

**CHANGES TO THE CHI-X OPERATING RULES
FOR THE PURPOSE OF TRANSITIONING FROM DIVISION 3 TO
DIVISION 4 COMPENSATION ARRANGEMENTS**

In the following text, single underlining indicates text to be inserted and ~~strikethrough~~ indicates text to be deleted. **Red text indicates relevant terms, text or rules directly impacted by the proposed amendments.**



Operating Rules

Version 1.98
26 October 2020
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Chi-X Australia Pty Ltd
ABN 47 129 584 667

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Introduction

Chi-X Australia Pty Ltd (**Chi-X**) operates a licensed financial market in Australia for the execution of transactions in **financial products**. These **rules**, apart from those in section 11, are the operating rules of **Chi-X** for the purposes of the **Corporations Act**. The **rules** in section 11 are the compensation rules of **Chi-X** for the purposes of Division 3 of Part 7.5 of the **Corporations Act**.

Version 1.9 of these Rules came into force on 26 October 2020, which is also known in these rules as the **NGF transition date**. This is the date on which **Chi-X** changed its compensation arrangements from fidelity fund arrangements under Division 3 of Part 7.5 of the Corporations Act, to arrangements covered by the **National Guarantee Fund (NGF)**.

These **rules** are binding on **Chi-X** and all **participants**. The **rules** should be read in conjunction with the **Market Integrity Rules**, the **procedures** and the **Corporations Act**.

1 INTERPRETATION AND APPLICATION OF RULES

1.1 Definitions

In these rules, the following words have the following meanings, unless the context requires otherwise.

Active Continuous Trading	<p>The aggregate time in which the Chi-X market is in continuous trading for the investment product but excluding:</p> <ul style="list-style-type: none"> (a) the period during which no firm price is available for at least 10% by value of the underlying assets of the investment product; (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.
Actively managed fund	A QMF managed by a person that has day to day discretion in the investment strategy and/or selection of underlying assets , for the fund.
Alternative central counterparty	An alternative clearing and settlement facility to the designated central counterparty , in respect of which Chi-X has given consent under rule 6.2.
Approved financial product	A financial product approved by ASX Settlement in accordance with section 8 or section 13 of the Settlement Rules .
ASIC	The Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 or the market for financial products operated by ASX Limited (as applicable).
Board	The board of directors of Chi-X .
Business Day	A day on which the Chi-X market is open and any other day notified by Chi-X to participants .
Cash settled warrant	A warrant in relation to which the settlement obligations under the terms of issue are satisfied by payment of a cash amount.
Chi-X	Chi-X Australia Pty Limited ACN 129 584 667.
Chi-X market	The market for specified classes of financial products operated by Chi-X .

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Claim	A claim made in accordance with rule 11 in relation to a loss.
Clearing Participant	An entity which is a clearing participant or clearing member of a designated central counterparty/alternative central counterparty and is authorised to clear relevant transactions under the rules of the designated central counterparty/alternative central counterparty .
Clearing Rules	The operating rules of the designated central counterparty or an alternative central counterparty (as applicable).
Client	The customer of a participant .
Compliance Committee	A sub-committee of the Board the members of which will include an Independent Non-Executive Director of the Board and the Head of Chi-X Compliance and may include other suitably qualified members of the legal profession and financial services industry.
Control and Controller	As defined in the Corporations Act .
Corporate action	Depending on the context, the corporate action taken by: <ul style="list-style-type: none"> (a) the issuer of a financial product traded on Chi-X, to provide an entitlement to the holders of that financial product; and/or (b) the issuer of the underlying asset(s) of an investment product traded on Chi-X, to provide an entitlement to the holders of that underlying asset.
Corporations Act	The <i>Corporations Act 2001</i> (Cth), as amended from time to time, including any regulations made thereunder.
Covered warrant	A deliverable or cash settled warrant issued by a product issuer that has a trust arrangement in place for a sufficient number of the underlying assets or equivalent financial products to be available to meet: <ul style="list-style-type: none"> (a) the exercise of all outstanding deliverable warrants; or (b) the obligations of a product issuer on all outstanding cash settled warrants.
Custodian	The person who holds the underlying assets of a TraCR on behalf of the product issuer and on trust for the holder .
Deliverable warrant	A warrant in relation to which the settlement obligations under the terms of issue are satisfied by transfer of the underlying assets .
Derivative	As defined in section 761D of the Corporations Act .
Designated central counterparty	A clearing facility approved by Chi-X for the purposes of this definition and set out in the procedures .
Disclosure document	The document(s), including any supplementary disclosure documents , that a product issuer is: <ul style="list-style-type: none"> (a) required to provide under the Corporations Act in connection with the issue or quotation of an investment product, including without limitation a prospectus or product disclosure statement and information required to be disclosed under a product issuer's continuous or periodic disclosure obligations; or

	<ul style="list-style-type: none"> (b) required to provide in connection with the issue or quotation of an investment product under: <ul style="list-style-type: none"> (i) an exemption from or modification of requirements in the Corporations Act; or (ii) any disclosure requirements imposed under applicable offshore requirements to those in (a) or (b)(i) and that apply to a product issuer.
Disclosure Interface	The disclosure interface specified in the technical specification.
Dispute	Has the meaning given in rule 5.4(a) .
Eligibility criteria for investment products	The criteria contained in rules 14.11 to 14.26 .
Employee	In relation to a participant means a director, employee, officer, agent, representative, consultant or adviser of that participant , or an independent contractor who acts for or by arrangement with a participant .
Equity market product	As defined in the Market Integrity Rules .
ETR reference price	The reference price determined by Chi-X pursuant to the application of the extreme trade range rules in the Market Integrity Rules ¹ .
ETF financial product	A financial product issued by or provided pursuant to an ETF .
Exchange Traded Fund (ETF)	<p>A collective investment scheme:</p> <ul style="list-style-type: none"> (a) that is either <ul style="list-style-type: none"> (i) a managed investment scheme under the Corporations Act that complies with the applicable registration requirements; or (ii) a type of foreign company specified in the procedures which has the economic features of a managed investment scheme including: <ul style="list-style-type: none"> A. the pooling or use of contributions in a common enterprise with respect to property of any description, including money, that enables those taking part through the contribution of money or otherwise, to receive profits or income arising from that property; and B. those taking part do not have day to day control over the operation of the property; and (b) is granted quotation as an exchange traded fund; and (c) for which the price of the underlying asset is continuously disclosed and immediately ascertainable; and

¹ This term only appears in the Operating Rules: Procedures and is provided here for ease of reference.

	(d) that can continuously issue new ETF financial products in the scheme that are quoted ; and
	(e) which allows applications for and redemptions of ETF financial products in the scheme in the primary market, in specie, in cash or a combination of in specie and in cash.
Exchange-Traded Fund Special Trade	A trade executed pursuant to rule 14.36 .
Excluded loss	A loss that under section 885D of the Corporations Act is not a Division 3 loss.
Financial product	As defined in the Corporations Act .
Fidelity fund	The compensation fund described in rule 11 .
Fixed income security (eligible portfolio)	A security that is or is proposed to be a constituent of a portfolio in a QMF where either: <ul style="list-style-type: none"> (a) the QMF is or will be issued by a product issuer that has proven systems and controls; or (b) the portfolio in which the security is held is a minority portfolio.
Foreign Company	As defined in the Corporations Act .
Guarantor	An entity that holds an AFSL in respect of its activities as a guarantor , or otherwise falls within the categories specified in rule 14.3(b)(i), (ii) or (iii) and which guarantees the product issuer's obligations to holders .
GST Law	Means the same as "GST Law" means in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth)
Holder	A person who holds legal title to an investment product , as determined in accordance with the terms of issue .
Illiquidity Event	The event described in rule 14.23A(c) .
Independent calculation agent	An entity that is independent of any product issuer and that is widely regarded as having expertise in assessing the net asset value of a quoted fund or part thereof.
Investment product	A warrant, quoted fund or transferable custody receipt issued by the product issuer pursuant to the terms of issue and, depending on the context, either: <ul style="list-style-type: none"> (a) the subject of an application to Chi-X to be admitted to quotation; or (b) admitted to quotation by Chi-X as an investment product.
Issuer Application Form, IAF	An Issuer Application Form approved and made available by Chi-X for the purpose of applying to be registered as a product issuer .
Issuer sponsored subregister	As defined in the Settlement Rules .

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Listing Market	The market on which Chi-X determines an equity market product or debt security has its primary listing, which unless determined otherwise, is the primary market operated by ASX .
Loss	Has the meaning given in rule 11.7 .
Market maker	A participant that has been registered as a market maker by Chi-X under rule 4.9 .
Market Maker Undertaking	An undertaking by a participant to Chi-X to comply with the affirmative obligations contained in procedure 4.9 .
Market Integrity Rules	Any one or more the following sets of Market Integrity Rules, made by ASIC , that are in force at the time in question: <ul style="list-style-type: none"> (a) ASIC Market Integrity Rules (Securities Markets); (b) ASIC Market Integrity Rules (Competition in Exchange Markets); and/or (c) ASIC Market Integrity Rules (Chi-X Australia Market).
Match, matching	The electronic matching on the Chi-X market of buy and sell orders submitted to the Chi-X market .
Maximum Spread	The number of ticks specified in table 2.2 in procedure 4.9 and that is the maximum allowable number of ticks between the bid and offer that must be maintained by a market maker in order to comply with its market maker undertaking .
Minimum Order Value	The minimum order size specified in table 2.2 in procedure 4.9 and that is the minimum order size of the bid and, if applicable, offer orders that must be maintained by a market maker in order to comply with its market maker undertaking .
Minister	The Minister that at the relevant time has portfolio responsibility for the regulation of the Chi-X market .
Minority portfolio	A portfolio of fixed income securities (eligible portfolio) held or proposed to be held in a QMF and that: <ul style="list-style-type: none"> (a) is valued on a portfolio basis by an independent calculation agent; and (b) under the investment mandate of the QMF will provide: <ul style="list-style-type: none"> (i) not more than 10% of the net asset value of the QMF when valued in aggregate with any other minority portfolios; and (ii) not more than 10% of the net asset value of the QMF, when valued as a single portfolio.
<u>NGF</u>	<u>The National Guarantee Fund administered by the SEGC.</u>
<u>NGF transition date</u>	<u>The date on which Chi-X becomes a member of SEGC².</u>
Order	An electronic message submitted to the Chi-X market to buy or sell a financial product .

² [Chi-X became a member of the SEGC on 26 October 2020.](#)

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Off market transaction	A transaction executed (a) other than by a match and (b) in compliance with the Market Integrity Rules .
OTC derivative	An OTC derivative that is or is proposed to be an underlying asset in a quoted fund and that: <ul style="list-style-type: none"> (a) in accordance with paragraph 1.1 of procedure 14.20, does not, on its own or in aggregate with other OTC derivatives, result in the quoted fund having an exposure to all OTC derivative counterparties of more than 10% of the net asset value of the quoted fund; (b) on an initial and ongoing basis satisfies those rules expressed to apply to OTC derivatives.
Participant	An entity admitted as a participant of Chi-X under these rules and whose admission has not been terminated or whose resignation has not taken effect.
Procedures	The procedures made by Chi-X under rule 1.7.
Product Application Form, PAF	A Product Application Form approved and made available by Chi-X for the purpose of applying to have an investment product admitted to quotation .
Product issuer	In relation to an investment product , the entity which issues the investment product .
Quotation	Admitted to quotation by Chi-X pursuant to rule 14.9.
Quoted financial product	A financial product issued by a product issuer and traded on the Chi-X market pursuant to the quotation of an investment product .
Quoted fund	An investment product that is an Exchange Traded Fund (ETF) or a Quoted Managed Fund ³ .
Quoted Managed Fund (QMF)	An open ended collective investment scheme that is either: <ul style="list-style-type: none"> (a) a managed investment scheme under the Corporations Act that complies with the applicable registration requirements; or (b) a type of foreign company specified in the procedures which has the economic features of a managed investment scheme, including: <ul style="list-style-type: none"> (i) the pooling or use of contributions in a common enterprise with respect to property of any description, including money, that enables those taking part through the contribution of money or otherwise, to receive profits or income arising from that property; and (ii) those taking part do not have day to day control over the operation of the property.

³ Note that while the only quoted funds at present are exchange traded funds and quoted managed funds, the term '**quoted funds**' will be a drafting aid in facilitating the streamlined addition of other fund types to the rules as the Chi-X quoted fund market develops.

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QMF financial product	A financial product issued or provided pursuant to a QMF .
Quoted investment product	An investment product that has been admitted to quotation by Chi-X pursuant to rule 14.9 .
Quoting obligation ratio	The percentage of active continuous trading on the Chi-X market specified in table 2.2 in procedure 4.9 and for which a market maker must maintain bid and, if applicable, offer orders in compliance with its market maker undertaking .
RCTI	A Recipient Created Tax Invoice as described in rule 13.5 .
Reference price	The reference source for Chi-X pegged orders that is set out in column two of table 1.1 of Procedure 4.5 for each of the pegged orders specified in column one of that table. ⁴
Regulated Market	A market, specified in the procedures , that is subject to regulation that is at least the equivalent of the regulation of a market operator licenced under section 795B(1) of the Corporations Act .
Related Body Corporate	As defined in the Corporations Act .
Relevant Transaction	A transaction in respect of financial products that arises upon the matching of orders on the Chi-X market or which is reported as an off-market transaction to Chi-X under these rules .
Reliable Pricing Framework (RPF)	A framework for pricing the underlying assets of a QMF that consists of either: <ul style="list-style-type: none"> (a) an entity that is widely regarded as providing reliable and independent pricing for the relevant asset class of proposed underlying assets and is specified in the procedures; or (b) a trading platform that is subject to a regulatory framework, specified in the procedures, that covers pricing quality and transparency.
Retail Client	As defined in the Corporations Act .
Review Committee	The committee established to review and decide on a particular matter in accordance with these rules and the procedures .
Rules	These rules .
Security	As defined in the Corporations Act .
<u>SEGC</u>	<u>As defined in section 880B of the Corporations Act.</u>
Settlement Rules	The operating rules of ASX Settlement Pty Ltd (ABN 49 008 504 532).
Supplementary Disclosure Document	A document which replaces, updates, adds to or otherwise amends the information contained in a previously published disclosure document .
Terms of issue	The terms of issue of an investment product and which sets out the contractual arrangements between products issuers and holders , including the rights, obligations and conditions associated with the investment product.

⁴ This defined term is only found in the **procedures** and is included here for ease of reference.

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Trading Notice	A notice issued by Chi-X on its website.
Transferable Custody Receipt (TraCR)	<p>An investment product that:</p> <ul style="list-style-type: none"> (a) is issued by a registered product issuer; (b) has an underlying asset that is held by a custodian on behalf of the product issuer and, ultimately, the holder of the TraCR; (c) is priced by reference to the Australian dollar value of the share that is the underlying asset; (d) satisfies the eligibility criteria that is specifically related to TraCRs.
Underlying asset	The financial product(s) or other asset(s) by reference to which an investment product is valued and, in the case of a TraCR , must consist solely of the security which is beneficially owned by the TraCR holder .
Warrant	A financial product issued by a product issuer pursuant to the terms of issue , which is granted quotation as a warrant, and satisfies the definition of 'warrant' contained in the Corporations Act , as modified by any instruments or class order made thereunder.

1.2 Rules of Interpretation

- (a) Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting these **rules**, except where the context makes it clear that a rule is not intended to apply.
- (b) A reference to:
 - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iii) a party to this document or to any other document or agreement includes a successor in title, permitted substitute or a permitted assign of that party;
 - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
 - (v) anything (including a right, obligation or concept) includes each part of it.
- (c) A singular word includes the plural, and vice versa.
- (d) A word which suggests one gender includes the other genders.

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- (e) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (f) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (g) A reference to time is to the time in Sydney, Australia.
- (h) If a party to this document is made up of more than one person, or a term is used in this document to refer to more than one party, then unless otherwise specified in this document:
 - (i) an obligation of those persons is joint and several;
 - (ii) a right of those persons is held by each of them severally; and
 - (iii) any other reference to that party or term is a reference to each of those persons separately, so that (for example) a representation, warranty or undertaking relates to each of them separately.
- (i) A rule is not to be interpreted against the interests of **Chi-X** merely because **Chi-X** prepared these rules or because **Chi-X** relies on a provision of these **rules** to protect itself.
- (j) Terms defined in the **GST Law** have the same meaning in clause concerning GST unless the context otherwise requires.

1.3 Application and Effect of these Rules

- (a) These **rules** have effect as a binding contract under seal between **Chi-X** and each **participant**, and between each **participant** and each other **participant**, under which:
 - (i) each participant agrees to observe and to engage in the conduct required by the rules; and
 - (ii) **Chi-X** agrees to observe and to engage in the conduct required by the rules.
- (b) These **rules** should be read in conjunction with the **procedures**, the **Corporations Act** and the **Market Integrity Rules**. To the extent of any inconsistency between these **rules** and the **procedures**, the terms of these **rules** will prevail. To the extent of any inconsistency between these **rules** and the **Corporations Act** and the **Market Integrity Rules**, these **rules** should be read down and interpreted in a manner that is consistent with the **Corporations Act** and the **Market Integrity Rules**.

1.4 Changes to the Rules

- (a) The rules may only be added to, amended or deleted by **Chi-X**. Unless otherwise provided in this **rule 1** any new rule or variation shall be effective from the date determined by **Chi-X**. **Chi-X** shall cause all new rules and variations to be made publicly available. Failure to give such notice will not invalidate a new **rule** or vary or delay its operation.

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- (b) The conduct of a **participant** will, unless otherwise specified, be governed by and subject to the **rules** and **procedures** in force at the time of the conduct.

1.5 Waiver of the Rules

Chi-X may waive the obligation of one or more **participants** or **product issuers** to comply with these **rules** and the **procedures**. **Chi-X** may impose conditions on any waiver which must be satisfied by any **participant** or **product issuer** relying on the waiver. **Chi-X** will keep a register of waivers granted under this rule and make the register available for inspection.

1.6 Reviews

- (a) A decision by **Chi-X** or any delegate of **Chi-X** under these **rules** may only be reviewed in accordance with these **rules** and the **procedures**.
- (b) A review conducted by the **Review Committee** pursuant to these **rules** must be conducted in accordance with these **rules** and the **procedures**.
- (c) Subject to rule 1.6(d), a **participant** and **product issuer** can only request a review by:
 - (i) notifying **Chi-X** in accordance with these **rules** and **procedures**, including as to the time by which a notification must be made, of the request for a review;
 - (ii) including the following information and material with the notification:
 - A. the name of the **participant** or **product issuer**, as appropriate, seeking the review, the decision in respect of which the review is sought, and all material facts;
 - B. all relevant documents including all those upon which the **participant** will rely; and
 - (iii) lodging with **Chi-X** the applicable filing fee set out in the **procedures**, prior to or at the same time as the **participant** or **product issuer**, as appropriate, notifies **Chi-X** of the request for a review.
- (d) For the sake of clarity, a notification under rule 5.5(a) may be provided by telephone or email.
- (e) A **participant/product issuer** must comply with any procedural direction by the **Review Committee**.
- (f) The **Review Committee** may dismiss a request for a review on the basis that the **participant/product issuer** has failed to comply with a direction.

1.7 Procedures

- (a) **Chi-X** may approve written **procedures** relating to the operation of these **rules**, the **Chi-X market** and the conduct of **participants** and **product issuers**.
- (b) If a rule requires compliance with the **procedures** then failure to comply with the **procedures** as required is a contravention of that rule.

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- (c) The procedures do not form part of the **rules** other than as outlined in **rule 1.7(b)**.
- (d) **Chi-X** may change the **procedures** and will give notice before those changes take effect.

1.8 Governing Law and Jurisdiction

These **rules** will be interpreted in accordance with and governed by the laws applying in the state of New South Wales, Australia, or as applicable the laws of Australia. **Chi-X** and each **participant** shall irrevocably and unconditionally submit to the non-exclusive jurisdiction of the courts of New South Wales and irrevocably and unconditionally waive any immunity from, or any objection to, any action in the courts exercising any jurisdiction in New South Wales.

2 PARTICIPATION

2.1 Applications for Participation

An applicant for participation must:

- (a) accurately complete and sign the relevant **Chi-X participant** application form and provide any information required to be annexed to the **Chi-X participant** application form; and
- (b) provide any other additional information as required by **Chi-X** in connection with the application.

2.2 Participation Criteria

For an applicant to be eligible for admission as a **participant**:

- (a) the applicant must be a corporation;
- (b) the applicant must, subject to **rule** 2.4, hold an appropriate Australian financial services licence;
- (c) the applicant must satisfy **Chi-X** that it has adequate internal procedures and controls and adequate execution and order management systems in place by providing **Chi-X** with:
 - (i) a document setting out the relevant entity's proposed management structure and allocation of responsibilities;
 - (ii) resumes for each person who has supervisory responsibilities or is a responsible manager of the entity under the **Corporations Act**;
 - (iii) the applicant must provide to **Chi-X** copies of the written certifications it has provided to and received from **ASIC** under the **Market Integrity Rules** in respect of the applicant's automated order processing; and
 - (iv) any other information **Chi-X** may require for this purpose;
- (d) **Chi-X** must have no reason to believe that the applicant is not, or those of its **employees** that are involved in management are not, of good fame and character;
- (e) the applicant must have in place clearing and settlement arrangements for **relevant transactions** which comply with **rules** 6 and 7; and
- (f) the applicant must satisfy general technical and systems requirements determined by **Chi-X**.

2.3 Guidance

The **procedures** may contain guidance on how an **applicant** may satisfy those requirements in **rule** 2.2 that are similar or connected to requirements in the **Market Integrity Rules**.

2.4 Exception to the Requirement to Hold a Licence

An applicant is not required to hold an Australian financial services licence if that licence is not required by **ASIC** in respect of the applicant's activities as a **participant**. An applicant

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that does not hold an Australian financial services licence must satisfy any additional requirements for participation that are specified in the **procedures**.

2.5 Approval of Participant

- (a) **Chi-X** participation shall become effective on such date and at such time as **Chi-X** may specify upon satisfactory fulfilment of the requirements of **rules 2.1 and 2.2** and is at the full discretion of **Chi-X**.
- (b) Where **Chi-X** admits an applicant as a **participant**, it may at that time (or at any later time) impose any conditions on the admission (or continued admission) of the **participant** which **Chi-X** considers appropriate.

2.6 Resignation

- (a) A **participant** must provide **Chi-X** with at least three calendar months written notice of its proposed resignation.
- (b) **Chi-X** may, in its absolute discretion, refuse to accept a notice of resignation in the event that **Chi-X** considers there is an outstanding matter concerning the **participant** that is subject to an ongoing investigation or ongoing enforcement action.
- (c) A **participant** that has provided notice of its resignation or whose resignation has taken effect, must continue to observe and comply with the **rules** in respect of the participant's conduct during the period of participation including, without limitation, **rules 1, 3.2, 3.3, 4.5, 8, 9, 10, 11, 12, 13** and this **rule**.
- (d) A **participant** that has provided notice of its resignation or whose resignation has taken effect, will remain responsible and liable under these **rules** for its acts and omissions and those of its **employees** during the period of participation.

2.7 Unique Identifiers

- (a) **Chi-X** will allocate one unique identifier to each:
 - (i) **participant**; and
 - (ii) logical connection used by the **participant** to access the **Chi-X market**.
- (b) A **participant** must allocate a unique identifier to each device which can be connected to the logical connection used by the **participant** to access the **Chi-X market**.

3 ONGOING COMPLIANCE

3.1 Continuing Obligations

- (a) A **participant** must at all times comply with the **rules**, the **procedures** and any guidance notes, guides, **trading notices**, technical specifications, directions, decisions, requirements and conditions of **Chi-X**.
- (b) A **participant** must at all times continue to satisfy all requirements under **rule 2.2**.
- (c) A **participant** must notify **Chi-X** of details of changes to items set out in the **procedures** by the times set out in the **procedures**.
- (d) A **participant** must, in relation to its activities as a **participant**, comply with Chapter 7 of the **Corporations Act**, any regulations made under Chapter 7 of the **Corporations Act**, and the conditions of its Australian financial services licence.
- (e) A **participant** must comply with the **Market Integrity Rules**.
- (f) A **participant** must ensure that the information it submits to **Chi-X** is not false or misleading.
- (g) A **participant** must ensure that an **employee** responsible for submitting orders by or on behalf of the **participant** to the **Chi-X market** is sufficiently trained and has adequate experience, knowledge and competency.
- (h) A **participant** must at all times have one or more persons, identified to **Chi-X**, who are competent to advise the **participant** on the application of these **rules**.

3.2 Record Keeping

A **participant** must make each record required to be kept under the **Corporations Act**, including Regulations made thereunder, the **Market Integrity Rules**, and the **procedures** in relation to its dealings on the **Chi-X market**. The records must comply with the requirements of the **Corporations Act**, the **Market Integrity Rules** and the **procedures**, as applicable. These records must be kept for at least the period required by the **Corporations Act** and be capable of being produced for inspection by **Chi-X** on demand and in legible form.

3.3 Responsible for Actions of Employees

A **participant** is responsible for the acts and omissions of any **employee** in relation to its conduct as a **participant**.

3.4 Notification

A **participant** must inform **Chi-X** immediately if:

- (a) it becomes subject to external administration within the meaning of the **Corporations Act** or if a person involved in the management of the **participant** becomes bankrupt;
- (b) any event occurs that may make a material adverse change to the financial position of the **participant**;

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- (c) any legal, regulatory or disciplinary action is taken, that could reasonably be expected to impact on the **participant's** ability to comply with its obligations as a **participant** (whether under these **rules** or otherwise);
- (d) a **participant's** overseas activities may have a material adverse impact on its ability to meet its obligations under these **rules**; or
- (e) it becomes aware that it or an **employee** has breached any of the **rules**, the **Market Integrity Rules** or Chapter 7 of the **Corporations Act** and that breach is significant.

4 TRADING

4.1 Access to Chi-X market

A **participant** is responsible for all obligations and liabilities arising from the entry, amendment, deletion and execution of all electronic messages, including orders, submitted to the **Chi-X market** by or on behalf of the **participant**.

4.2 Hours of Operation

Chi-X will determine and set out in the **procedures** the times during which the **Chi-X market** will be open. A **participant** may only submit, amend, or delete orders from the **Chi-X market** during those times.

4.3 Trade Reporting

A **participant** may report to the **Chi-X market** an **off market transaction** that has not already been reported to another licensed market. The report must comply with the **procedures**.

4.4 Classes of Financial Products

The classes of **financial products** that may be traded on the **Chi-X market** are **equity market products**, debt securities and **investment products**. The **procedures** contain a further description of the specific **equity market products**, debt securities and **investment products** that are able to be traded on the **Chi-X market**.

4.5 Orders and Matching

- (a) A **participant** may submit the following **order** types to the **Chi-X market**:
 - (i) limit **orders**; or
 - (ii) pegged **orders** that are referenced to a source specified in the **procedures**.
- (b) An order submitted to the **Chi-X market**:
 - (i) must have the mandatory attributes specified in the **procedures**; and
 - (ii) may have the optional attributes specified in the **procedures**.
- (c) All orders entered into the **Chi-X market**:
 - (i) are firm and available for execution, subject to **rule 4.6**;
 - (ii) will be **matched** based on price/visibility/time priority, subject to the exceptions set out in the **procedures**; and
 - (iii) must otherwise comply with the **procedures**.
- (d) If a **client** places an **order** with a **participant** and expressly or implicitly instructs the **participant** to only use the **Chi-X market** in relation to the **order**, then the **participant** must make a record of this and retain the record for seven years and produce it to **Chi-X** upon request.

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- (e) **Chi-X** may impose restrictions and limits in relation to the entry of **orders** or the execution of **relevant transactions**.
- (f) The **matching** of buy and sell **orders** in the **Chi-X market** results in a contract between the **participants** responsible for the entry of those **orders** for the acquisition and sale of the relevant **financial products** at the price and volume that has been **matched**, subject to these **rules** and the **procedures**.

4.6 Purging of Orders

An **order** in the **Chi-X market** that is **unmatched** at the close of trading will automatically be cancelled by **Chi-X** in accordance with the **procedures**.

4.7 Order Routing

- (a) A **participant** may provide, or arrange for the provision of, an automatic order routing facility or direct market access to a **client** which enables the **client** to submit **orders** to the **Chi-X market**.
- (b) A **participant** that submits orders to the **Chi-X market**, or who provides, or arranges for the provision of facilities under paragraph (a), shall, at all times, have adequate order management systems, procedures and controls in place to prevent the entry of erroneous **orders** to the **Chi-X market**.
- (c) A **participant** is responsible for all **orders** submitted by the **participant**, including those submitted by a **client** to whom the **participant** provides, or arranges for the provision of, facilities under paragraph (a).

4.8 Short Sale Reporting

Where a **participant** is required to provide information to **Chi-X** under Division 5B of the **Corporations Act** or the **Market Integrity Rules** in respect of sell **orders** or **relevant transactions** involving a sale by the **participant**, the **participant** must provide the information to **Chi-X** in accordance with the **Corporations Act** and the **Market Integrity Rules** and in the form and by the time specified in the **procedures**.

4.9 Registration as a Market Maker

- (a) **Chi-X** may register a **participant** as a **market maker**.
- (b) **Chi-X** may, in its absolute discretion:
 - (i) refuse to register a **participant** as a **market maker**; and/or
 - (ii) deregister a **participant** as a **market maker**.
- (c) A **participant** may request a review of a decision by **Chi-X** to refuse to register a **participant** under rule 4.9(b)(i) and/or to deregister a **participant** as a **market maker** under rule 4.9(b)(ii).
- (d) The process by which **Chi-X** will register a **participant** as a **market maker** is set out in the **procedures** and requires a **participant** to provide a completed **market maker undertaking** to **Chi-X**.

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4.10 Market Maker Obligations

- (a) A **participant** that is registered as a **market maker** must comply with the **market maker undertaking** that it has provided to **Chi-X** unless and until:
 - (i) the **participant** has been deregistered as a **market maker**; or
 - (ii) the **market maker undertaking** has been amended pursuant to **rule 4.11**.

4.11 Amendment of and Temporary Relief from the Market Maker Obligations

- (a) A **participant** may propose to **Chi-X** that the undertaking it has provided be amended but the original undertaking will continue to apply until **Chi-X** has agreed to and specified the date on which the amended **market maker undertaking** will take effect, after which a participant must comply with the **market maker undertaking** as amended.
- (b) A **participant** that is a registered market maker and is seeking temporary relief from the obligation to comply with a **market making undertaking**, should apply under **rule 1.5** for a waiver from the obligation under **rule 4.10**.

4.12 Deregistration

- (a) A participant that is registered as a market maker but does not comply with the **market maker undertaking** is liable to be deregistered as a **market maker** either totally or partially in respect of a particular subset of the **investment products** in which it has been registered as a **market maker**.
- (b) A **participant** may, three months or more after it has been registered as a **market maker** under rule 4.9(a), apply to be deregistered as a **market maker** from the beginning of the second month following the date on which **Chi-X** received the application. The application for deregistration may be made in respect of either:
 - (i) one or more **investment products** in which it is a **market maker**; or
 - (ii) all **investment products** in which it is registered as **market maker**.

4.13 The Register

- (a) The register of **market makers** will be published on the **Chi-X** web site. The register shall list each **investment product** in which the **participant** is a **market maker**.

4.14 Chi-X Powers and Obligations on Participants that are Registered

- (a) **Chi-X** may require a **participant** that is registered as a **market maker** to provide any information and material in connection with its activities as a **market maker**.
- (b) A **participant** must provide any information and material required by **Chi-X** pursuant to this rule within the time limits specified by **Chi-X**.

4.15 Pre-conditions for Trading in a TraCR

A **participant** must:

- (a) not market **TraCRs** as ordinary cash equities, including those which are the **underlying asset** of a **TraCR**; and

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- (b) clearly distinguish **TraCRs** from ordinary cash equities, including those which are the **underlying asset** of a **TraCR**, in the information it provides or makes available to retail clients.

5 FAIR AND ORDERLY MARKET

5.1 Chi-X Orderly Markets Powers

Chi-X may take any action it considers necessary to ensure that the **Chi-X market** is fair, orderly and transparent, including:

- (a) rejecting one or more **orders** or other electronic messages submitted to **Chi-X** or entered into the **Chi-X market**;
- (b) suspending or halting trading in all or part of the **Chi-X market**;
- (c) cancelling or amending any **relevant transaction**;
- (d) directing any **participant** to take, or not to take, specified action in connection with the **Chi-X market**;
- (e) modifying, restricting or suspending access by one or more **participants** to all or part of the **Chi-X market**; or
- (f) requesting a **designated central counterparty** or **alternative central counterparty** to exercise its powers.

5.2 Request for a Review of a Decision under Rule 5.1(e)

A participant may request a review of a decision by **Chi-X** under rule 5.1(e) to modify, restrict or suspend the **participant's** access to the market, by notifying **Chi-X** of that request in accordance with these **rules** and within the 10 **business days** following the **participant's** receipt of the notice of the **Chi-X** decision. **Chi-X** must establish a **Review Committee** to review a decision under rule 5.1(e) that is the subject of a **participant** request made in accordance with these **rules**.

5.3 Suspension of Access to or Trading on the Chi-X market

Chi-X may suspend access to or trading on the **Chi-X market** if:

- (a) **Chi-X** determines a systems or communications problem has occurred or is likely to occur which may result in disorderly trading conditions on the **Chi-X market**;
- (b) a specific **financial product** is the subject of a suspension or trading halt on the **listing market**;
- (c) the **underlying asset** of a **TraCR** is placed into a trading halt or suspension (see also rule 14.35);
- (d) **Chi-X** is of the view that a **TraCR** should be placed into a trading halt to enable the dissemination of information that relates to the **underlying asset** of the **TraCR** or otherwise impacts on the **TraCR** (see also rule 14.35);
- (e) the **Market Integrity Rules** require the market to be suspended or halted;
- (f) **Chi-X**, in its absolute discretion, considers it appropriate to do so.

5.4 Market-Related Disputes

- (a) A **participant** may notify **Chi-X** of any market-related dispute (**dispute**) between the **participant** and another **participant** arising in relation to any of the **rules**.
- (b) **Chi-X** will consider a **dispute** as soon as reasonably practicable following the referral by a **participant**.
- (c) In considering a dispute, **Chi-X** may make any enquiries relevant to the **dispute**, seek information from the relevant **participants** and determine how the **dispute** will be considered.
- (d) **Chi-X** may decide to take any action (or refrain from taking action) and give any directions it considers appropriate in relation to the **dispute** including:
 - (i) cancelling the **relevant transaction**;
 - (ii) varying the **relevant transaction**;
 - (iii) re-instating an **order** which gave rise to the disputed **relevant transaction**, the time priority of the re-instated **order** being set according to the time of the re-instatement;
 - (iv) giving directions to the **participant(s)** who are a party to the disputed **relevant transaction**; and
 - (v) requesting a **designated central counterparty** (or **alternative central counterparty**) to act or refrain from acting under their clearing rules, for example to give effect to **Chi-X**'s actions under this **rule**.
- (e) **Chi-X** will notify each **participant** involved in the **dispute**, of the action, if any, it proposes to take.
- (f) **Chi-X** will not take steps to implement the action proposed in a notice issued pursuant to **rule 5.4(e)** unless:
 - (i) the period for notifying a request for a review under **rule 5.5(a)** has expired (unless the **participants** affected agree to waive that period); or
 - (ii) in the opinion of **Chi-X** circumstances require the proposed action to be taken immediately.
- (g) Subject to **rule 5.5**, the exercise by **Chi-X** of its powers under **rule 5.4(d)** is final and binding on the **participant(s)**.
- (h) Subject to **rule 5.5**, **participants** must comply with any request made, or directions given, by **Chi-X** under this **rule 5.4**.

5.5 Review of Dispute

- (a) A **participant** may request a review of the proposed exercise of the powers in **rule 5.4(d)** by notifying **Chi-X** of that request by 10am on the first **business day** following the **participant's** receipt of the notice issued pursuant to **rule 5.4(e)**.

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- (b) Upon receipt of a request for a review that has been made under **rule 5.5(a)** and is in accordance with these **rules**, **Chi-X** must establish and refer the **dispute** to a **Review Committee** as soon as reasonably practicable.
- (c) The Chairman of the **Review Committee** established pursuant to this **rule 5.5** will convene a meeting as soon as reasonably practicable to consider the **dispute**.
- (d) A person must not sit as a member of the **Review Committee** considering a **dispute** if the Chairman of the **Review Committee** determines that the member has a conflict of interest which precludes their participation.
- (e) **Chi-X** and each **participant** involved in the **dispute** will be given the opportunity to make a submission in relation to the **dispute** and the proposed decision of **Chi-X** under **rule 5.4**.
- (f) The **Review Committee** will make a decision and may take any action or give any direction available to **Chi-X** under **rule 5.4(d)**, or confirm the decision of **Chi-X** under **rule 5.4**.
- (g) The **Review Committee's** decision is final and binding.

5.6 Error Trades and Clearly Erroneous Trades

- (a) A **participant** or **product issuer** may submit to **Chi-X** a request to amend or cancel an error trade. Such a request will be dealt with in accordance with the **procedures**.

In this **rule** an "error trade" is a **relevant transaction** arising from an error in an order submitted by a **participant**, or other error by a **participant** or **product issuer** which relates to the **relevant transaction**. Examples of an error trade include:

- (i) a **relevant transaction** which arises because, when submitting an **order** or **off-market transaction** to **Chi-X**, the **participant** made a mistake as to the identity of the financial product, the price or volume involved, the status of buy or sell, the basis of quotation or the **order** type; and
 - (ii) an **order** or a **relevant transaction** affected by a failure of **Chi-X's** systems or processes.
- (b) **Chi-X** may amend or cancel a clearly erroneous trade in accordance with the **procedures**.

In this **rule** a "clearly erroneous trade" is a **relevant transaction** which **Chi-X** considers may be an error trade (as defined in paragraph (a)), for example because the transaction was effected at a price substantially away from, or inconsistent with, the prevailing market price for the relevant **financial product** at the time of execution.

5.7 Other Powers

Nothing in this **rule 5** precludes **Chi-X** from taking any other action which it is permitted to take under the **rules** and the **procedures** in connection with the **dispute** including, without limitation, the taking of disciplinary action under **rule 9**.

6 CLEARING ARRANGEMENTS

6.1 Clearing

A **participant** that is a party to a **relevant transaction** authorises **Chi-X** to deliver that **relevant transaction** for clearing to the **designated central counterparty** or an **alternative central counterparty**.

6.2 Appointment and Use of Central Counterparties

- (a) **Chi-X** will appoint the **designated central counterparty** and may appoint one or more **alternative central counterparties**. Each appointment will be recorded in the **procedures** and may be conditional.
- (b) **Relevant transactions** will be delivered for clearing and settlement to the **designated central counterparty** unless delivery is not required or a **participant** has notified **Chi-X** under **rule 6.7(a)** that the **relevant transactions** to which it is a party should be delivered to an **alternative central counterparty**.

6.3 Third Party Clearing

- (a) A **participant** may have an agreement in place with one or more **clearing participants** pursuant to which the **relevant transactions** to which the **participant** is a party will be cleared.
- (b) A **participant** must:
 - (i) notify **Chi-X**, in accordance with the **procedures**, of the identity of each **clearing participant** with which it has a clearing agreement under this **rule 6.3**;
 - (ii) provide **Chi-X** with a copy of any agreement between the **participant** and a **clearing participant** immediately that it is entered; and
 - (iii) notify **Chi-X** of any amendment to an agreement between the **participant** and a **clearing participant** no later than two **business days** before the amendment takes effect.

6.4 Participant Obligations

- (a) A **participant** must:
 - (i) not enter **orders** into the **Chi-X market** unless it is a **clearing participant**, or has a clearing agreement under **rule 6.3**, in respect of any resulting **relevant transactions**;
 - (ii) not report an **off market transaction** to the **Chi-X market** under **rule 4.3** unless it is a **clearing participant**, or has a clearing agreement under **rule 6.3**, in respect of that transaction;
 - (iii) notify **Chi-X** immediately of any suspension, termination or restriction of the **participant's** arrangements for clearing **relevant transactions**; and
 - (iv) comply with any direction from **Chi-X** in relation to clearing.

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- (b) Each **participant** acknowledges that the clearing of a **relevant transaction** will be subject to, and governed by, the **clearing rules** of the **designated central counterparty** or **alternative central counterparty** which accepts the **relevant transaction** for clearing.

6.5 Rejected Transactions

Chi-X may cancel a **relevant transaction** that is rejected by the **designated central counterparty** or **alternative central counterparty**, in which case the **relevant transaction** will be deemed to have not been executed.

6.6 Action to Ensure Adequate Clearing Arrangements

Chi-X may take any action it considers necessary to ensure there are adequate arrangements for the clearing of **relevant transactions** including, without limitation suspending, restricting or terminating a **participant's** participation in or access to the **Chi-X market**.

6.7 Alternative Central Counterparty

- (a) A **participant** must notify **Chi-X**, in accordance with the **procedures**, if the **relevant transactions** to which the **participant** is a party should be delivered to an **alternative central counterparty**.
- (b) A **participant** may notify **Chi-X** that it intends to use a licensed clearing and settlement facility that has not yet been appointed under **rule 6.2** but must not use that facility to clear **relevant transactions** unless that facility has been appointed the **designated central counterparty** or an **alternative central counterparty** under **rule 6.2**.

7 SETTLEMENT & CORPORATE ACTIONS

7.1 Obligation to Settle

- (a) A **participant** must satisfy **Chi-X** that it has in place and will maintain adequate arrangements for the settling of all **relevant transactions** entered into by the **participant**.
- (b) The settlement date for all **relevant transactions** is the second **business day** following the day the **relevant transaction** was created, or such other time as determined in accordance with the **procedures**. At settlement, the seller of the **financial products** the subject of the **relevant transaction** must deliver the **financial products** free of any charge or encumbrance and the buyer must pay the price for the **financial products** purchased.
- (c) **Chi-X** may postpone or extend a settlement period for **relevant transactions** in some or all **financial products** on a given day, indefinitely or for a specified period.

7.2 Corporate Actions

- (a) A **participant** shall treat a listed **financial product** as being 'ex' a benefit from the time that **financial product** is marked 'ex' that benefit on the **listing market**.
- (b) The **Chi-X TraCR** web site will contain the information provided by the **product issuer** of a **TraCR** on the **corporate actions** relating to that **TraCR**, including:
 - (i) the basis of quotation of the **TraCR**,
 - (ii) any distribution or payment of cash or other assets to the **holder** of the **TraCR**;
 - (iii) any meeting or proxy event relating to the **underlying assets** and in respect of which the **holder** may have a voting right;
 - (iv) any split or consolidation of the **holder's TraCRs**.
- (c) **Chi-X** will take no responsibility for marking a listed **financial product** or a **quoted investment product** as 'ex' or 'cum' a benefit on the **Chi-X market**; and
- (d) The responsibility for accurately pricing a listed **financial product** or a **quoted investment product** undergoing or impacted by a **corporate action** is solely with the **participant**.

8 MONITORING & INVESTIGATION

8.1 Monitoring Compliance and Investigation

- (a) **Chi-X** will monitor the **Chi-X market** and execution of **relevant transactions** for the purpose of ensuring a fair, orderly and transparent market.
- (b) **Chi-X** will monitor compliance by a **participant** with the **rules**, and may at any time investigate the activities of a **participant**.
- (c) Where **Chi-X** has reason to suspect that a **participant** or the **employee** of a **participant** has committed, is committing or is about to commit a significant breach of the **Corporations Act** or the **Market Integrity Rules**, it must refer the matter to **ASIC**.

8.2 Information

- (a) As part of any investigation **Chi-X** may require a **participant** to provide any information, document or record relating to the **participant's** activities in connection with the **Chi-X market** or the performance by the **participant** of its obligations under the **rules**.
- (b) **Chi-X** may also require the immediate production of documents, relevant to trading by the **participant**, that are in the **participant's** possession, custody, power or control.
- (c) **Chi-X** may require the immediate provision by a **participant** of accurate information about its transactions in a format, electronic or otherwise, as specified by **Chi-X**.
- (d) **Chi-X** may require a **participant** to permit **Chi-X** to access its premises in order to inspect any records or information required by **Chi-X** as part of any investigation.
- (e) **Chi-X** may give any direction to a **participant**, in relation to an investigation by **Chi-X** under these **rules**, which **Chi-X** considers is reasonably necessary to preserve the integrity of an investigation by **Chi-X** or is otherwise appropriate having regard to the obligations of **Chi-X** as the holder of an Australian Market Licence.

8.3 Independent Report by a Qualified Person

Chi-X may require a **participant** to provide, at the **participant's** cost, a report from an independent and appropriately qualified person in relation to the compliance by the **participant** with these **rules**, and any other matter which in the opinion of **Chi-X** is appropriate to assist **Chi-X** in the discharge of its functions and responsibilities under these **rules**. **Chi-X** will notify the **participant** of the scope of the report and the time by which it must be provided.

8.4 Costs

The **participant** is responsible for any costs the **participant** incurs in connection with any investigation conducted by **Chi-X** under these **rules**.

9 DISCIPLINARY ACTIONS, SANCTIONS AND OTHER POWERS

9.1 Disciplinary Action

- (a) If **Chi-X** determines in its discretion that a **participant** has contravened the rules **Chi-X** may, by notice to the **participant**, impose one or more sanctions set out in **rule 9.3** without conducting formal disciplinary proceedings. The determination of **Chi-X** under this **rule 9.1(a)** is binding on the **participant**, subject to **rule 9.1(b)**.
- (b) A **participant** may request a review of a determination by **Chi-X** under **rule 9.1(a)** by notifying **Chi-X** of that request in accordance with these **rules** and within the 10 **business days** following the **participant's** receipt of the notice of the **Chi-X** determination.
- (c) **Chi-X** must establish a **Review Committee** to review a determination under **rule 9.1(a)** which is the subject of a request for review made in accordance with these **rules**.
- (d) **Chi-X** may refer an alleged contravention of the **rules** to a **Review Committee** without making a determination under **rule 9.1(a)**.
- (e) The **Review Committee** will publish reasons in writing for its decision.
- (f) A decision of the **Review Committee** is binding on the **participant** and **Chi-X**.

9.2 Agreed Outcomes

- (a) **Chi-X** may, by agreement with a **participant**, impose a sanction of the kind described in **rule 9.3** in relation to a contravention of these **rules** or an alleged contravention of these **rules**.
- (b) If a **Review Committee** is established under **rule 9.1**, **Chi-X** and the **participant** may submit a proposed agreed outcome to the **Review Committee** for its consideration. A **Review Committee** is not bound to accept the agreed outcome proposed.

9.3 Sanctions

Chi-X and any **Review Committee** established under this **rule 9** may impose or utilise one or more of the following sanctions in relation to a contravention of the **rules**:

- (a) a written warning;
- (b) the suspension or restriction of access to the **Chi-X market**;
- (c) a public statement identifying the **participant** and outlining the **rule** contravention;
- (d) termination of participation on any conditions that are appropriate, including as to the continued application of these **rules** to the **participant**;
- (e) a fine up to a maximum amount specified in the **procedures**;
- (f) disgorgement of any profit arising from the contravention of the **rules**;
- (g) an order to pay the reasonable costs of **Chi-X** and any **Review Committee**;

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- (h) obtain an undertaking by a **participant** to complete an education and/or compliance program; and
- (i) any other sanction set out in the **procedures**.

9.4 Register of Decisions

Chi-X will keep a register of decisions under this **rule 9**, which will, subject to the **procedures**, be available for inspection.

9.5 Other Default Powers

If **Chi-X** considers that circumstances exist which have or may have a material adverse effect on:

- (a) the capacity of the **participant** to meet its obligations to **Chi-X**, the **designated central counterparty**, an **alternative central counterparty**, relevant settlement facility or one or more other **participants**;
- (b) the financial position of **Chi-X**, the **designated central counterparty**, an **alternative central counterparty**, relevant settlement facility; or
- (c) the **Chi-X market** or the **listing market**;

Chi-X may immediately after giving written notice to the **participant** of its intention to rely on this **rule 9**, take any action it considers appropriate to protect **Chi-X**, the **designated central counterparty**, an **alternative central counterparty**, a relevant settlement facility or other **participants** including without limitation, suspending, restricting or terminating the **participant's** participation or access to the **Chi-X market**.

9.6 Review of Certain Action Taken under Rule 9.5

A **participant** may request a review of a decision by **Chi-X** under **rule 9.5** to restrict, suspend or terminate a **participant's** access to the **Chi-X market**, by notifying **Chi-X** of that request in accordance with these rules and within the 10 **business days** following the **participant's** receipt of the notice of the **Chi-X** decision. **Chi-X** must establish a **Review Committee** to review a decision under **rule 9.5** which is the subject of a request for a review made in accordance with these **rules**.

10 SUPERVISION OF A PARTICIPANT BY ASIC

10.1 Application

This **rule** 10 applies to a **participant** that:

- (a) is a related body corporate of Chi-X; or
- (b) conducts, or participates in a business in competition with a business conducted by Chi-X or a related body corporate of Chi-X and requests ASIC to make decisions and take action in relation to the matters in rule 10.2.

10.2 Supervision of a Participant by ASIC

ASIC, instead of **Chi-X**, will make the decisions and take action under these **rules** (or require **Chi-X** to take action on **ASIC's** behalf) in respect of a **participant** to which this **rule** applies where the decision or action is one of the following matters, or matters related to such matters:

- (a) an application to become a participant in the Chi-X market;
- (b) the expulsion and suspension of a participant from the Chi-X market;
- (c) the disciplining of a participant;
- (d) compliance by a participant with the rules, procedures, Corporations Act, the Market Integrity Rules, including:
 - (i) the method of determining whether a **participant** has complied with the **rules, procedures, Corporations Act**, and the **Market Integrity Rules**; and
 - (ii) any action (including the imposition of a fine or penalty) to be taken in respect of any contravention of these **rules, procedures, Corporations Act** and **Market Integrity Rules**.

10.3 Application of Relevant Rules

For the purposes of **rule** 10.2, in the case of any decision or action concerning a **participant** to which this rule applies, a reference in any relevant **rule** or **procedure** to **Chi-X** shall be construed as a reference to **ASIC**.

11 COMPENSATION ARRANGEMENTS – FIDELITY FUND

11.1 Introduction

- (a) The **Corporations Act** requires **Chi-X** to have in place approved compensation arrangements for the protection of **retail clients** of **participants** in certain circumstances.
- (b) **Chi-X** has established a **fidelity fund** to assist in meeting the requirement to compensate clients of **participants**. The **fidelity fund** operates under Division 3 of Part 7.5 of the **Corporations Act**.
- (c) This **rule 11** sets out how the **fidelity fund** will be established, operated and how it may be administered and supported by insurance arrangements, details of the kinds of **losses** covered by the **fidelity fund**, how clients can make a **claim** on the **fidelity fund**, and various other matters.
- (d) This rule 11 applies only to **claims** in relation to losses covered by **rule 11.7**. A person who does not have a **claim** under this **rule 11**, may have a claim on the **NGF**, in accordance with **rule 11A**.

11.2 Establishment of the Fidelity Fund and Insurance Coverage

- (a) ~~**Chi-X** will contribute an initial amount of \$200,000 into the **fidelity fund** before **Chi-X** commences operation.~~
- ~~(b) Subject to paragraph (b), **Chi-X** will also obtain and maintain an insurance policy to support the **fidelity fund** and which will be set at a level of \$10million (subject to the limits in **rule 11.10(d)**)~~
- (b) **Chi-X** will maintain an amount of cash, and/or a level of insurance cover, to at least the amount and level required by **Chi-X's** licence, or such other amount or level as may be specified by the **Minister**.

11.3 General Administration of the Fidelity Fund

- (a) **Chi-X** will be responsible for the administration of the **fidelity fund**.
- (b) The money in the **fidelity fund** must be held in accordance with the requirements of the **Corporations Act**. **Chi-X** may invest money in the **fidelity fund** in accordance with the requirements of the **Corporations Act**, including by appointing a person to invest on **Chi-X's** behalf.
- (c) **Chi-X** may pay out of the **fidelity fund**, as permitted by the **Corporations Act**:
 - (i) costs and expenses incurred in relation to the administration of the **fidelity fund**, including in relation to **claims**;
 - (ii) insurance premiums in relation to the insurance policy referred to in **rule 11.2(b)**; and
 - (iii) any other amounts permitted by this **rule 11**, **Chi-X's** licence or the **Corporations Act**.

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- (d) **Chi-X** will appoint a compliance officer to monitor compliance with this **rule 11** and report breaches of this **rule 11** to the **board**.
- (e) **Chi-X** will delegate to one or more independent persons (which may include an independent director of the **board**) responsibility for:
 - (i) monitoring the adequacy of the **fidelity fund**;
 - (ii) monitoring compliance of **Chi-X** with the **Corporations Act** in respect of the **fidelity fund**; and
 - (iii) reporting to the **board** on the need for, or desirability of, changes to the **fidelity fund**.
 - (iv) **Chi-X** will give the independent person or persons such assistance as they reasonably require in this regard.
- (f) **Chi-X** must keep financial records in relation to the **fidelity fund** in accordance with the **Corporations Act**.

11.4 Audit

- (a) **Chi-X** must appoint an auditor to audit the accounts of the **fidelity fund** in accordance with the **Corporations Act**.
- (b) **Chi-X** must, within 14 days after receiving an auditor's report, lodge with **ASIC** a copy of the report and a copy of the **fidelity fund**'s financial statements.

11.5 Levies

- (a) If at any time the amount of the fidelity fund falls below \$200,000, or such other amount that the **Minister** states should be in the **fidelity fund**, **Chi-X** may raise a levy on one or more **participants** to ensure that adequate funds are held by the **fidelity fund**.
- (b) The maximum amount which may be levied in any 12 month period in relation to a single **participant** is \$20,000.
- (c) **Participants** must pay any levy raised under this **rule 11.5** within the period and in the manner specified by **Chi-X**.
- (d) Subject to **rule 11.5(b)**, the amount of the levy shall be determined in accordance with the following formula:

$$L = A/P$$

where:

A = the amount by which the fidelity fund has fallen below either:

(a) \$200,000; or

(b) the amount specified by the **Minister**;

P = the number of **participants**;

L = the amount of the levy.

- (e) **Chi-X** will comply with the relevant provisions of the **Corporations Act** in relation to the imposition of any levy under this **rule 11.5**.

11.6 Excess Money in the Fidelity Fund

- (a) If the amount of money in the **fidelity fund** together with the amount of cover provided by the insurance arrangements referred to in **rule 11.2(b)** at any time exceeds the minimum amount of cover required by the conditions to **Chi-X's** licence, **Chi-X** may pay the amount of the excess into a designated financial industry development account.
- (b) **Chi-X** must only apply money deposited into a financial industry development account in accordance with the requirements of the **Corporations Act**.

11.7 Losses Covered

A loss is a **loss** covered by the **fidelity fund** and/or the insurance arrangements referenced in rule 11.2, if it is not an **excluded loss** and:

- (a) a client gave money or other property, or authority over property, to a **participant** (or an entity which was previously a **participant** and which the **client** reasonably believed was a **participant**);
- (b) the money or other property, or the authority, was given to the **participant** in connection with effecting a transaction, or proposed transaction, through the **Chi-X market**;
- (c) the effecting of the transaction through the **Chi-X market** constitutes or would constitute the provision of a financial service to the client as a **retail client**; and
- (d) the client suffers a loss because of the defalcation or fraudulent misuse, prior to the NGF transition date, of the money, other property, or the authority given by the client (as applicable), by the **participant**.

For the avoidance of doubt a **claim** relating to an alleged **loss** caused by defalcation or fraudulent misuse may be allowed even if the person against whom the defalcation or misuse is alleged has not been convicted or prosecuted, or the evidence on which the **claim** is allowed would not be sufficient to establish the guilt of that person on a criminal trial in respect of the defalcation or criminal misuse.

11.8 Making a Claim

- (a) A **client** who has suffered a **loss** may make a claim on the **fidelity fund** and/or under the insurance arrangements referenced in rule 11.2, by completing the claim form available on the **Chi-X** website at www.chi-x.com.au.
- (b) A **client** may only make one **claim** in respect of a particular **loss**.
- (c) A **claim** must be made within six months of the latter of the **claim** arising and the **client** becoming aware of its ability to make a **claim**. No claim may be made from the seventh anniversary of the NGF transition date.

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- (d) **Chi-X** may require a **client** making a **claim** to pay money, or transfer other property, in support of a **claim**.
- (e) **Chi-X** may, by notice, require a person to deliver to it documents or copies of documents (including documents of or evidencing title to **financial products**), statements of evidence or other information that **Chi-X** considers will assist it in determining a **claim**.
- (f) **Chi-X** may disallow a **claim** if the person making the **claim** fails to comply with **rule** (e).

11.9 Determination of Claims

- (a) **Chi-X**, or a delegate of **Chi-X**, may determine a **claim**.
- (b) **Chi-X** must determine a **claim** within a reasonable time of receipt and notify a **client** of the outcome of a determination in relation to a **claim** within 10 **business days** of its determination.
- (c) A **claim** may be dismissed, allowed in full, or allowed in part (including, without limitation, in a case where **Chi-X** considers that the conduct of the person making the **claim** contributed to the relevant **loss**).
- (d) Without limiting anything else in this **rule** 11.9, a **claim** may be disallowed if a person making a **claim** refuses to exercise any available right of set off.

11.10 Amount and Payment of Compensation

- (a) If **Chi-X** determines a **claim** in favour of the person making the **claim** (whether in part or in full), **Chi-X** must determine the amount of compensation to be paid.
- (b) Subject to paragraphs (c) and (d), the amount of compensation to be paid in respect of a **loss** is to be not less than the sum of:
 - (i) The actual pecuniary loss suffered by the **client**, calculated by reference to the market value of any relevant assets or liabilities as at the date on which the **loss** was suffered;
 - (ii) The **client's** reasonable costs of, and disbursements incidental to, the making and proof of the **claim**; and
 - (iii) Interest on the amounts set out in paragraphs (i) at a rate of 5% per annum for the period from the day the **loss** was suffered until the day when compensation is paid in respect of that **loss** (or that part of the **loss**).
- (c) The amount of compensation payable in respect of a **loss** may be reduced by the amount of any set off available to the relevant **client**.
- (d) The maximum amount of compensation payable in respect of a **claim** is \$100,000, and the maximum amount of compensation payable in respect of all **claims** referable to a particular event or circumstance is \$1,000,000.
- (e) If the fidelity fund and insurance arrangements referenced in rule 11.2 are insufficient, either together or alone, is insufficient to meet all **claims**, **claims** will be reduced on a pro rata basis or in such other manner as **Chi-X** considers appropriate.

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- (f) Compensation in relation to a **claim** may be paid in any manner **Chi-X** deems appropriate, including but not limited to lump sums or instalments.
- (g) ~~If the fidelity fund makes a payment in relation to a claim, is paid out of the fidelity fund or pursuant to the insurance arrangements referenced in rule 11.2, then~~ **Chi-X** may recover from the **participant** or **participants** who caused the relevant **loss** the costs or expenses incurred by **Chi-X** in determining the **claim** and the amount of any payments in relation to the **claim**. Each **participant** indemnifies and must keep indemnified **Chi-X** in relation to any such amounts.
- (h) If a **claim** is allowed, the **fidelity fund** must make the relevant payment in relation to the Claim within 28 days of the determination under **rule 11.9**.

11.11 Disclosure

A **participant** must provide the compensation disclosure contained in the **procedures** to a **retail client** before it accepts, from that **client**, an order for execution on the **Chi-X market**.

~~11.12 [Deleted] Termination and Winding Up of Compensation Arrangements~~

- ~~(a) If **Chi-X** is no longer required to have compensation arrangements in place, and elects to cease to do so, it must put in place transitional arrangements in relation to **claims** which may arise after the date that **Chi-X** ceases to have compensation arrangements in place.~~
- ~~(b) The transitional arrangements under paragraph (a) must remain in place for a period of one year after the date on which **Chi-X** ceases to have compensation arrangements in place.~~
- ~~(c) The compensation arrangements under paragraph (a) may consist of an undertaking by **Chi-X** to pay any valid **claim** which arose before the date on which **Chi-X** ceased to have compensation arrangements in place.~~

11A COMPENSATION ARRANGEMENTS – NATIONAL GUARANTEE FUND (NGF)

11A.1 Introduction

- (a) The **NGF** is a compensation fund that is independently administered by the **SEGC**. Chi-X is a member of **SEGC**, with effect from the **NGF transition date**, which means that in certain circumstances a person may be entitled to claim compensation from the **NGF**.
- (b) The circumstances in which claims may be made on the NGF, and the administration of claims, are governed by Division 4 of Part 7.5 of the **Corporations Act**, the Corporations Regulations, and the operating rules of **SEGC**.

11A.2 Loans and Provision of Property to Participants

- (a) Where a person:
 - (i) lends money to a **participant** or entities which are managed or controlled by a **participant**; or
 - (ii) provides property to a **participant** or to entities which are managed or controlled by the **participant**, other than in the course of, or in connection with the **participant** or entity's business of dealing in **financial products**,

the **participant** will give written notification to each such person that the general protection of the **NGF** provisions of the **Corporations Act** will not apply to the money lent or the property provided, or any income which may have been derived from property which had been provided by the person to the **participant** to be managed on trust by the **participant**.

- (b) Where a person is an excluded person as defined at Corporations Regulation 7.5.04, the **participant** will give written notification to each such person that the general protection of the **NGF** provisions of Part 7.5 of the **Corporations Act** and Regulations will not apply to the money lent or the property provided, or any income which may have been derived from property which had been provided by the person to the **participant** to be managed on trust by the **participant**.
- (c) A copy of the written notification required in **rules** 11A.2(a) and/or 11A.2(b), will be retained by the **participant** until such money or property has been returned to the person.
- (d) For the purpose of the sub-sections (a) and (b), "property" includes money, **financial products** and documents of title to and instruments of transfer relating to **financial products**.
- (e) A **participant** may satisfy the obligations in this **rule** by having previously provided a notice to the effect required in **rules** 11A.2(a) and/or 11A.2(b) to the relevant client, whether pursuant to the rules of another market operator or otherwise.

11A.3 Payment of Compensation Arrangement Levies

- (a) If **Chi-X** is required to pay a levy to the **SEGC** under section 889J(1) of the

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Corporations Act, Chi-X may determine in writing that **participants** must pay a contributory levy in accordance with section 889K of the **Corporations Act**. A **participant** must pay the contributory levy to Chi-X within the period, and in the manner, required by section 889K(3) of the Corporations Act.

- (b) A **participant** must, if the **SEGC** levies that **participant** directly under section 889J(1) of the **Corporations Act**, pay the levy to the SEGC in accordance with the levy notice.

11A.4 Reportable Transactions

For the purposes of Part 7.5 of the Corporations Regulations:

- (a) all **transactions** in respect of securities (as that term is defined in Corporations Regulation 7.5.09) that arise upon the **matching of orders** on the **Chi-X market** must be (and are taken to have been) reported to **Chi-X**; and
- (b) a **participant** is permitted to report to **Chi-X** any **off market transaction** in respect of securities in accordance with **rule 4.4**;
- (c) **Exchange-Traded Fund Special Trades** are not reportable transactions, as that term is defined under the Corporations Regulations.

12 CHI-X LIABILITY

12.1 Limitation of Liability

Subject to **rule 12.2**, **Chi-X** is not liable to a **participant** or a **participant's clients** for any direct, indirect or consequential loss, damage or expense (including legal costs) arising in any way in relation to:

- (a) the supply of services, goods or products relating to the **Chi-X market** including, without limitation, any services, goods or products relating to **relevant transactions**, trading information or documentation concerning a **participant** or **clients**;
- (b) any negligent conduct or omission of **Chi-X** including, without limitation, any systems malfunctions or failure, programming error, error inputting data or any other error, in relation to a computer or otherwise, in connection with the supply by **Chi-X** of any services, goods or products;
- (c) any implied conditions and warranties, including those implied by statute, general law or custom, in relation to the supply of services, goods or products by **Chi-X**;
- (d) the operation, enforcement or implementation of these rules, including without limitation any act or omission to ensure the **Chi-X market** is fair, orderly and transparent; or
- (e) the exercise of any decision making power by **Chi-X** under these **rules** or by any **designated central counterparty**, **alternative central counterparty** or relevant settlement facility under their respective rules or arrangements.

12.2 Certain Liability not Excluded

Chi-X does not exclude under this **rule 12** any liability arising from conditions and warranties implied by or contained in statute, general law or custom where the exclusion or limitation of that liability would contravene any statute (including the Competition and Consumer Act 1974) or cause any part of this **rule 12** to be void.

12.3 Limitation of Liability

The liability of **Chi-X** under any condition or warranty in **rule 12.2** may be limited at the discretion of **Chi-X** to:

- (a) in the case of services, the supply of the relevant services again or payment of the cost of having the relevant services supplied again;
- (b) in the case of goods and products, the repair or replacement of those goods and/or products or the payment of the cost of having the goods and/or products repaired or replaced.

12.4 Extension of Liability Exclusions and Limitations to Others

To the extent permitted by law, each exclusion and limitation in this **rule 12** extends to every **related body corporate** of **Chi-X** and every officer, employee, agent, contractor, delegate, person acting for or on behalf of **Chi-X** or **related body corporate** as if a reference to **Chi-X** included a reference to each of them. The benefit of any limitation or exclusion under this **rule 12** in favour of any person other than **Chi-X** under this **rule 12** is held by **Chi-X** for the benefit of those other persons and **Chi-X** may enforce that benefit on their behalf.

13 GENERAL

13.1 Confidentiality

Chi-X will take all reasonable measures to protect from unauthorised use or disclosure information provided to it in confidence by or on behalf of a **participant**. The circumstances in which **Chi-X** is authorised to disclose or use such information will include the following:

- (a) disclosure to any government agency, regulatory authority, exchange, market operator or clearing and settlement facility;
- (b) where disclosure is required under any law or any order of any court or tribunal, authority or regulatory body;
- (c) disclosure of information generally available to and known by the public;
- (d) for the purposes of monitoring compliance with, or the enforcement of, the **rules** or the determination of those matters including, without limitation, under **rule 9**; and
- (e) where disclosure is required to enable **Chi-X** to fulfil its licence obligations or supply the goods, services and products it has been engaged to supply.

13.2 Complaints

Chi-X will manage all complaints against it or its **employees** in accordance with its complaints policy and procedure which can be accessed at www.chi-x.com.au.

13.3 Fees and Charges

- (a) A **participant** must pay to **Chi-X** all applicable subscriptions, charges, fees and any other costs due in accordance with these **rules** or pursuant to any agreement signed with **Chi-X**. Any such subscription, charge, fee or other cost may be amended by **Chi-X**.
- (b) If a **participant** does not pay any fees or other charges payable under **rule 13.3(a)** within one month from the date of any valid invoice, the outstanding amount will be subject to interest at the rate specified in the **procedures** and **Chi-X** may take other steps specified in the **procedures**.

13.4 GST & Other Taxes

- (a) **Participants** are liable for all stamp duty and other taxes or duties that may arise in respect of any **relevant transaction**, services provided by **Chi-X** under these **rules**. **Participants** will indemnify **Chi-X** against liability for any taxes or duties so arising under this **rule** and **Chi-X** may set off any such taxes against any monies owed by **Chi-X** to the **participant**.
- (b) All subscriptions, charges, fees and any other costs due in accordance with these **rules**, the **procedures** or in any agreement signed by **Chi-X** are stated exclusive of GST.
- (c) If GST is or will be payable on a supply made by **Chi-X** or a **participant** under or in connection with these **rules** or the **procedures**:
 - (i) the consideration otherwise provided for that supply is increased by the amount of that GST; and

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- (ii) the recipient must make payment of the increase as and when the consideration otherwise provided for, or relevant part of it, must be paid or provided, subject to the issue of a tax invoice (except where **rule 13.5** applies).
- (d) The right of a **participant** to recover any amount of GST from **Chi-X** is subject to:
 - (i) the **participant** first providing evidence satisfactory to **Chi-X** that it is registered for GST; and
 - (ii) except where **rule 13.5** applies, the **participant** issuing the relevant tax invoice or adjustment note to the recipient within 4 years of the **participant's** liability to that GST arising.

13.5 Recipient Created Tax Invoices

- (a) For supplies made under **rule 13.4(c)** for which GST is payable by a **participant**, **Chi-X** will, if and while it meets the requirements of the **GST Law** to do so, issue Recipient Created Tax Invoices (**RCTIs**).
- (b) **Chi-X** and the **participants** acknowledge that, pursuant to **rule 1.3(a)** and section 793B of the **Corporations Act**, this **rule 13.5** constitutes a written agreement to issue **RCTIs** between **Chi-X**, as the entity issuing the **RCTI**, and the **participant** on whose behalf it is issued.
- (c) A **participant** on whose behalf a **RCTI** is issued warrants to **Chi-X** that it is registered for GST and will notify **Chi-X** if it ceases to be registered. The **participant** indemnifies **Chi-X** against any loss resulting from the **participant** not being registered for GST.
- (d) **Chi-X** warrants that it is registered for GST and will notify the **participant** if it ceases to be registered.
- (e) A **participant** will not issue a tax invoice or adjustment note for supplies that it makes to **Chi-X** in respect of which **Chi-X** will issue a **RCTI**.

13.6 Foreign Participants

- (a) If a **participant** provides evidence satisfactory to **Chi-X** that:
 - (i) it is a non-resident of Australia and will not be in Australia in relation to any supply which **Chi-X** makes to it;
 - (ii) it acquires the supplies from **Chi-X** in carrying on an enterprise but it is not registered or required to be registered for GST;
 - (iii) the supply by **Chi-X** to the **participant** is not otherwise subject to GST; and
 - (iv) it will only make supplies to **Chi-X** which are not connected with Australia;

Chi-X will treat its supplies to the **participant** as GST-free, and the **participant** will treat its supplies to **Chi-X** as not subject to GST.
- (b) A **participant** to which this **rule** applies, indemnifies **Chi-X** against any loss suffered by **Chi-X** as a result of relying on information provided by the **participant**.

13.7 Notifications

- (a) All notifications under these **rules** by a **participant** shall be made as soon as is reasonably practicable and in accordance with the **procedures**. Where a notification is initially made verbally or via electronic mail, there may be a requirement for the notice to be confirmed in writing.
- (b) For the purposes of any **rule** that requires or permits a document to be given to a person, whether the expression "serve", "give" or "send" or any other expression is used, the document may be given, and will be taken to have been received, at the time and in the manner set out in the **procedures**.
- (c) A **participant** must have and maintain an operating e-mail system for the purposes of receiving notices under these **rules**.

If **Chi-X** must give notice under these **rules** to some or all **participants**, accidental omission by **Chi-X** to give notice to one or more **participants** does not affect the validity or enforceability of any resolution, decision, proceeding or act in connection with which the notice is required.

14 INVESTMENT PRODUCTS

14.1 Preliminary

- (a) The **rules** in section 14 contain requirements for the registration of **product issuers** and the quotation of and trading in **investment products**.
- (b) The approval of a **product issuer** or the admission of an **investment product** to **quotation** under these **Rules** should not be interpreted in any way as an indication of **Chi-X's** approval of the merits of the **product issuer**, or of an **investment product**. **Chi-X** takes no responsibility and to the extent permitted by law disclaims all liability for the performance by a **product issuer** of its obligations in respect of an **investment product** admitted to **quotation**, or the performance of an **investment product**.

14.2 Product Issuers – Registration as a Product Issuer

- (a) **Chi-X** may, in its absolute discretion:
 - (i) register or refuse to register a **product issuer**;
 - (ii) impose pre and/or post registration conditions on an applicant or a registered **product issuer**;
 - (iii) revoke or suspend the registration of a **product issuer**.
- (b) An applicant may request a review of a decision by **Chi-X** under **rule** 14.2(a) to:
 - (i) refuse to register a **product issuer**;
 - (ii) revoke or suspend the registration of a **product issuer**.
- (c) The process by which **Chi-X** will register a **product issuer** is set out in the **procedures** and requires the completion and signing of an **Issuer Application Form (IAF)** in which the applicant agrees to be bound by the **rules** as they apply to **product issuers**, including those relating to waivers, reviews, error trades and those in section 14.
- (d) The **procedures** contain further information on the circumstances in which the registration of a **product issuer** may be revoked or suspended.

14.3 Product Issuers – Eligibility Criteria

- (a) For an applicant to be eligible for approval as a **product issuer** it must:
 - (i) have adequate human, technological and financial resources in place to perform its obligations as a **product issuer**;
 - (ii) subject to **rule** 14.4, have an Australian financial services licence which authorises it to undertake the activities it will engage in as a **product issuer**;
 - (iii) in the case of an applicant seeking registration as a **product issuer** of **TraCRs**, have an Australian financial services licence which authorises it to undertake custodian and/or depositary activities.

- (b) An applicant will not satisfy **rule 14.3(a)(i)** unless it satisfies **Chi-X** that it is one of the following:
 - (i) an entity that is prudentially regulated by the Australian Prudential Regulation Authority or an equivalent regulatory authority specified in the **procedures**;
 - (ii) a government, government body or instrumentality, that has a guarantee by the relevant government Treasury authority covering the payments due by the proposed **product issuer**;
 - (iii) the holder of an Australian financial services licence or an authorisation in another jurisdiction, pursuant to which it is subject to the adequate supervision of capital standards, and has a low long term credit risk and net tangible assets that are sufficient to support the proposed issue;
 - (iv) in a legally binding arrangement, with a **guarantor**, that satisfies the requirements in **rule 14.3(c)**;
 - (v) a responsible entity of a managed investment scheme registered under Chapter 5C of the **Corporations Act**; or
 - (vi) otherwise approved by **Chi-X**.
- (c) An applicant may satisfy the criteria in **rule 14(a)(i)** by entering a legally binding arrangement with a **guarantor** that has adequate human, technological and financial resources in place to perform its obligations as a **guarantor**, if the arrangement:
 - (i) provides an unconditional and irrevocable guarantee by the **guarantor**, relating to the obligations of the **product issuer**, in favour of the **holders** of an **investment product** issued by the applicant as a **product issuer**; and
 - (ii) requires the **guarantor** to:
 - A. hold an Australian financial services licence in respect of its activities as a **guarantor**, unless the Corporations Act does not require such a licence in respect of the **guarantor's** activities as a **guarantor**; and
 - B. be an entity specified in **rule 14.3(b)(i)**, (ii) or (iii) for the duration of the guarantee.
- (d) An applicant that is intending to issue **investment products** pursuant to an arrangement 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**, will not satisfy the requirement in **rule 14.3(a)(i)** to have adequate financial resources unless it:
 - (i) is an entity specified in **rule 14.3(b)(i)**, (ii) or (iii); or
 - (ii) has a legally binding arrangement, that satisfies the requirements in **rule 14.3(c)**, with a **guarantor** that is an entity specified in **rule 14.3(b)(i)**, (ii) or (iii) and has a low long term credit risk and net tangible assets sufficient to support the proposed issue; or
 - (iii) is otherwise approved by **Chi-X**.

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14.4 Product Issuers – Eligibility Criteria - AFSL

An applicant is not required to hold an Australian financial services licence if the **Corporations Act** does not require a licence in respect of the applicant's proposed activities as a **product issuer**.

14.5 Product Issuers – Duties and Continuing Obligation to Comply with the Rules in Section 14

An applicant that is registered as a **product issuer**:

- (a) owes **Chi-X Australia** a duty to comply with the **rules** contained in section 14 as they apply to **product issuers**, and this duty is owed in addition to any other obligations it may have as a **participant**;
- (b) must continue to satisfy **rules** 14.3 and 14.4 as outlined in its application to be registered as a **product issuer**.

14.6 Product Issuers - Ongoing Requirements – Material Change

A **product issuer** must immediately notify **Chi-X** in writing and in accordance with the **procedures**, if there is, or is a reasonable risk that there will be, a material change to:

- (a) the information contained in or attached to the **IAF** it submitted to **Chi-X**, including any changes to the principal contacts/authorised executives outlined in the **IAF**;
- (b) the Australian financial services licence held by the **product issuer** (if applicable);
- (c) the way in which it satisfied the eligibility criteria for registration as a **product issuer**;
- (d) its compliance with any pre and/or post registration conditions that were imposed upon it; or
- (e) the ability of the **product issuer** to perform its obligations as a **product issuer**.

14.7 Product Issuers - Ongoing Compliance Requirements

- (a) A **product issuer** must immediately notify **Chi-X** in writing, and in accordance with the **procedures**, if it is in material non-compliance with its regulatory obligations.
- (b) A **product issuer** must at all times comply with the applicable **rules**, **procedures** and any guidance notes, guides, trading notices, technical specifications, directions, decisions, requirements and conditions issued, made or imposed by **Chi-X**.
- (c) A **product issuer** and any **guarantor** must comply with the disclosure requirements in **rules** 14.28 to 14.30 and the applicable **procedures** in relation to each **investment product** admitted to **quotation** that it has issued or guaranteed respectively.
- (d) The **product issuer** and any **guarantor** must comply as soon as practicable with any notice to produce or direction issued by **Chi-X** under **rule** 14.37.

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14.8 Product Issuers - Miscellaneous Ongoing Requirements

- (a) A **product issuer** must satisfy any additional requirements set out in the **procedures**.
- (b) A **product issuer** must, upon request, provide a copy of its current annual report to a **holder**.
- (c) A **product issuer** must pay all fees associated with the quotation of the **investment products** it has issued as and when they fall due.

14.9 Investment Products - Quotation

- (a) **Chi-X** may, in its absolute discretion, grant, refuse, revoke, impose conditions on or suspend the **quotation** of an **investment product**.
- (b) **Chi-X** may impose pre-**quotation** conditions on an **investment product**.
- (c) For the sake of clarity, **Chi-X** does not maintain an official list of products but rather admits investment products to **quotation**. As outlined in the **procedures**, **Chi-X** will not admit to **quotation** a **financial product** issued by an entity with a level of control over the **financial product** that requires the regulatory framework of a **listing market** to ensure the fair, orderly and transparent trading of that **financial product**.
- (d) The procedures contain further information on the suspension or revocation of the **quotation** of an **investment product**.

14.10 Investment Products – Eligibility Criteria

For an **investment product** to be eligible for **quotation**:

- (a) it must meet the applicable **eligibility criteria** contained in **rules** 14.11 to 14.26 and satisfy any pre-quotation conditions that have been imposed; and
- (b) **Chi-X** must have no objections to the **terms of issue** or the basis on which the **investment product** satisfies the eligibility criteria.

14.11 Investment Products – Basic Eligibility Criteria for the Product Issuer

To be eligible for **quotation**, the **investment product** must be issued by a **product issuer** that:

- (a) is registered as a **product issuer** of **investment products** of the type for which **quotation** is sought;
- (b) is complying with the **rules**;
- (c) has, in accordance with the **procedures**, accurately completed and signed a **product application form (PAF)** and provided any information required by **Chi-X** in connection with the **quotation** of the **investment product**;
- (d) has satisfied any pre-quotation conditions imposed by **Chi-X** and certified to **Chi-X** that the conditions have been satisfied;

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- (e) has paid all fees associated with the **quotation** of the **investment product**.

14.12 Investment Products – Basic Eligibility Criteria for the Investment Product

To be eligible for **quotation**, the **investment product** must:

- (a) be an **approved financial product**;
- (b) have a title and description that:
 - (i) are clear and not misleading;
 - (ii) distinguish the **investment product** from other **investment products** already admitted to trading on **Chi-X** or any other **regulated market**;
 - (iii) comply with ASIC guidance on naming convention requirements for **investment products**; and
 - (iv) includes an outline, in the relevant **disclosure document**, of the differences between an investment product that is listed, as that term is defined in the **Corporations Act**, and an **investment product** that is quoted on a market such as **Chi-X**.
- (c) be approved for clearing by the **designated central counterparty** or an **alternative central counterparty**.

14.13 Investment Products – Eligibility Criteria – Disclosure Documents

- (a) A **product issuer** seeking the quotation of an **investment product** must provide **Chi-X** with a copy of any **disclosure document** that it is required to produce in respect of the **investment product**.
- (b) An **investment product** will not be admitted to quotation until **Chi-X** has received a copy of all **disclosure documents** relating to that **investment product**.
- (c) The **procedures** contain further information on the **disclosure documents** that may be required in respect of each of the different types of **investment products** that may be quoted.
- (d) A **product issuer** that considers it is not required to produce any **disclosure document** in relation to an **investment product** for which **quotation** is sought must provide evidence satisfactory to **Chi-X** on why that is the case.

14.14 Investment Products - Eligibility Criteria – Liquidity Obligations

- (a) A **product issuer** must ensure that there will be sufficient liquidity for each **quoted investment product** it issues and state how it will satisfy this eligibility criterion in the application for quotation.
- (b) **Rules** 14.15 and 14.16 and the **procedures** contain further information on how a **product issuer** may satisfy **rule** 14.14(a) and what a **product issuer** must do to ensure ongoing compliance with the liquidity requirements once an **investment product** is admitted to quotation.

14.15 Investment Products - Eligibility Criteria – How to Satisfy the Liquidity Obligations

A **product issuer** will fulfil the liquidity obligation in **rule 14.14(a)** if it satisfies **Chi-X** that:

- (a) the ongoing spread of **holders** is adequate, reasonable and in compliance with any applicable requirements in the **procedures**, for the purpose of ensuring there is sufficient liquidity in the **investment product**; or
- (b) liquidity will be maintained in the **investment product** by the **product issuer**:
 - (i) trading itself to maintain a reasonable bid and volume **order** in accordance with the **procedures**; or
 - (ii) entering an arrangement with a **market maker** under **rule 14.16** to maintain a reasonable bid and volume **order** in compliance with the **procedures**, although this does not discharge the **product issuer** from its obligation to comply at all times with **rule 14.14(a)**;
 - (iii) having in place other arrangements which meet the requirements set out in the **procedures**.

14.16 Investment Products - Eligibility Criteria – Liquidity Obligations and Market Makers

- (a) A **product issuer** may appoint a **participant**, registered with **Chi-X** as a **market maker** in accordance with section 4.9 of these **rules** and the applicable **procedures**, as its agent to make a market in an **investment product**.
- (b) The appointment by a **product issuer** of a **participant** as its agent under this **rule 14.16**, must be in writing and contain details of the way in which the **market maker** will maintain, in accordance with these **rules** and the **procedures**, an **order** of a reasonable bid and volume for the relevant **investment product**. The details provided must, at a minimum, include an outline of how the **market maker** will maintain, and the **product issuer** will monitor, compliance with the requirement to maintain a reasonable bid and volume order for the minimum period of **active continuous trading** specified in the **procedures**, including **procedure 14.15** and **4.9**.

14.17 Investment Products – Eligibility Criteria – Underlying Assets

To be eligible for quotation, the **underlying assets** of an **investment product** must be linked to one of the following:

- (a) a **security, derivative**, debenture, bond or other **financial product** specified in the **procedures** and that is admitted to trading by the holder of an **Australian market licence**;
- (b) a **security, derivative**, debenture, bond or other **financial product** specified in the **procedures**, that is traded on a **regulated market** and is subject to substantially equivalent disclosure requirements to those which would apply if the product were admitted to trading by the holder of an **Australian market licence**;
- (c) a debenture or bond in respect of which sufficient information will be available on a timely basis to **participants** and **market makers** to ensure they can reliably

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determine the price at which the **underlying asset** is bought or sold, and which is issued by:

- (i) a company that is listed on a **regulated market**;
 - (ii) a government, semi-government or statutory entity; or
 - (iii) an entity regulated by an independent prudential supervisor in its home state;
- (d) a **fixed income security (eligible portfolio)** that is:
- (i) a member of an asset class specified below,
 - A. investment grade debt,
 - B. high yield corporate debt,
 - C. mortgage or asset backed securities
- and
- (ii) subject to a **reliable pricing framework**;
- (e) a commodity or currency:
- (i) that is subject to a pricing and disclosure mechanism that is available on a timely basis to **participants** and **market makers** to ensure they can reliably determine the price at which the **underlying asset** is bought or sold; or
 - (ii) for which there is a regulated derivatives market which controls price discovery;
- (f) a widely regarded index based on the **financial products** in (a)-(e) above and which in the case of an index based on a debenture or bond, is specified in the **procedures**.

The procedures specify the **regulated market(s)** on which a **financial product** linked to an **underlying asset** is traded and/or on which a company, that has issued debentures or bonds linked to an **underlying asset**, is listed.

14.18 Investment Products – Eligibility Criteria – Underlying Assets - Indices

A **product issuer** of an **investment product** that references an index (whether because the index is the underlying asset or otherwise) must:

- (a) provide **Chi-X** with a written authorisation from the owner of the index;
- (b) ensure that the index provider has:
 - (i) a robust and transparent methodology for constructing and maintaining the index, including eligibility criteria and measures that mitigate the risks and expense of frequent or unexpected rebalances;
 - (ii) robust and transparent governance arrangements with regards to the index, including conflicts of interest arrangements;

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- (iii) systems and controls that will maintain the integrity of the index and mitigate the risk of manipulation or distortion by insiders or related parties of index providers for their own financial benefit and to the detriment of investors;
- (iv) arrangements for the dissemination of index information that will ensure all market participants and investors are treated equally;
- (v) complied with the relevant guidance issued by ASIC and/or any other applicable regulatory authority in respect of index selection principles;
- (c) state in the **PAF** and publish on the **product issuer's** web site in accordance with the **procedures**:
 - (i) whether the product issuer is a **related body corporate** of the index provider and if so provide an explanation of the governance arrangements in place between the **product issuer** and index provider and how they address the issues raised by the index provider being a **related body corporate**;
 - (ii) how the index satisfies the requirements in paragraph (b) of this **rule** 14.18.

14.19 Investment Products – Eligibility Criteria – Underlying Assets – Sufficient Quantity

The **product issuer** of a **warrant** must ensure that:

- (a) there is a sufficient quantity of **underlying assets** available to be acquired in respect of an **investment product** that may require delivery of those assets;
- (b) in any event the number of **underlying assets** that may have to be acquired to meet the delivery obligations of an **investment product**, does not exceed:
 - (i) during the period an **investment product** is admitted to quotation until the expiry of the product, 50% of the class of **underlying asset** that is available to meet that required acquisition; and/or
 - (ii) during the period that is 14 days either side of the expiry, 20% of the class of **underlying asset** that is available to meet that required acquisition.

14.20 Investment Products – Eligibility Criteria – Excluded Underlying Assets

- (a) The **underlying assets** must not include:
 - (i) in the case of an **investment product** that is a **quoted fund**, a derivative that has the dominant purpose of providing the **holder** of the **investment product** with a leveraged exposure to a further linked **underlying asset**; or
 - (ii) an asset or index that does not have a readily available price or value.
- (b) The procedures contain further information on what may be precluded from being an **underlying asset** by this **rule** 14.20.

14.21 Investment Products – Eligibility Criteria – OTC Derivatives

The **product issuer** of a **quoted fund**, that has an aggregate notional exposure to all **OTC derivatives** of more than 5% of the **quoted fund's** net asset value, must ensure that:

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- (a) the legal and beneficial title to any collateral in the **OTC derivative** is held by the **quoted fund**;
- (b) at any time the **quoted fund** is able to either take immediate delivery of any collateral or the proceeds of its sale;
- (c) the counterparty of the **OTC derivative**, or a **guarantor** in respect of the failure of the counterparty to fulfil its obligations under the **OTC derivative**, is an authorised deposit-taking institution (ADI), or a foreign deposit taking institution that is subject to regulation that is equivalent to that imposed on an ADI and is in a jurisdiction specified in the **procedures**;
- (d) any **guarantor** under **rule 14.21(c)**, has provided an unconditional guarantee in favour of the **quoted fund** to fulfil the obligations of the counterparty under the **OTC derivative**; and
- (e) the assets that may be collateral under the **OTC derivative** are specified in the **product application form** and the product disclosure statement, prospectus or other offer document for the **investment product** and are restricted to the securities in the S&P ASX 200, cash, Australian government debentures or bonds, or any non-derivative asset set out in **rule 14.17** that is consistent with the investment objectives of the **investment product**.

14.22 Investment Products – Eligibility Criteria – Investment mandate and Constituent Documents

- (a) An **investment product** that is a **quoted fund**, must have an investment mandate or other document outlining the investment approach of those responsible for managing the fund.
- (b) The **product issuer** must include the investment mandate or outline of the investment approach of those responsible for managing the fund in the product disclosure statement, prospectus or other offer document for the **investment product** and provide **Chi-X** with a copy of that product disclosure statement, prospectus or other offer document.
- (c) In order to be admitted to quotation, an **investment product** that is a **QMF** must continuously offer to issue and redeem **QMF financial products** based on the net asset value of the **QMF**.

14.23 Investment Products – Eligibility Criteria – TraCRs

An **investment product** that is a **TraCR** must, in addition to any other applicable eligibility requirements in **rules 14.11** to **14.26**, meet the **eligibility criteria** in **rules 14.23A** and **14.23B**.

14.23A Investment Products – Eligibility Criteria – TraCRs – Underlying Assets, Terms of Issue, Offer Documents

- (a) The **underlying asset** of a **TraCR** must be:
 - (i) a member of the S&P 500 index or the Dow Jones Industrial Average; and

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- (ii) listed on either the New York Stock Exchange or NASDAQ market and, unless otherwise specified in the **procedures**, have been so listed for a period of at least twelve months.
- (b) The **terms of issue** of a **TraCR** must:
- (i) enable the **holder** of a number of **TraCRs** to convert, on demand and subject to the **terms of issue**, that holding into the same number of **underlying assets**;
 - (ii) describe in detail what steps a **holder** has to take to convert a holding of **TraCRs** into the **underlying assets**;
 - (iii) state the circumstances in which a **TraCR** may be terminated by the **product issuer** and any consequential processes, including the time limits that may apply for **holders** to take any action (for example, to convert the holding of **TraCRs** into a holding of the **underlying asset**);
 - (iv) require the **product issuer** to undertake all reasonable endeavours to give effect to any instructions it may receive from a **holder** in relation to any **corporate actions**, having regard to the total cost of complying with those instructions (eg the cost of obtaining legal advice on the availability of a rights issue that only a minimal percentage of holders may want to exercise);
 - (v) where **rule 14.23A(c)** applies, ensure that a **holder** can convert the **TraCR** holding into a cash amount specified in the **terms of issue** and consisting of the Australian dollar equivalent of the price of the **underlying asset** sold pursuant to the **holder** exercising that right, less any reasonable fees incurred by the **product issuer** for executing the cash conversion;
 - (vi) require the **product issuer** to notify the **holder** of any **corporate actions**, including any:
 - A. distribution or payment of cash or other assets to the **holder**;
 - B. meeting or proxy event relating to the **underlying assets** and in respect of which the **holder** may have a voting right;
 - C. split or consolidation of the **holder's TraCRs**; and
 - D. entitlement to give instructions to exercise rights in respect of the **underlying assets** to which the **holder's TraCRs** relate, where the **product issuer** has reasonably determined that it is lawful and practicable to accept those instructions.
- (c) This **rule 14.23A(c)** outlines when an **illiquidity event** takes place and applies where:
- (i) a **TraCR** satisfies the liquidity criterion in **rule 14.14** on an ongoing basis by relying partially or wholly on liquidity provided by a **participant** registered as a market maker under either a **Chi-X** fee arrangement or **rule 4.9**; and
 - (ii) there is no secondary market liquidity in that **TraCR**, pursuant to those fee arrangements or **rule 4.9**, for a period of twenty continuous **business days**.
- (d) The product disclosure statement, prospectus or other offer document for a **TraCR** must:

- (i) disclose the market on which the **underlying asset** has its primary listing and provide sufficient information for a reasonable investor to locate the regulatory disclosures made by the issuer of that **underlying asset**;
- (ii) include an overview of the regulatory disclosures the issuer of an **underlying asset** is required to make and what information the disclosures may contain;
- (iii) clearly describe how the **holder** of a **TraCR** can participate in **corporate actions**, class actions, and/or exercise any voting rights, that are attached to the ownership of the **underlying asset**;
- (iv) clearly describe how a **holder** can convert a **TraCR** holding into a direct holding of the **underlying assets**;
- (v) clearly describe the fees relating to the holding of **TraCRs**, including those relating to **corporate actions** generally, the exercise of rights as a beneficial owner of the **underlying assets** (eg dividends and voting) and any tax implications that may apply;
- (vi) clearly describe the rights of ownership, of the **underlying asset**, to which holders of a **TraCR** are/are not entitled.

14.23B Investment Products – Eligibility Criteria – TraCRs Custody Agreement

The agreement between the **product issuer** of a **TraCR** and the **custodian** of the **underlying assets** to which the **TraCR** relates, must not be amended without prior notice to **Chi-X** and must require the **custodian** to:

- (a) hold the appropriate licence authorisations and approvals to comply with its obligations as the **custodian** for the **TraCR**;
- (b) have an organisational structure that manages the potential conflicts of interest it may face and supports the separation of the **underlying assets** relating to the **TraCR** from the **custodian's** own assets;
- (c) have adequate resources to perform custodial activities in relation to the **underlying assets** in accordance with the **custody agreement**, including:
 - (i) adequate staff with the knowledge, skills, time and authority to perform custodial functions under the **custody agreement**;
 - (ii) systems for recording all transactions, relating to the **underlying assets** which are the subject of the **custody agreement**, and all income, distribution and other administrative activities;
 - (iii) the means, where necessary, to segregate staff responsible for custodial activities;
- (d) hold the **underlying assets** on trust on behalf of the **holder**, except for **underlying assets** held in a jurisdiction outside of Australia where a trust structure is not recognised and the **product issuer** is reasonably of the view that the assets are held in a manner that provides effective protection for **holders** of the **TraCR** in the event of the insolvency of the **custodian** and in which case the basis for that view must be provided in writing to **Chi-X**;

- (e) maintain records of all transactions, relating to the **underlying assets** which are the subject of the **custody agreement**, and all income, distributions and other administrative activities;
- (f) take all the steps necessary for the **custodian** to facilitate the conversion, in compliance with the **terms of issue**, of a holding of **TraCRs** to a holding of **underlying assets**;
- (g) notify the **product issuer** of all **corporate actions** relating to the **underlying asset**;
- (h) undertake all reasonable endeavours to give effect to any instructions it may receive from a **product issuer** in relation to any **corporate actions**, having regard to the total cost of complying with those instructions (eg the cost of obtaining legal advice on the availability of a rights issue that only a minimal percentage of holders may want to exercise);
- (i) take any steps reasonably required to facilitate the **product issuer** complying with a direction under **rule 14.37(a)**;
- (j) produce to the **product issuer** any information in the **custodian's** possession, or that the **custodian** is reasonably able to obtain, and which is required to comply with a requirement under **rule 14.37(b)**;
- (k) as necessary, appoint a sub-custodian in the jurisdiction where the underlying assets relating to the **TraCR** are based and engage that **custodian** on terms which are consistent, as far as practicable, with the requirements in this **rule 14.23B**;
- (l) neither lend nor part with possession of the **underlying assets** except on the instructions of the **product issuer**.

14.24 Investment Products – Eligibility Criteria – Terms Of Issue – Required Content

The **terms of issue** for an **investment product** must:

- (a) make provision for the adjustment of exercise rights where the **investment product** is linked to an **underlying asset** that may be subject to corporate or other events impacting on the nature of that **underlying asset** (for example a reduction in capital, bonus/rights issues and capital restructurings of an underlying cash equity market product or the modification/discontinuance of an underlying index);
- (b) state the way in which the intrinsic value of the **investment product** will be calculated;
- (c) in the case of cash settled **investment products**, require the **product issuer** to pay the **holder** an amount equivalent to the intrinsic value at the expiry date within 10 business days of the expiry;
- (d) in the case of deliverable **investment products**:
 - (i) require the **product issuer** to comply with its delivery obligations within the 20 business days following receipt of an effective notice of exercise;
 - (ii) outline the way in which an assessed value payment, and any costs, will be calculated in the event a **holder** fails to give an effective notice of exercise within the time limits contained in the **terms of issue**;

- (iii) ensure that the assessed value payment is at least equal to the intrinsic value less reasonable costs;
- (iv) provide for the calculation of the assessed value payment to be paid to the holder where the holder does not provide a notice of exercise within the time prescribed in the **terms of issue** and the **investment product** has an intrinsic value equal to or greater than 5% of the exercise price of the **investment product**.
- (e) state that the **terms of issue** will only be amended in a way that is consistent with **rule 14.25**.

*A **TraCR** is not a cash settled or deliverable **investment product** under this **rule 14.24**.

14.25 Investment Products – Eligibility Criteria – Amending the Terms of Issue

To be eligible for quotation, the **terms of issue** of an investment, must not be capable of amendment other than as follows:

- (a) the expiry date may be amended in the case of an extraordinary event defined in the **terms of issue**;
- (b) the **terms of issue** of an **investment product** that is a **warrant**, may be amended at a meeting convened by the **product issuer** in compliance with **rule 14.32(d)**, if the amendment is approved by 75% of the **holders**, excluding the **product issuer** and/or its associates from the denominator in the calculation of that percentage and votes being cast on a one for one basis;
- (c) with the consent of **Chi-X** for the purpose of:
 - (i) complying with a legal requirement
 - (ii) a direction issued by **Chi-X**;
 - (iii) rectifying any manifest error or ambiguity in the **terms of issue** in a manner that does not materially prejudice the interests of **holders**;
 - (iv) to permit transfers;
 - (v) an adjustment pursuant to a change in an **underlying asset** that involves a reduction or restructuring of capital, a bonus or rights issue or the discontinuance or modification of an index;
 - (vi) any other amendment that does not materially prejudice the interests of **holders**.
- (d) the amendment(s) must comply with any ongoing requirements specified in these **rules**.

14.26 Investment Products – Eligibility Criteria – Terms of Issue of a Quoted Fund

The constituent documents of a **quoted fund** must, in the case of a **quoted fund** that has an **underlying asset** that is an **OTC derivative**:

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- (a) not permit the issuer to have recourse to the holders of the **quoted financial products** relating to that **quoted fund**;
- (b) disclose the assets that may be obtained as collateral under the **OTC derivative**.

14.27 Investment Products – Eligibility Criteria – Disclosures upon Quotation

When **Chi-X** makes a decision to admit an **investment product** to quotation it will, in accordance with the **procedures**, disclose all **disclosure documents** and any other information provided in respect of the eligibility criteria relating to liquidity obligations, **underlying assets** and/or the investment mandate/constituent documents.

14.28 Investment Products - Ongoing Requirements – General Disclosure Requirement

A **product issuer** must, in accordance with the **procedures**, provide **Chi-X** with a copy of every **disclosure document** the **product issuer** is required to provide, under the **Corporations Act** or other applicable requirements, in relation to an **investment product** that has been admitted to **quotation**. **Chi-X** will publish each **disclosure document** it receives in accordance with the **procedures**.

14.29 Investment Products - Ongoing Requirements – Continuous Disclosure

- (a) A **product issuer** must, in accordance with the **procedures**, disclose to **Chi-X** information:
 - (i) it is required to disclose to ASIC, under sections 675 or 1017B of the **Corporations Act**, in relation to an **investment product** that it has issued and is admitted to **quotation**; and
 - (ii) which it would be required to disclose to **ASIC** under sections 675 or 1017B of the **Corporations Act** if a **quoted investment product** it has issued, or **ETF financial products** or **QMF financial products** relating to that **investment product**, were an unlisted disclosing entity or ED securities respectively (irrespective of whether or not they are in fact an unlisted disclosing entity or an ED security); and
 - (iii) which it is required to disclose to **ASIC** or an overseas regulatory authority in respect of a **quoted investment product** it has issued, pursuant to an exemption from or modification of any provisions in the **Corporations Act**, and that is made publicly available by **ASIC** or the overseas regulator; and
 - (iv) that would be required to be disclosed under section 323DA of the **Corporations Act**, if either the **product issuer** or the **quoted investment products** it has issued were listed.
- (b) A **product issuer** may rely on a previous disclosure of information to **Chi-X** to satisfy an obligation under this **rule 14.29**, but must ensure there is no additional information required in the later disclosure.
- (c) For the sake of clarity, a **product issuer** must disclose the following information to **Chi-X** under this **rule 14.29**:
 - (i) any information that is not generally available and relates to a **quoted investment product** it has issued, the **product issuer** or a **guarantor** with

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- which it has an arrangement under **rule 14.3(c)**, and which may lead to a false market in that **investment product** or otherwise impact on the price of the **investment product**;
- (ii) any information about dividends or distributions paid to **holders**;
 - (iii) any distribution or dividend statements (or distribution or dividend information) that are made available or provided to **holders**;
 - (iv) the basis of quotation of each **TraCR** it has issued, including whether the **TraCR**, or **underlying asset** on which it is based, is trading ex or cum any entitlements and/or benefits attached to the relevant **underlying asset**;
 - (v) an **illiquidity event** relating to a **TraCR** it has issued and of which the **product issuer** should reasonably be aware;
 - (vi) information about redemptions from each **QMF** it has issued;
 - (vii) a **QMF** that is an **actively managed fund**, must immediately disclose the **QMF's** net asset value whenever the **product issuer's** management activities have caused the net asset value of the **QMF** to move by more than 10% since the last reported net asset value.
- (d) A **guarantor** must disclose to Chi-X any information that is not generally available and relates to a **quoted investment product** issued by a **product issuer** with which it has an arrangement under **rule 14.3(c)**, and which may lead to a false market in that **investment product** or otherwise impact on the price of the **investment product**.
- (e) **Chi-X** will publish the information it receives under this **rule 14.29**, in accordance with the **procedures**.

14.30 Investment Products - Ongoing Requirements – Periodic Disclosure

- (a) The net asset value of an **investment product** that is a **quoted fund** must be disclosed by the **product issuer**:
- (i) on each **business day**;
 - (ii) on the **product issuer's** web site and/or to the **Chi-X** disclosure interface; and
 - (iii) in accordance with the **terms of issue** of the **investment product**.
- (b) A **product issuer** may disclose the indicative net asset value of a **quoted fund** on a regular basis throughout a trading day, in which case the **product issuer** must disclose:
- (i) the indicative net asset value per interest in the **quoted fund**, in the case of a **quoted fund** that has only one class of interests; or
 - (ii) the indicative net asset value for each class of interests.
- (c) A **product issuer** of a **warrant**, and any **guarantor** of such a **product issuer**, must lodge the following documents with **Chi-X** in accordance with the **procedures** and within 75 days of the end of the period to which they relate:

- (i) an annual report issued by the **product issuer** and, if applicable, any **guarantor** and, if not included in that report, a statement of assets, liabilities and equity that would enable a reasonable investor in the **warrants** to assess the ability of the product issuer and/or guarantor to meet the **terms of issue**;
 - (ii) a half yearly report relating to the assets, liabilities and equity of the **product issuer** and, if applicable, **guarantor**, and that would enable a reasonable investor in the **warrants** to assess the ability of the **product issuer** and/or **guarantor** to meet the **terms of issue**.
- (d) A **product issuer** of a **quoted fund** must publish within five business days of the end of each month:
- (i) the number of individual units on issue, in relation to that **quoted fund**, on the last business day in that month;
 - (ii) in the case of a **quoted fund** that has an aggregate notional exposure to all **OTC derivatives** of more than 5% of the **quoted fund's** net asset value:
 - A. the exposure of the **quoted fund** to all **OTC derivative** counterparties as a percentage of the net asset value of the **quoted fund**; and
 - B. the value of assets (excluding the value of **OTC derivatives**, but inclusive of collateral) held by the **quoted fund** as a percentage of the net asset value of the **quoted fund**.

14.31 Investment Products - Ongoing Requirements - Changes to the Eligibility Criteria for all Investment Products, Indices, Covered Warrants and OTC Derivatives

- (a) A **product issuer** must ensure that an **investment product** continues to meet the **eligibility criteria** and any conditions imposed by **Chi-X**, after it is admitted to **quotation**.
- (b) A product issuer must notify **Chi-X** of any material change to the information it provided or relied upon in the application for an **investment product** to be admitted to **quotation**.
- (c) A product issuer must publish on the **product issuer's** web site, any material change to the information it provided or relied upon in the application for an **investment product** to be admitted to **quotation**, and that related to an index referenced by that **investment product**.
- (d) A **product issuer** of a **covered warrant** must:
 - (i) ensure that the **underlying assets** that are the subject of the investment product are held in a trust, custodial or other similar arrangement approved by **Chi-X** and are only dealt with in accordance with the terms of that arrangement;
 - (ii) conduct an annual audit of compliance with the requirements in subparagraph (d)(i) of this **rule 14.31** and provide a copy of the auditor's report to **Chi-X** no later than the time at which the **product issuer's** next annual report is lodged with **Chi-X**.

- (e) A **product issuer** of a **quoted fund** that has an **underlying asset** that is an **OTC derivative** must:
 - (i) monitor the exposure of the fund to all **OTC derivative** counter-parties on a daily basis; and
 - (ii) in the event the aggregate exposure of the fund to all **OTC derivative** counter-parties exceeds 10% of the net asset value of the **quoted fund**, take steps within one trading day to acquire further collateral to ensure that the exposure to all **OTC derivative** counterparties is reduced to 10% or less of the net asset value of the **quoted fund**.

14.32 Investment Products – Ongoing Requirements – The Terms of Issue

- (a) A **product issuer** must ensure an **investment product** it has issued complies on an ongoing basis with the **terms of issue** and any requirements contained in a **disclosure document** relating to that **investment product**.
- (b) A **product issuer** must provide **Chi-X** with a copy of any new or amended **terms of issue** relating to an **investment product** that it has issued and has been **admitted to quotation**.
- (c) A **product issuer** must provide **Chi-X** with at least four weeks' notice of an amendment to the **terms of issue** that may result in operational changes to the trading, clearing or settlement of an **investment product**.
- (d) A **product issuer** convening a meeting for the purpose of proposing a resolution to amend the **terms of issue** or an investment mandate must take reasonable steps to provide each **holder** with:
 - (i) written notice of the meeting containing the substance of the proposed resolution 15 or more business days prior to the date of the meeting;
 - (ii) a proxy form that enables the appointment of a person to vote for the **holder** and does not suggest a choice as to the identity of that proxy or voting intention.

14.33 Trading in Investment Products – Transfers

- (a) The transfer of an investment product must comply with:
 - (i) the **Corporations Act**;
 - (ii) the **Clearing Rules** and the **Settlement Rules**;
 - (iii) the **rules**; and
 - (iv) any other requirements set out in the **procedures**.
- (b) In respect of each **investment product**, a **product issuer** must establish and maintain a register of **holders** that:
 - (i) contains the name and address of the **holder**;

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- (ii) contains the date on which the **holder's** details were entered into the register;
- (iii) complies with the **Corporations Act** requirements for maintaining a register as if:
 - A. the **investment products** were shares in a company, in the case of an investment product that is a **warrant** or **TraCR**;
 - B. the **investment products** were shares in a company or units in a scheme, in the case of an **investment product** that is a **quoted fund**.
- (c) In respect of each **investment product**, a **product issuer** must issue and send out holding statements that comply with the **Corporations Act** as if **the investment products** were shares in a company.
- (d) A **product issuer** may establish an **issuer sponsored subregister** in respect of an **investment product**. An **issuer sponsored subregister** must comply with the **Settlement Rules**.
- (e) A **product issuer** must:
 - (i) have its register of **holders** audited at least once every 12 months by a registered company auditor. This audit requirement does not apply to the registers of **quoted funds**;
 - (ii) provide Chi-X with a certificate from the registered company auditor, engaged pursuant to **rule 14.33(e)(i)**, certifying that the processing of transfers is in accordance with the **rules**;
 - (iii) ensure that the places at which the transfer of **investment products** are to be lodged for registration are open during the times set out in the **procedures**;
 - (iv) comply with the **Clearing Rules** and the **Settlement Rules**.

14.34 Trading in Warrants – Exercise and Expiry of Cash Settled and Deliverable Warrants

- (a) A **product issuer** must make any settlement payment or delivery on the exercise of a cash settled or deliverable **warrant**:
 - (i) after it receives an effective notice of exercise; or
 - (ii) in the event it does not receive an effective notice of exercise, in accordance with the **terms of issue** and if the **terms of issue** do not provide for the calculation or dispatch of an assessed value payment in compliance with the requirements in **rule 14.24**, then the amount and dispatch of the payment must be completed according to **rule 14.34(c)**.
- (b) The settlement payment made under **rule 14.34(a)** must be of an amount that is:
 - (i) equivalent to the intrinsic value of the **warrant**, in the case of cash settled **warrants**; or

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- (ii) the assessed value payment or the liquidated damages amount calculated in accordance with **rule 14.34(c)**, in the case of deliverable **warrants**.
- (c) If the **holder** of a deliverable **warrant** exercises the **warrant** and the **product issuer** fails to satisfy its obligations under the **terms of issue** within **20 business days** following the date of the effective exercise, the **product issuer** must, without prejudice to any other rights the holder may have, pay to the **holder**, within 10 days of receiving a request to do so from **Chi-X** or the **holder**, liquidated damages no less than:

For **warrants**, other than one involving a put option, with an **underlying asset**:

$$L = 1.1 \times S$$

For all other **warrants** (including puts):

$$L = 1.1 \times E$$

Where:

L is the liquidated damages amount;

S is the arithmetic average of the daily volume weighted average prices of the **underlying asset** on the 5 Trading Days following the expiry date excluding special, late and overseas sales; and

E is the exercise price of the **warrant**.

- (d) Any dispute in relation to the calculation of the intrinsic value of a cash settled **warrant**, must be referred to **Chi-X** for resolution. The decision of **Chi-X** will be binding.

14.35 Trading in Investment Products – Halts and the Application of the Operating Rules Generally

- (a) **Chi-X** may, in its absolute discretion, halt or suspend the trading of any **investment product** on the **Chi-X market** if **Chi-X** considers it appropriate to do so, having regard to the protection of investors and the need to ensure the **Chi-X market** is fair, orderly and transparent.
- (b) Trading in **investment products** which are admitted to **quotation** shall be conducted by **participants** in accordance with the **rules**.

14.36 Trading in Investment Products – Off Market Transactions

- (a) A **participant** may execute an **Exchange-Traded Fund Special Trade** with the **product issuer** of a **Quoted Fund** ~~or ETF~~ where the **participant** is selling **securities** as part of the subscription process or buying **securities** as part of a redemption process and the transaction is notified to **Chi-X** ~~reported~~ in accordance with the **procedures**.
- (b) A transaction notified to **Chi-X** under **rule 14.36(a)** is not a 'reportable transaction' under regulation 7.5.01 of the Corporations Regulations.

14.37 Obligation to Comply with a Direction or Request for Information

- (a) **Chi-X** may direct a **product issuer** to take specified steps in relation to any **investment product** and the **product issuer** must comply with that direction without delay.
- (b) **Chi-X** may require a **product issuer** and any **guarantor** to provide **Chi-X** with any information in relation to an investment product. The **product issuer** and any **guarantor** must comply with that request:
 - (i) without delay, if the requirement relates to disclosure under **rules** 14.28-14.30;
 - (ii) within a reasonable time depending on the circumstances of the case, if the request does not relate to the disclosure of information under **rules** 14.28-14.30.
- (c) A **product issuer** may request a review of a direction issued by **Chi-X** under **rule** 14.37(a) but must comply with that direction without delay and continue to comply pending the outcome of the **review**.

14.38 Indemnity

- (a) Each **product issuer** (and, if applicable, any **guarantor**) indemnifies **Chi-X** in relation to all claims arising from, or in relation to, an **investment product** issued by the **product issuer** including, without limitation, any claim from any person arising from or in relation to any **disclosure document** or **supplementary disclosure document** or any other disclosure by the **product issuer** and any failure by the **product issuer** or any **guarantor** of the **product issuer** to comply with its obligations under these **rules**, the **terms of issue**, the **Corporations Act** or other applicable laws.