X</b> in accordance with ASIC guidance as published from time to time.
Market on Close (MOC) orders	The closing price of each <b>equity market product</b> as published by ASX at the conclusion of its closing auction. If no closing price results from the closing auction, the last traded price on that trading day.

- 1.2 As noted in **procedure 4.2**, participants may submit hidden MOC **orders** from the commencement of continuous trading. If hidden MOC **order matches** against another hidden MOC **order** before the applicable **reference price** is available, both sides will receive a message, in accordance with the technical specification, confirming that the **orders** have been **matched**. Hidden MOC **orders matched** before the applicable **reference price** becomes available will result in a **relevant transaction** unless:



- (i) no **reference price** eventuates for the MOC **orders**; or
  - (ii) the security in question is placed in a regulatory halt that prevents the closing auction taking place on the ASX.
- 1.3 An event of default by a **participant**, under the rules of a **designated central counterparty** or an **alternate central counterparty**, may result in a **relevant transaction** arising from a matched MOC **order** submitted by that **participant** being rejected by the **designated central counterparty** or an **alternate central counterparty**. Any such rejection may occur even if the event of default takes place after the matching of MOC **orders** submitted by that **participant** but prior to it being known whether the conditions in paragraph 1.2(i) and (ii) above have been satisfied.

## 2. MOC Orders during the @Last Trading Session

- 2.1 Participants are able to enter visible and hidden MOC orders during the @Last trading phase. As such, unpriced visible MOC orders are only able to be entered during the @Last phase from 16:12 to 16:20. Visible MOC orders will display stock, size and side, but not price. Visible and hidden MOC orders will be able to interact in the @Last trading phase.

## 3. Order Attributes

- 3.1 **Orders** submitted to the **Chi-X market** must comply with the technical specifications. Those specifications provide an exhaustive list of mandatory attributes, which include:
- (a) security code;
  - (b) price, for non-MOC orders;
  - (c) quantity;
  - (d) buy or sell;
  - (e) clearing participant.
- 3.2 **Orders** submitted to the **Chi-X market** must comply with the technical specifications. Those specifications provide an exhaustive list of optional attributes, which include:
- (a) undisclosed quantity;
  - (b) iceberg;
  - (c) hidden provided the order value is above \$0;
  - (d) minimum executable quantity;

- (e) broker preferencing (for hidden **orders** only);
- (f) time in force, including:
  - (i) Immediate or cancel;
  - (ii) Fill or kill;
  - (iii) Preference and kill;
  - (iv) Preference or kill;
  - (v) Good till time;
  - (vi) Day order.

#### 4. **Execution Priority**

- 4.1 This part of **procedure** 4.5 contains the only exceptions to the **matching** priority specified in the **rules**.
- 4.2 **Orders** submitted by **Participants** that opt-in to broker preferencing, in accordance with the requirements in the technical specifications, will be matched as follows:
- (i) hidden **orders** other than MOC **orders** will **match** on the basis of price/visibility/participant/time priority; and
  - (ii) MOC **orders** will match on the basis of visibility/participant/time priority.
- 4.3 MOC **orders** for which broker preferencing is not enabled will be matched on a visibility/time priority basis.

#### **P4.6: Purging of orders**

- 1.1 All unmatched **orders** in the **Chi-X market** at the end of Post Trade Administration phase will be purged by **Chi-X**.

#### **P4.8: Short sale reporting**

- 1.1 For the purposes of **rule** 4.8, **participants** must submit to an agent nominated by Chi-X the short sale information required by the **Corporations Act** in respect of **relevant transactions** it has executed on the **Chi-X Market** where the **relevant transaction** involves a short sale or partial short sale. Information required to be submitted under this **procedure** must be submitted by no later than 9:00 AM:

- (a) if the sale occurs after the start of the trading day but before 7pm – on the next trading day after entering into an agreement to sell;
  - (b) if the sale occurs after 7pm but before the start of the next trading day – on the second trading day after entering the agreement to sell.
- 1.2 Reports provided to the agent nominated by **Chi-X** may be submitted in the format specified by that agent and must contain the following information required by regulation 7.9.100 of the Corporations Regulations:
  - ASX code;
  - Company name;
  - the total number of each financial product that will vest in the buyer under the arrangement.
- 1.3 **Chi-X** must not change the agent nominated by it to receive the short sale information required of **participants** under the **Corporations Act** without consulting with and providing reasonable notice to **participants** on the proposed change.

#### **P4.9: Market Making Requirements**

##### **1. Process for Registration**

- 1.1 The process for registration as a market maker is as follows:
  - (a) a **participant** that wants to be considered by **Chi-X** for registration as a **market maker** must provide **Chi-X** with a completed **market maker undertaking**;
  - (b) **Chi-X** will consider each **market maker undertaking** that it receives and then decide whether to exercise its discretion under rule 4.9(a) to register the **participant** as a **market maker**;
  - (c) the obligation to comply with the **market maker undertaking** will commence no later than the first day of the month following a participant's registration as a **market maker**;
  - (d) **Chi-X** will continuously monitor compliance with the **market maker undertaking** and may request information from a **participant** under rule 4.10 in respect of that **participant's** market making activities;
  - (e) **Chi-X** may deregister a **participant** as a **market maker** at any time.

**2. Undertaking to Fulfil Affirmative Obligations**

2.1 A **market maker undertaking** relating to an application to be registered as a **market maker** in **investment products** must contain an undertaking to:

- (a) act in good faith when entering arrangements with **product issuers** that specify the price and volume of a reasonable bid in the **investment products** in which it may act as a **market maker**;
- (b) enter and maintain **orders** that are in compliance with the market making arrangements agreed with the **product issuer**;
- (c) comply on a daily basis with the requirements in paragraph 2.1(b) for at least the **quoting obligation ratio of active continuous trading**; and
- (d) notify **Chi-X** immediately it becomes aware that it is failing to comply with paragraphs (a) – (c) above and provide a complete explanation for the failure to comply.

**TABLE 2.2**

<b>Financial Group</b>	<b>Product</b>	<b>Minimum Value</b>	<b>Order</b>	<b>Maximum Spread:</b> Price (P) : Maximum Spread (in tick size)	<b>Quoting Ratio</b>	<b>Obligation</b>
	<b>Investment Products</b>	The amount specified in the agency agreement between the <b>product issuer</b> and the <b>market maker</b> but not less than:  (i) a bid value of \$1,000 when the bid price is \$0.05 or greater;  (ii) a bid value of \$500 when the bid price is less than		The spread, if any, specified in the agency agreement between the <b>product issuer</b> and the <b>market maker</b> .	90%	

	\$0.05.		
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### 3 Consequences of Failing to Comply with a Market Maker Undertaking

- 3.1 A **participant** that fails to comply with a **market maker undertaking** it has provided to **Chi-X** is liable to be deregistered as a **market maker** and/or disciplinary action under **rules 9 or 10** for a breach of the **rules**.

#### **P4.14: Chi-X powers and obligations on participants that are registered as market makers**

- 1.1 It is important that **participants** registered as **market makers** comply with the obligations contained in the **market making undertaking** they have provided to **Chi-X**. Therefore it is also important that **participants** registered as **market makers** respond to requests from **Chi-X** for information in connection with their market making activities within the time specified by **Chi-X** in that request. Failure to comply with a request may amount to a breach of the **Rules**. A **participant** that believes that the time specified for compliance with a request is unreasonably short must notify **Chi-X** as soon as possible after it receives the request that more time will be needed to provide the information and/or documentation sought.

**Section 5: FAIR & ORDERLY MARKET**

**P5.1 Chi-X orderly markets powers**

**1. Trading halts and suspensions**

1.1 Under **rule 5.1(b)**, **Chi-X** has the power to place one or more products quoted on the **Chi-X market** into a trading halt or suspension. If the **listing market** places one or more **equity market products** into a trading halt or suspension then **Chi-X** will automatically do likewise. After doing so, **Chi-X** will assess whether maintaining the halt or suspension on the **Chi-X market** is justified. **Chi-X** will notify **participants** if it proposes removing a trading halt/suspension for an equity market product before the trading halt or suspension for that same product has been removed on the **listing market**.

1.2 When an **equity market product** has been placed into a trading halt then the **Chi-X market** will, in relation to that **equity market product**:

- (a) not accept new orders or allow existing orders to be amended; **and**
- (b) allow a participant to cancel existing orders.

**2. Disputes between participants and clients**

2.1 The action that **Chi-X** may take under **rule 5.1** may include action with respect to a **participant-client** relationship. Any such action will depend on the circumstances of a particular case. This **procedure** outlines how issues that arise with respect to the **participant-client** relationship in connection with the **Chi-X market** may be resolved.

**3. Complaints by clients**

3.1 A **client** may make a complaint to **Chi-X** in relation to their **participant's** conduct. A complaint of this nature would be handled initially by Compliance. The **Chi-X** website will include a reference asking for **client** complaints to be made to Compliance.

3.2 On receipt of a complaint, Compliance will assess the basis for the complaint. In addition to the information provided by the complainant, Compliance may also undertake an investigation of the circumstances, using its investigative powers under the **rules**, such as interviewing the **participant** and its representatives and obtaining records as required.

3.3 If the investigation indicates that the **participant** may have contravened the **Chi-X rules**, Compliance will have powers to institute action, including disciplinary action against the **participant**. Compliance may, in appropriate circumstances, also refer the matter to **ASIC**, or to the **designated central counterparty** or the **alternative central counterparty** if the matter relates to clearing and settlement.

#### 4. Dispute resolution

- 4.1 **Chi-X** does not offer a formal dispute resolution mechanism. Those **participants** that hold an Australian financial services licence (**AFSL**) must be a member of an external complaints resolution scheme, such as the Financial Ombudsman Service (**FOS**) which is a customary forum for the resolution of disputes. **Participants** that do not hold an AFSL may be required, under paragraph 1.1(c) of **procedure 2.4**, to make undertakings in respect of providing a formal dispute resolution mechanism.
- 4.2 Where applicable, **Chi-X** may provide information to parties to a dispute, or to the FOS, in accordance with the procedures of FOS.

#### **P5.4: Market-related disputes**

##### 1. Identity of a counterparty

- 1.1 **Chi-X** may in its absolute discretion disclose to a **participant** the identity of the counterparty to a **relevant transaction** the **participant** has entered in order that the **participant** may discuss the **relevant transaction** directly with the counterparty.

##### 2. Time limits

- 2.1 Any notification by a **participant** pursuant to **rule 5.4(a)** must be made:
- (a) within 20 minutes of execution or by the by the close of the Continuous Trading phase, whichever is the later, if the dispute relates to a **relevant transaction** completed prior to the close;
  - (b) within 20 minutes of execution or by 6pm on the day of the transaction, whichever is the later, if the dispute relates to a **relevant transaction** reported to the **Chi-X Market** after the close of the Continuous Trading phase for that day; or
  - (c) within the time limits specified in paragraph 2.4(c) of **procedure 5.7** if the dispute relates to a **relevant transaction** that has been the subject of a request submitted to **Chi-X** under **rule 5.7**;
  - (d) by 6pm on the day on which the **dispute** has arisen if the **dispute** does not relate to a **relevant transaction**.

**P5.5: Review of a decision under rule 5.4(d)**

**1. Review of the non-exercise of powers**

1.1 For the sake of clarity, a review can be requested under **rule 5.5** of a proposed decision by **Chi-X** not to exercise any of the powers listed in **rule 5.4(d)**.

**2. Making a Request**

2.1 A **participant** may provide the notification and request for a review under **rule 5.5** by telephone or email. The notification and request must be made to Market Operations in accordance with **procedure 13.7**.

**3. Review proceedings**

3.1 The review proceedings will be conducted with a view to resolving the **dispute** as soon as reasonably practicable and, if at all possible, on the same day that the request for a review has been made.

3.2 The review proceedings may be conducted by telephone.

**4. Procedure 1.6 applicable**

4.1 Further **procedures** on reviews are contained in **procedure 1.6**.

**P5.6: Error trades and clearly erroneous trades**

**1. Introduction**

1.1 This **procedure** sets out the **procedures Chi-X** will follow in relation to **relevant transactions** entered into in error (as notified by a **participant** or **product issuer**) or **relevant transactions** which are determined by **Chi-X** to be clearly erroneous.

**2. Error Transactions**

2.1 A **participant** or **product issuer** that wishes to request a relevant transaction to be cancelled or amended as an **error transaction** under this **procedure** must, by telephone or email, notify Market Operations within 15 minutes following the execution or reporting of the **relevant transaction**.

2.2 On receipt of a request from a **participant** or **product issuer** to amend or cancel a **relevant transaction**, **Chi-X** may contact the counterparty **participant** to the **relevant transaction** to determine whether the counterparty **participant** consents to the cancellation or amendment of the **relevant transaction**. The counterparty **participant** is under no obligation to agree to the cancellation of the **relevant transaction**.



- 2.3 If an agreement is reached as to the cancellation or amendment of a **relevant transaction**, **Chi-X** will inform the relevant **participants**, and the **product issuer** if appropriate, and may then facilitate the cancellation or amendment of the **relevant transaction**. Even if the **participants**, and the **product issuer** if appropriate, agree to cancel or amend a **relevant transaction**, **Chi-X** may prevent that amendment or cancellation if **Chi-X** considers that is necessary to ensure that the market for the relevant **financial products** is fair, orderly and transparent.
- 2.4 If the counterparty **participant** does not agree to the cancellation or amendment of the **relevant transaction**, **Chi-X** will inform the other relevant **participant**, and **product issuer** if appropriate, that no agreement has been reached. In these circumstances:
- (a) **Chi-X** may direct that the **relevant transaction** will not be cancelled or amended;
  - (b) **Chi-X** may cancel or amend the **relevant transaction**, in **Chi-X's** discretion under **rule 5.1**; or
  - (c) either of the **participants** or the **product issuer** if appropriate may request that **Chi-X** treat the matter as a market-related dispute for the purposes of **rule 5.4**. A **participant** or **product issuer** must make such a request to Market Operations within 15 minutes of the **participant** or **product issuer** being informed by **Chi-X** that no agreement has been reached and must, when making the request deliver a statement to **Chi-X** in relation to the dispute within 15 minutes following the referral of the dispute by **Chi-X**. If **Chi-X** agrees to have the matter treated as a market related dispute for the purposes of **rule 5.4**, **Chi-X** will then provide the other **participant**, and **product issuer** if appropriate, with the statement provided by the first **participant** or **product issuer**. The other **participant** or **product issuer** may within a further 15 minutes deliver its own statement to **Chi-X** in relation to the **dispute**. The **dispute** will be dealt with in accordance with **rule 5.4**.

### 3. Clearly Erroneous Transactions

- 3.1 **Chi-X** operates a price range checking feature that is designed to prevent erroneous orders from entering the **Chi-X market**. **Chi-X** will document details of the parameters used and how this price range check works in a separate guide that will be published on its website: [www.chi-x.com.au](http://www.chi-x.com.au).
- 3.2 Notwithstanding the price range checking that **Chi-X** may do under paragraph 3.1, **Chi-X** may initiate a review of a **clearly erroneous transaction**, regardless of whether or not a **participant** or **product issuer** request has been submitted under part 2 of this **procedure 5.6**, if it determines in its sole discretion that circumstances warrant such a review. In such instances **Chi-X** will notify the relevant **participant**, and **product issuer** if

appropriate, and the counterparty **participant** that a **relevant transaction** will be reviewed pursuant to this **procedure 5.6**. **Chi-X** may direct **participants** and the **product issuer** to provide comments to **Chi-X** regarding the **relevant transaction** and/or the potential cancellation or amendment of the **relevant transaction**, which comments must be provided by the time specified in the direction.

- 3.3 **Chi-X** may modify or cancel **clearly erroneous transactions** in a timely fashion and in all cases no later than 6pm on the **business day** on which the **relevant transaction** was executed or reported.
- 3.4 In determining whether to exercise its discretion to cancel or amend a **relevant transaction** as a **clearly erroneous transaction**, **Chi-X** may have regard to, among other things, the need to maintain a fair, orderly and transparent market, discussions with the relevant **participants**, analysis of market data and analysis of market events.
- 3.5 **Chi-X** will inform **participants** to the **relevant transaction** verbally of any decision to cancel or amend a **clearly erroneous transaction**. **Chi-X** may require the **participants** and the **product issuer** to notify any relevant **clients** of its decision.

#### 4. **General**

- 4.1 The following applies to any cancellation or amendment under this **procedure 5.6**:
- (a) Any cancellation or amendment of a **relevant transaction** will be binding on the relevant **participants** and **product issuer**.
  - (b) A **participant** and **product issuer** must comply with any direction given by **Chi-X** in relation to any cancellation or amendment.
  - (c) This **procedure 5.6** does not in any way restrict or limit the powers of **Chi-X** under **rule 5.1**.
  - (d) The **procedures** above may be impacted by the rules and procedures of the **designated central counterparty** or any **alternative central counterparty**. **Chi-X** may vary the **procedures** above to accommodate any requirements of such a facility. **Participants** acknowledge that if the **designated central counterparty** or any **alternative central counterparty** does not, in accordance with its applicable rules and procedures, give effect to a cancellation or amendment of a **relevant transaction** reported to the facility, the cancellation or amendment will not be able to be effected by **Chi-X** and **Chi-X** is not responsible for the consequences of the decisions or actions of the **designated central counterparty** or any **alternative central counterparty**.

**P5.7: Other Powers**

1.1 There are presently no additional powers prescribed under the **rules**.

## Section 6: CLEARING ARRANGEMENTS

### P6.2: Appointment and use of central counterparties

#### 1. Delivery

- 1.1 Delivery of a **relevant transaction** for clearing and settlement is not required if and only if:
- (a) prior to delivery the **relevant transaction** has been cancelled in accordance with the **rules** and **procedures**; or
  - (b) a **participant** is on both sides as the sole **participant** to the **relevant transaction** and has notified **Chi-X** in advance that it has alternative arrangements for settlement.

#### 2. Designated central counterparty

- 2.1 For the purposes of **rule 6.2**, the **designated central counterparty** is ASX Clear.

#### 3. Alternative central counterparty

- 3.1 For the purposes of **rule 6.2**, there are presently no approvals concerning any **alternative central counterparties**.

### P6.3: Third party clearing

- 1.1 For the purposes of **rule 6.3**, **participants** must notify **Chi-X** of details concerning the appointment of any **clearing participant** or the change of an existing **clearing participant** previously notified to **Chi-X**. Such notification must be provided to **Chi-X** using the appropriate form. **Chi-X** will update its systems based on the notification and the changes will take effect 24 hours after receipt of the form by **Chi-X**.

### P6.7: Alternative central counterparty

- 1.1 A **participant** that seeks to use the services of an **alternative central counterparty** must:
- (a) notify **Chi-X** of the proposed **alternative central counterparty**; and
  - (b) provide such other information as **Chi-X** may request in support of the application.

**Section 7: SETTLEMENT & CORPORATE ACTIONS**

**P7.1: Obligation to settle**

- 1.1 For the purposes of **rule 7.1(b)**, all trading done on the **Chi-X market** is on the default basis of quotation of the **listing market**. **Chi-X** does not operate special markets.
- 1.2 In most instances, this will mean that settlement of all **relevant transactions** will occur on the second **business day** after the date the **relevant transaction** occurred, except where the **listing market** publishes an alternate date.
- 1.4 For example, the **listing market** may, from time to time, specify that a **financial product** is classified as “deferred delivery” or “deferred settlement” in which case the default basis of quotation will change and **participants** will be deemed to trade on the **Chi-X market** under that default basis of quotation. **Chi-X** does not publish this data. **Participants** must therefore ensure that they are at all times aware of the default basis of quotation for a **financial product** traded on the **Chi-X market**.

## Section 8: Monitoring and Investigation

### P8.1: Monitoring compliance and investigation

- 1.1 An alleged or suspected contravention of the **Rules** may be investigated by **Chi-X** Compliance. If **Chi-X** Compliance is of the view that a contravention may have taken place it may issue a draft investigation report to the **participant** that may have contravened the **Rules**. The **participant** may respond to the draft report.
- 1.2 If after receiving and considering any response from a **participant** to a draft investigation report, **Chi-X** Compliance remains of the view that a contravention of the **Rules** may have taken place, it must refer the alleged contravention of the **rules** to the **Compliance Committee**. **Chi-X** Compliance must provide a copy of an investigation report and all relevant information in its possession, including any relevant response by a **participant** to a draft of an investigation report, to the **Compliance Committee**.
- 1.3 The **Compliance Committee** will be chaired by an independent non-executive director of the **Board**. The **Compliance Committee** may not consider a referral of an alleged contravention of the **rules** unless at least 50% of the Committee members are not members of the **Chi-X** executive. Members of **Chi-X** Compliance and the **Chi-X** executive may sit on the **Compliance Committee** but may not make up a majority of the membership of the Committee. Suitably qualified members of the financial services industry and the legal profession taken from the Panel referred to in paragraph 3.1 of **procedure** 1.6 will make up the membership of the **Compliance Committee**.

### P8.2: Information

- 1.1 A requirement by **Chi-X** to provide information is subject to and governed by the laws of the state of New South Wales, including those relating to legal privilege.

### P8.3: Independent report by a qualified person

- 1.1 Examples of matters in respect of which **Chi-X** may request a report under **rule** 8.3 include:
- (a) the **participant's** systems and controls in relation to accessing the **Chi-X** market;
  - (b) the **participant's** systems and controls in relation to reporting requirements under the **rules**; and
  - (c) the **participant's** clearing and settlement arrangements.

**Section 9: DISCIPLINARY ACTION, SANCTIONS & OTHER POWERS**

**9.1 Disciplinary action**

**1. Notices Issued under rule 9.1(a)**

1.1 The **Compliance Committee** may, after considering a referral of an alleged contravention of a **rule** and all the information that has been provided to it, resolve to issue a notice to a **participant** that imposes one or more sanctions set out in **rule 9.3**.

1.2 A notice issued by **Chi-X** under **rule 9.1(a)** shall contain:

- (a) the **rule** that has been contravened;
- (b) the facts and circumstances that gave rise to the contravention and reasons in support of the determination;
- (c) the proposed sanction for the contravention; and
- (d) the right of the **participant** to object to the determination under **rule 9.1(b)**.

**2. Reviews conducted under rule 9**

2.1 The **Review Committee** has responsibility for reviewing **Chi-X** determinations where that is requested by a **participant** in compliance with **rule 9.1(b)** and the **procedures**. A person may not be both a member of the **Compliance Committee** that considered a referral of an alleged contravention of a **rule** and a member of a **Review Committee** that considers the same or a related contravention.

2.2 The **Review Committee** may also review a matter referred to it by **Chi-X** under **rule 9.1(d)**.

**3. Hearing date**

3.1 The Chair of the **Review Committee** will give reasonable notice to **Chi-X** and the relevant **participant** of the nominated date, time and place for the hearing. The hearing date must be at least 5 **business days** after the date the notice is received by the relevant **participant**.

3.2 The **Review Committee** may amend the hearing date for which notice was previously given, and appoint a substitute hearing date. The **Review Committee** will provide reasonable notice of the new date to **Chi-X** and the relevant **participant** and may adjourn and re-convene proceedings as it sees fit.

**4. Attendance at the hearing**

- 4.1 Proceedings of the **Review Committee** will take place in private.
- 4.2 Each of **Chi-X** and the **participant** may have up to two (2) representatives present to make submissions. A representative may be:
- (a) a member or **employee** of the party represented; or
  - (b) any other person approved by the **Review Committee**; or
  - (c) a barrister or a solicitor of the Supreme Court of a state or territory of Australia, or of the High Court of Australia.
- 4.3 **Chi-X** may specify one or more other persons who may attend the proceedings as observers.

**5. Written submissions**

- 5.1 The **Review Committee** may also determine that the parties make all submissions on a particular disciplinary matter in writing, rather than attend a hearing in person.

**6. Agreed outcomes**

- 6.1 If **Chi-X** and the relevant **participant** submit a proposed agreed outcome to the **Review Committee** under rule 9.2(b) then the **Review Committee** must, before it decides not to accept the agreed outcome, provide **Chi-X** and the **participant** concerned with an opportunity to be heard in relation to the matter and the proposed agreed outcome.

**7. Formalities, recording and transcripts**

- 7.1 Subject to these **procedures** and the **rules**, the **Review Committee** may conduct its proceedings as it sees fit and may record or make a transcript of proceedings (or both) at the hearing. If a transcript or recording is made, the **Review Committee** must make it available to **Chi-X** and to the relevant **participant**.

**8. Procedural fairness**

- 8.1 The **Review Committee** must conduct the proceedings without bias and must give the relevant **participant** and **Chi-X** a fair hearing and otherwise observe the rules of procedural fairness.

**9. Decision of the Review Committee**

- 9.1 The decision of the **Review Committee** on:



- (a) whether a contravention of a **rule** has taken place; and
- (b) the sanction to be imposed;

will be determined according to a simple majority of votes of the persons appointed to the **Review Committee**. Each member of the **Review Committee** has, and must exercise, a deliberate vote. The Chairman of the **Review Committee** does not have a casting vote.

9.2 Under **rule** 9.1(f) and these **procedures**, the decision of the **Review Committee** is binding on the **participant** and **Chi-X**.

## 10. Determinations and sanctions

10.1 If the **Review Committee** decides that a **participant** has contravened the **rules**, it may impose one or more of the sanctions set out in **rule** 9.3.

## 11. Notification of decision

11.1 The **Review Committee** will notify **Chi-X** and the relevant **participant** of the decision and the reason for its decision, including any sanction that is imposed, as soon as it is reasonably practicable to do so. The **Review Committee** has the power to direct what details of its decision may be made public.

11.2 **Chi-X** may, subject to paragraph 11.1 of this **procedure** 9.1, publicly announce a decision of the **Review Committee**.

## 12. Procedure 1.6 applicable

12.1 Further **procedures** on reviews are contained in **procedure** 1.6.

### **P 9.3** Disciplinary sanctions

1.1 For the purposes of **rule** 9.3(e), the maximum fine is \$250,000.

1.2 **Chi-X** must not publish a disciplinary sanction that has been imposed on a **participant** unless:

- (a) the **participant** consents to that publication; or
- (b) the period for requesting a review of the decision by **Chi-X** to impose the sanction has expired and the **participant** has not requested a review; or
- (c) the **Review Committee** has notified **Chi-X** and the **participant** of its decision on the review of the sanction and the publication complies with any direction made by the **Review Committee** under paragraph 11.1 of **procedure** 9.1.

1.3 For the purposes of **rule** 9.3(i), there are currently no additional sanctions.

**P 9.4 Register of Decisions**

1.1 **Chi-X** will keep a register of all decisions of the **Review Committee**. The register will, subject to paragraph 11.1 of **procedure** 9.1, be made available for inspection.

## Section 11: COMPENSATION ARRANGEMENTS

### P11.11: Disclosure by participants

- 1.1 For the purposes of rule 11.11, **participants** must provide the following disclosure to any **client**:

*“Chi-X and ASX operate different compensation funds that provide protection for retail investors in the circumstances defined in the Corporations Act and Regulations.*

*The Chi-X compensation fund covers losses resulting from defalcation or fraudulent misuse of your money, property or authority by a Chi-X participant, subject to certain exceptions. In circumstances where your stockbroker is also an ASX participant, the following applies in relation to such a loss.*

*If you do not expressly or impliedly instruct your stockbroker, who is a Chi-X participant, to execute your trading instructions on the Chi-X market, and it is not reasonably apparent from the usual business practice of your stock broker which of the ASX or Chi-X market the participant would use when acting for you, the Chi-X fund will not apply. In this case, the National Guarantee Fund (NGF) may apply, provided the loss is connected to the ASX market and is covered by the NGF claims provisions. The NGF claims provisions are set out in Division 4 of Part 7.5 of the Corporations Act and Regulations (for further information see the legislation and the NGF Information Booklet available at [www.segc.com.au](http://www.segc.com.au)). Note that if your stockbroker is not an ASX participant, the NGF will not apply in any circumstance.”*

**Section 13: GENERAL**

**P13.3: Fees and charges**

- 1.1 For the purposes of **rule** 13.3, interest on any overdue fees will be payable at the rate of 10% per annum calculated on a daily basis until the monies are paid.
- 1.2 If a **participant** fails on two occasions to remit payment for **Chi-X** invoices on the due date, **Chi-X** may, without waiving any of its other rights, require the **participant** to enter into a direct debit arrangement.

**P13.4: GST & other taxes**

- 1.1 There are no **procedures** presently prescribed for the purposes of **rule** 13.4.

**P13.7: Notifications**

**1. Written notice**

- 1.1 Unless otherwise specified in the exceptions listed in paragraph 1.2 below, notifications to **Chi-X** by a **participant** under the **rules** should be addressed to:

**Market Operations  
Chi-X Australia  
Level 23 Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000**

**Tel: +61 2 8078 1700**

**Email: [au.ops@chi-x.com](mailto:au.ops@chi-x.com)**

- 1.2 The following exceptions to paragraph 1.1 apply:
  - (a) The notice is in relation to a request for a review pursuant to **rules** 4.9(c), 5.2, 9.1(b), 9.6, 14.2(b) or 14.37(c);
  - (b) The notice is in respect of actual or contemplated disciplinary proceedings under the **rules**;
  - (c) The notice relates to a confidential matter, complaint or allegation of conflict of interest concerning the operation of the **Chi-X market**;
  - (d) Specific correspondence with a **participant** directs how notices are to be provided.

- 1.3 Notifications that fall within the exceptions specified in paragraph 1.2 should be addressed to:

**Compliance**  
**Chi-X Australia**  
**Level 23 Governor Phillip Tower**  
**1 Farrer Place**  
**Sydney NSW 2000**

**Tel: +61 2 8078 1700**  
**Email: [au.compliance@chi-x.com](mailto:au.compliance@chi-x.com)**

## **2. Notice to Chi-X**

- 2.1 Notice to **Chi-X** may be given by:

- (a) delivering it personally to the contact specified in this **procedure** or otherwise specified in correspondence with the **participant**;
- (b) leaving it at or by sending it by courier or post to the address specified in this **procedure** or otherwise specified in correspondence with the **participant**;
- (c) sending it by email to the email address specified in this **procedure** or otherwise specified in correspondence with the **participant**;
- (d) email or telephone in the case of a notification under **rule 5.5(a)**, in which case any relevant documentation must be sent by the **participant** making the request to the Market Operations email address within the time limit applicable to notifying the request for a review.

## **3. Notice by Chi-X**

- 3.1 **Chi-X** may give notice to any **participant** or person by:

- (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 **Chi-X**;
- (c) a circular or bulletin addressed to a class of persons and delivered or communicated by any means permitted under this **procedure**;
- (d) specific email by method which identifies a person or person's title as addressee and no notice of non-delivery has been received; or

- (e) 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 purpose for which the information was communicated.

**4. Delivery of Notice**

4.1 Notice by:

- (a) post is taken to be given on the second business day after the document is put in the post, in a stamped envelope (or other covering) addressed to the address referred to in this **procedure**;
- (b) courier is taken to be given at the time of delivery to the address referred to in this **procedure**; and
- (c) email is taken to be given 2 hours after the time the email enters the recipient's information system, unless a response to the contrary is received (eg an out of office notification).

- 4.2 For the purpose of **rule** 3.1(c), a notice given in accordance with this **procedure** is received at the time determined by this **procedure**.

## Section 14: INVESTMENT PRODUCTS

### P14.2: Product Issuers – Registration as a Product Issuer

#### 1. Approval

1.1 To be eligible for registration as a **product issuer**, an applicant must:

- (a) complete and sign the **Issuer Application Form (IAF)** made available by **Chi-X**;
- (b) provide any additional information required by **Chi-X** in connection with the application.

#### 2. Deregistration and Suspension of Product Issuers

2.1 **Chi-X** may, in its absolute discretion, suspend or revoke the registration of a **product issuer** if **Chi-X** considers, acting reasonably, that the **product issuer** is or may be, or may become, unable or unwilling to comply with, or has failed to comply with, the **rules**, the **procedures** and any guidance notes, guides, trading notices, technical specifications, directions, decisions, requirements or conditions of **Chi-X**.

2.2 **Chi-X** may, in its absolute discretion, grant, suspend or revoke the registration of a **product issuer** by giving one month's prior notice in writing, if the **product issuer** has no **investment products** currently admitted to quotation on **Chi-X**.

### P14.3: Product Issuers – Eligibility Criteria

#### 1. Adequate Resources

1.1 The eligibility criteria in **rule 14.3** applies to prospective **product issuers** of the complete range of **investment products** able to be quoted by **Chi-X**. The way in which an applicant will be required to satisfy that criteria will depend on the **investment products** it is seeking to issue. For example:

- (a) a **product issuer** of **warrants** that are not **covered warrants**, will be considered by **Chi-X** to be issuing **investment products** whereby the **underlying assets** or the economic performance of those **underlying assets**, are not held on trust or otherwise retained solely for the benefit of **holders**, and accordingly will be required to satisfy one of the requirements in **rule 14.3(d)(i)-(iv)**;

- (b) a responsible entity of a managed investment scheme registered under Chapter 5C of the **Corporations Act** may not, on its own, have sufficient resources to be registered as a **product issuer** of **investment products** that provide an option to the **holder** to acquire an **underlying asset** at some time in the future without the **product issuer** being required, under the **terms of issue** and at the time the holder acquires the option, to acquire the **underlying asset** and hold it on trust for the benefit of investors.

2. **Equivalent Regulatory Authorities under rule 14.3(b)(i)**

- 2.1 There are no such regulatory authorities currently specified.

**P14.6: Product Issuers – Ongoing Requirements – Material Change**

2. **Notification Requirements**

- 1.1 The notifications required by **rule 14.6** must be made immediately the **product issuer** becomes aware of the relevant information and must be provided to:

The Compliance Department  
au.compliance@chi-x.com  
tel: + 61 (0) 2 8078 1718

- 1.2 **Chi-X** may require a **product issuer** that provides notice of a material change that would impact on the ongoing satisfaction of the eligibility criteria, to re-apply to be registered as a **product issuer**.

**P14.7: Product Issuers – Ongoing Compliance Requirements**

1. **Notification Requirements**

- 1.1 The notification required by **rule 14.7(a)** must be provided to:

The Compliance Department  
au.compliance@chi-x.com  
tel: + 61 (0) 2 8078 1718



**P14.9: Investment Products – Approval**

**1. The Suspension and Revocation of Investment Product Quotation**

1.1 Chi-X may, in its absolute discretion, suspend or revoke the quotation of an **investment product** if Chi-X considers that the relevant **product issuer** may be or may become, unable or unwilling to comply with, or has failed to comply with, the **rules**, the **procedures** and any **guidance notes**, guides, trading notices, technical specifications, directions, decisions requirements and conditions of **Chi-X** in respect of that **investment product**.

**2. Chi-X is not a Listing Market**

2.1 As stated in **rule 14.9(c)**, **Chi-X** is not a listing market and **investment products** admitted to **quotation** by **Chi-X** are not listed products. The principal difference between listed products and **investment products** that are admitted to **quotation**, is the level of control and influence that the issuer of the product has over the listed or quoted product. An issuer that has a significant level of control over its securities is required to apply a greater degree of rigour to the disclosure, corporate governance and corporate control relating to those securities than an issuer of an **investment product**, such as a **warrant** or **ETF**, which tracks another **underlying asset**.

**P14.11: Investment Products – Basic Eligibility Criteria for the Product Issuer**

**1. Applications for Approval of an Investment Product**

1.1 Chi-X will make available a **product application form (PAF)** that may be used by an applicant to apply for the approval of an **investment product**.

**P14.13: Investment Products – Eligibility Criteria – Disclosure Documents**

**1. Corporations Act Requirements**

1.1 The disclosure requirements relating to the initial offering of an **investment product** are found in the **Corporations Act** and applicable offshore requirements and vary according to the type of product being issued. The **Information Pack** contains further information and guidance upon the eligibility criteria relating to the **Corporations Act** and **disclosure documents**.

1.2 Once a decision has been made to admit an **investment product** to quotation, **Chi-X** will publish each **disclosure document** in its possession relating to that **investment product**.

**P14.15: Investment Products - Eligibility Criteria – How to Satisfy the Liquidity Obligations**

**1. An Adequate and Reasonable Spread of Holders**

- 1.1 An **investment product** that is an **ETF** must have
- (a) at least 1000 separate **holders** and
  - (b) a net asset value of \$10million for a **product issuer** to satisfy the liquidity obligations in the eligibility criteria by having an ongoing spread of **holders** that ensures there is sufficient liquidity.

The investment product may satisfy this requirement after its launch, up to which time a product issuer must still satisfy the requirements in **rule 14.14(a)**. A **product issuer** should record its methodology for determining what is an adequate and reasonable spread of **holders** and the application of that methodology to a particular **investment product**, including how it will ensure that the requirement is satisfied on an ongoing basis. Further information and guidance on liquidity obligations is contained in the Information Pack.

**2. Reasonable Bid and Volume**

- 2.1 A **product issuer** that proposes satisfying the liquidity requirement in **rule 14.14(a)** as outlined in **rule 14.15(b)** (that is by trading itself to maintain a reasonable bid and volume, or by entering an arrangement with a **market maker** to do so), must:
- (a) ensure that an **order** of a reasonable bid and volume is maintained for 90% of the time during which the **investment product** is in **active continuous trading**;
  - (b) take all reasonable steps to ensure that the minimum value of the reasonable bid and volume order is no less than the minimum parameters set out in the Information Pack;
  - (c) provide information, in the application for an **investment product** to be admitted to **quotation**, on the systems and controls that will ensure that the **product issuer** maintains a reasonable bid and volume by either trading itself or through an arrangement with a **market maker**.
- 2.2 **Active continuous trading** is the aggregate time in which the **Chi-X Market** is in continuous trading for the **investment product**, but excluding:

- (a) the period during which no firm price is available for at least 10% by value of the **underlying assets** of the **investment product**, including, in the case of an **investment product** with a single **underlying asset**, when there is a trading halt or suspension in that **underlying asset**;
  - (b) the first fifteen minutes of the continuous trading phase on the **Chi-X market**;
  - (c) the last thirteen minutes of the continuous trading phase on the **Chi-X market**;
  - (d) the time during which the theoretical value of the **investment product** is less than the minimum price step allowed for orders submitted to the **Chi-X Market**;
  - (e) the time during which a **product issuer**, or a **market maker** with which it has entered an arrangement under **rule 14.16**, has experienced an operational disruption or is subject to a regulatory requirement, that has prevented the **product issuer** and/or the **market maker** from submitting **orders** to the **Chi-X market**.
- 2.3 A **product issuer** must notify **Chi-X Operations** without delay, and in any event within 30 minutes, if the **product issuer** or a **market maker** with which it has an arrangement under **rule 14.16**, experiences an operational disruption or is subject to a regulatory requirement, pursuant to which orders cannot be submitted to the **Chi-X market**. The notification must be provided by email to [au.ops@chi-x.com](mailto:au.ops@chi-x.com). The notification will be disclosed on the announcements page of the **Chi-X** web site.
- 2.4 An example of a regulatory requirement that may preclude a **product issuer** or **market maker** from submitting orders is a prohibition on short selling an **investment product**: this requirement may preclude the two way quoting required in an agreement entered by a **product issuer** under paragraph 3.1 of this **procedure 14.15** or an arrangement entered under **rule 14.16**.
- 2.5 A **product issuer** or **market maker** that is experiencing operational difficulties or is subject to regulatory requirements that preclude it from submitting **orders**, must:
- (a) take immediate steps to address the disruption/obtain regulatory relief respectively, in a way that will enable **orders** by the **product issuer** or **market maker** to be submitted as soon as possible; and
  - (b) upon being able to continue making a market in the relevant **investment product(s)**, email [au.ops@chi-x.com](mailto:au.ops@chi-x.com) with the details of when the market making will recommence, which will be disclosed to the market on the announcements page of the **Chi-X** web site.

- 2.6 A **product issuer** is not required to be registered as a **market maker** in order to satisfy the liquidity requirements by trading itself as outlined in **rule 14.15(b)(i)**, but it must satisfy Chi-X that it will have the systems and controls necessary to maintain a reasonable bid and volume in compliance with the **rules**, for example by:
- (a) entering a written agreement with **Chi-X** to maintain a reasonable bid and volume **order** in compliance with the **rules** and **procedures**, for the relevant **quoted investment products** and specifying in that agreement the parameters for the reasonable bid and volume and how those parameters have been determined; or
  - (b) providing a written outline and any relevant certification of the systems that will be used to monitor trading and which incorporate the parameters by which a reasonable bid and volume will be determined.
- 2.7 A **participant** may be registered with **Chi-X** as a **market maker** in **investment products** by meeting the requirements relating to **market makers** in **investment products** in **rules 4.9 to 4.14**, and the applicable **procedures**.

### 3. **Other arrangements**

- 3.1 A **product issuer** may seek to satisfy the eligibility criterion in **rule 14.14(a)** by reaching an agreement with **Chi-X** on:
- (a) a maximum bid-ask spread; and
  - (b) a minimum quantity of each bid and offer.

The spread and quantity that are agreed between the **product issuer** and **Chi-X**, may only be subsequently varied with the agreement of **Chi-X**.

## P14.17: Investment Products - Eligibility Criteria – Underlying Assets

### 1. **Other financial products**

- 1.1 An **investment product** may satisfy the eligibility criteria in **rule 14.7** by having an **underlying asset** that is linked to a **financial product** falling within the category of an “other **financial product**” in **rule 14.7(a)** or (b). **Chi-X** will specify in this **procedure** each **financial product** that, in these circumstances, falls within the “other **financial product**” category in **rule 14.17(a)** and (b). At present there are no such **financial products**.

**2. Regulated Market**

2.1 An **investment product** may satisfy the eligibility criteria in **rule 14.7**, by having an **underlying asset** that is linked to one of the **financial products** specified in **rule 14.17(b)**, (c) or (d) provided that **financial product** is traded on a **regulated market**. Chi-X will specify in this procedure the **regulated markets** on which, in these circumstances, such a **financial product** is traded. At present there are no such **regulated markets**.

**3. An Index based on a Debenture or Bond**

3.1 There are no such indices currently specified.

**P14.18: Investment Products - Eligibility Criteria – Underlying Assets - Indices**

**1. Disclosures on the Product Issuer web site**

1.1 The product issuer must make the disclosures required by **rule 14.18(c)** prior to the investment product being quoted. For the sake of clarity, the disclosure must include:

- (a) the criteria for being a constituent of the index;
- (b) the methodology used to construct and maintain the index, including the timing of calculations; and
- (c) the governance arrangements for the index.

**P14.20: Investment Products - Eligibility Criteria – Excluded Underlying Assets**

**1. Financial Products Excluded from being an underlying asset**

1.1 **Rule 14.20(a)(i)** states that to be eligible for approval, an **investment product** that is an **ETF** must not have an **underlying asset** that is a derivative that has the dominant purpose of providing the holder with a leveraged exposure to a further **underlying asset**. The following are non-exhaustive examples of a derivative that, in the case of a product that is an **ETF**, **Chi-X** will consider as having the dominant purpose of providing the holder with a leveraged exposure to a linked **underlying asset**:

- (a) an OTC derivative that on an ongoing or regular basis has a level of notional exposure that exceeds 10% of the fund's net asset value (with the exception of an OTC derivative falling within paragraph 1.2(b) of this Procedure 14.20);

- (b) a derivative that is embedded into an **ETF** to provide exposure to a multiple of a standard delta 1 index for a defined period;
  - (c) a derivative that is embedded into an **ETF** to provide exposure to an index that itself provides exposure to a multiple of a standard delta 1 index.
- 1.2 The following are non-exhaustive examples of a derivative that does not, on its own, have the dominant purpose of providing the holder of the investment product with a leveraged exposure to a linked underlying asset:
- (a) a call or put option over a share or standard delta 1 index ;
  - (b) a derivative used for the dominant purpose of managing foreign exchange or interest rate risk.
- 1.3 **Rule 14.20(a)(ii)** states that an **underlying asset** must not include an **actively managed investment fund**. The combination of **rule 14.20(a)(ii)** and the definition of an **underlying asset** as the **financial product** or other asset by reference to which an **investment product** is valued, has the outcome that no **actively managed funds** are able to be **admitted to quotation** as an **investment product**.
- 1.4 **Rule 14.20(a)(iii)** precludes an **investment product** from being based on an **underlying asset** that does not have a readily available price or value. This does not require an underlying asset to be trading at the same time that the **investment product** is trading. **Investment products** may be based upon **underlying assets** that are primarily traded offshore. In these instances, the criterion in **rule 14.20(a)(iii)** may be satisfied if the **underlying asset** is subject to a transparent pricing mechanism such as that provided by a **regulated market** or that is otherwise regularly available at the same or predictable times in a way that enables an investor in the **investment product** to make reasonable investment decisions on the price or value of that underlying asset.
- 1.5 The effect of **rule 14.20** and the other **eligibility criteria** in the **rules**, is that **Chi-X** will not admit the following **financial products to quotation** as an **investment product**:
- (a) a listed investment company;
  - (b) a real estate investment trust (REIT) or similar fund;
  - (c) an infrastructure trust or fund;
  - (d) a non-portfolio strategic investment vehicle (such as a private equity fund);
  - (e) an unlisted company, artwork or another collectible, wine or another asset where the price or value is not set by a transparent mechanism.

**P14.21: Investment Products - Eligibility Criteria – Leveraged OTC Derivatives**

**1. Jurisdiction of Equivalent Regulation – Rule 14.21(c)**

1.1 There are no such jurisdictions currently specified.

**P14.26: Investment Products – Eligibility Criteria – Terms of Issue**

1.1 The effect of the **rule 14.26** is that the constituent documents of an ETF must:

- (a) ensure that a **product issuer** of an **investment product** that is an **ETF** is required on an ongoing daily basis to maintain off market redemption facilities that will be available to **holders** of **ETF financial products** in the **ETF**;
- (b) outline in a way that is readily understandable by a reasonable investor, how **holders** can, on an ongoing basis, redeem those **ETF financial products**.

**P14.27: Investment Products – Eligibility Criteria – Disclosures upon Quotation**

1.1 The **disclosure documents** and information received on the eligibility criteria relating to liquidity obligations, **underlying assets** and the investment mandate/constituent documents, will be disclosed by **Chi-X** on the announcements page of the **Chi-X** web site.

**P14.28: Investment Products - Ongoing Requirements – General Disclosure Requirement**

**1. The Structure of the Rules Relating to Ongoing Disclosure Requirements**

1.1 **Rules 14.28** to **14.30** contain ongoing disclosure requirements and are structured so that:

- (a) a general overarching requirement in **rule 14.28** requires a product issuer to provide **Chi-X** with the information it is required to disclose in relation to a **quoted investment product**, under the **Corporations Act** or other applicable offshore requirement;
- (b) a more specific continuous disclosure requirement in **rule 14.29** requires **product issuers** to ensure that any information that may impact on the decision of a reasonable investor to invest in or dispose of an **investment product**, is provided to **Chi-X** and is disclosed on a continuous basis;

(c) a more specific periodic disclosure requirement is imposed by **rule 14.30** to ensure that a base line of fundamentally important information is regularly provided to **Chi-X** and disclosed at the times specified.

1.2 As such, the same piece of information may be required to be disclosed under each of **rules 14.28, 14.29 and 14.30**. However, a single disclosure may be sufficient to satisfy each **rule**. This rule structure is intended to focus **product issuers** on compliance with the **Corporations Act** or equivalent requirements and to ensure that the information published under those requirements is disseminated equally to all current and prospective **holders**. It is also intended to ensure that the principles of disclosure are apparent to **product issuers** so that they can take responsibility for ensuring they make full and appropriate disclosures, including in any non-straightforward cases, where **product issuers** should err on the side of disclosing information to **Chi-X**.

## 2. The General Disclosure Requirement

2.1 The general disclosure requirement in **rule 14.28** contains an overarching requirement for **product issuers** to provide **Chi-X** with all the information in relation to **quoted investment products** that it is required to provide under (a) the **Corporations Act** or applicable off shore requirements and (b) any exemption from or modified application of the requirements in the **Corporations Act** or any applicable off shore requirements.

2.2 The information must be provided to **Chi-X** without delay once it is provided under those other requirements.

## 3. Disclosure to the Chi-X Disclosure Interface

3.1 The requirements for lodging disclosures with **Chi-X** are outlined in the Technical Specification published on the **Chi-X** web site. A **product issuer** must ensure the process for lodging the information that has to be disclosed is completed within the time requirements specified in the **rules** and **procedures**.

## 4. Disclosure by Chi-X

4.1 **Chi-X** will disclose the information provided to it under **rule 14.28** on the announcements page of the Chi-X web site, which will be accessible from the home page [www.chi-x.com.au](http://www.chi-x.com.au).



**P14.29: Investment Products - Ongoing Requirements – Continuous and Ongoing Disclosure**

**1. Disclosure**

- 1.1 A **product issuer** must provide the information, required to be disclosed under **rule 14.29(a)**, to the **disclosure interface** without delay once it becomes available and in compliance with the **rules, procedures**, technical specifications and guidance notes issued by **Chi-X**.
- 1.2 The disclosure requirement contained in **rule 14.29** is intended to ensure that a **product issuer** complying with its obligations under the **Corporations Act**, will be complying with the **rules** by providing **Chi-X** with a copy of all the disclosures it has made under the relevant **Corporations Act** provisions.
- 1.3 For the sake of clarity, **rule 14.29(a)(iii)** applies to the situation where an exemption has been granted to a **product issuer** in respect of provisions of the **Corporations Act** other than sections 675 and/or 1017B and as a consequence sections 675 or 1017B do not directly apply to the **product issuer** and/or the **quoted investment product**. In this situation, if the exemption requires the product issuer to comply with section 675 and/or 1017B then that compliance is required by **rule 14.29(a)(iii)**, even though those sections do not apply directly to the **product issuer**.
- 1.4 **Chi-X** will disclose the information provided to it under **rule 14.29** on the announcements page of the Chi-X web site, which will be accessible from the home page [www.chi-x.com.au](http://www.chi-x.com.au).

**P14.30: Investment Products - Ongoing Requirements –Periodic Disclosure**

**1. Rule 14.30(a) - Providing Information to the Chi-X Disclosure Interface**

- 1.1 A **product issuer** that seeks to discharge the obligation in **rule 14.30(a)** by providing the net asset value to the **Chi-X** disclosure interface, must do so without delay once that information becomes available and in compliance with the **rules, procedures**, technical specifications and guidance notes issued by **Chi-X**. **Chi-X** will immediately disclose the information provided to it under **rule 14.30(a)** on the announcements page of the Chi-X web site, which will be accessible from the home page [www.chi-x.com.au](http://www.chi-x.com.au).

2. **Annual and Half Yearly Reports**

- 2.1 The annual report, half yearly report and statement of assets, liabilities and equity, required to be lodged with **Chi-X** under **rule** 14.30(c) must be lodged within 75 days of the end of the annual/half financial year with:

The Compliance Department

au.compliance@chi-x.com

tel: + 61 (0) 2 8078 1718

- 2.2 A **product issuer** or **guarantor** may lodge a copy of a report with **Chi-X** by notifying **Chi-X** of the place where the information is available in a way that enables **Chi-X** to obtain that report free of charge. **Chi-X** may disclose the reports provided to it under **rule** 14.30(c) on the announcements page of the **Chi-X** web site, which will be accessible from the home page [www.chi-x.com.au](http://www.chi-x.com.au).

3. **Number of ETF financial products on Issue**

- 3.1 A **product issuer** may satisfy the requirement in **rule** 14.30(d) by publishing the number of **ETF financial products** on issue in relation to the **ETF** at the end of the month, on the issuer's web site within five days of the month's end.

4. **Disclosure by Chi-X**

- 4.1 **Chi-X** will disclose the information provided to it under **rule** 14.30 on the announcements page of the **Chi-X** web site, which will be accessible from the home page: [www.chi-x.com.au](http://www.chi-x.com.au)

**P14.33: Trading in Investment Products - Transfers**

1. **Required Opening Times for the Lodging of Transfers**

- 1.1 A **product issuer** must ensure that the place at which the transfer of an **investment product** may be lodged for registration, is open on all week days other than:
- (a) gazetted bank holidays or public holidays in the State or Territory in which the office is located; and
  - (b) any other week day on which the **Chi-X market** is closed for trading.

**P14.36: Trading in Investment Products - Exchange-Traded Fund Special Trade**

- 1.1 A **participant** must complete the following steps when reporting an **Exchange-Traded Fund Special Trade**:
- (a) The participant must submit a trade report, relating to the **Exchange-Traded Fund Special Trade**, in accordance with the Technical Specification that is published on the Chi-X web site as the version in force at the time the report is submitted.
  - (b) At the same time that the report is submitted to **Chi-X**, email Chi-X Operations at [au.ops@chi-x.com](mailto:au.ops@chi-x.com) with the following information:
    - (i) the name of the Participant and applicable PID;
    - (ii) the **ETF** that is the subject of the **Exchange-Traded Fund Special Trade**;
    - (iii) the number of portfolios traded;
    - (iv) the total consideration;
    - (v) for each **financial product** in the **Exchange-Traded Fund Special Trade**:
      - A. the identifier for the **financial product**;
      - B. the number of the **financial product** that have been traded;
      - C. the price of each trade;
      - D. the consideration of each trade.