



ASIC

Australian Securities & Investments Commission

Australian equity market structure: Draft market integrity rules

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These draft market integrity rules reflect the proposals in Consultation Paper 145 *Australian equity market structure: Proposals* (CP 145). For a copy of CP 145, see www.asic.gov.au/cp.

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Chapter A: Definitions for Draft market integrity rules

A Definitions

In these rules:

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

algorithmic trading minimum requirements has the meaning given by rule FA.

anomalous order has the meaning given by rule EA.

anomalous order threshold has the meaning given by rule E1-1.

ASX means the financial market operated by ASX Limited ACN 008 624 691.

bid means an offer to buy equity market products at a particular price.

block trade has the meaning given by rule H1-3.

buy order means an order to purchase equity market products.

CDI has the meaning given in rule 2.13.1 of the operating rules of ASX Settlement Pty Limited (ACN 008 504 532).

client means a person who instructs a participant to enter into a transaction in equity market products on the person's behalf, and includes a person who gives instructions to the participant on behalf of the client as the client's agent.

client order means an instruction, provided by a client to a participant to enter into a transaction or transactions in equity market products.

confirmation has the meaning given by rule M3.

consolidated best bid has the meaning given by rule H1-5.

consolidated best offer has the meaning given by rule H1-5.

consolidated tape has the meaning given by rule H1-5.

crossing system means any service provided by a participant to its clients which facilitates matching and execution of client orders with orders of:

- (a) the participant; or
- (b) other clients of the participant,

otherwise than on the order book of a licensed market.

dealing has the meaning given by section 766C of the Act (and *deal* has a corresponding meaning).

direct electronic access has the meaning given by rule FA.

direct electronic access facility has the meaning given by rule FA.

direct electronic access client has the meaning given by rule FA.

equity market product means:

- (a) a share in a body;
- (b) a financial product referred to in subparagraph 764A(1)(b)(i) of the Act; or
- (c) a CDI,

admitted to quotation on ASX.

executing participant has the meaning given by rule J4.

execution means entry into a transaction in equity market products.

execution venue means a facility, service or location on or through which transactions in equity market products are executed and includes:

- (a) each individual order book maintained by a market operator;
- (b) a crossing system; and
- (c) a participant executing a client order against its own inventory otherwise than on or through an order book or crossing system.

facility has the meaning given by section 762C of the Act.

financial market has the meaning given by section 767A of the Act.

financial product has the meaning given by Division 3 of Part 7.1 of the Act.

highly liquid equity market products has the meaning given by rule H4.

large portfolio trade has the meaning given by rule H1-4.

licensed market means a financial market, on or through which equity market products are bought and sold, the operator of which is licensed under subsection 795B(1) of the Act.

market's trading system means the technical infrastructure used by the market operator for the purposes of receiving trading messages and matching and executing orders.

market integrity rules has the meaning given by section 798G of the Act.

market operator means an entity that is the operator of a licensed market on which equity market products are quoted which is required by subsection 798H(1) of the Act to comply with these rules.

minimum standards for direct electronic access has the meaning given by rule FA.

non-professional investor means a client who is not a professional investor.

normal trading hours has the meaning given by rule JA.

notified by ASIC means:

- (a) notified by ASIC to a market operator in writing;
- (b) notified by ASIC to a participant in writing; or
- (c) published on ASIC's website.

offer means an offer to sell equity market products at a particular price.

off-market bid has the meaning given by rule MA.

operating rules has the meaning given by section 761A of the Act.

order means an offer or invitation by a participant to buy or sell equity market products, whether on their own behalf or on behalf of a client.

order-driven market has the meaning given by rule H2-1.

order book means an electronic list of buy orders and sell orders, maintained by a market operator, on which orders are placed in a queue prior to being matched with other orders in the same list.

orderly trading range has the meaning given by rule EB.

participant means an entity that is a participant of a licensed market and that is required by subsection 798H(1) of the Act to comply with the market integrity rules.

participant's trading system means the technical infrastructure used by a participant for the purposes of transmitting trading messages to an execution venue.

post-trade information has the meaning given by rule J3.

pre-trade information has the meaning given by rule HA.

price step has the meaning given by rule EB.

professional investor has the meaning given by section 9 of the Act.

quote-driven market has the meaning given by rule H2-2.

regulatory requirements means all relevant requirements of:

- (a) the Act, including the requirement to comply with the market integrity rules; and
- (b) the operating rules of a licensed market.

reportable short sale information has the meaning given by rule I4-1.

reportable short sale order has the meaning given by rule I4-1.

reportable short sale transaction has the meaning given by rule I4-1.

section 1020B products has the meaning given by rule I4-1.

securities lending arrangement has the meaning given by subsection 1020AA(1) of the Act.

sell order means an order to sell equity market products.

rules means these market integrity rules.

tick size means the minimum increment by which the price for an equity market product may increase or decrease.

time priority has the meaning given by subrule H3(2).

total consideration has the meaning given by rule GA.

trading algorithm has the meaning given by rule FA.

trading day has the meaning given by rule JA.

trading messages means those messages submitted to an execution venue relating to trading functions, such as orders, amendment or cancellation of orders and the reporting or cancellation of market transactions on the execution venue.

trading suspension has the meaning given by rule EB.

transaction means a purchase or sale of equity market products.

transaction costs has the meaning given by rule GA.

under the rules of a licensed market means:

- (a) executed on an order book of a licensed market; or
- (b) reported to a market operator.

undisclosed order has the meaning given by rule H1-6.

with price improvement has the meaning given by rule H1-5.

Chapter E: Extreme price movements

Part EA Order entry controls for anomalous orders

EA Definitions

In this Part:

anomalous order means an order for an equity market product for which the price or volume is above the maximum or below the minimum anomalous order threshold for the relevant product.

anomalous order thresholds has the meaning given by rule E1-1.

E1-1 Requirement to have anomalous order thresholds

(1) A market operator must determine an anomalous order threshold for each equity market product that is quoted on its market.

(2) In this rule, *anomalous order threshold* means, for a single order, a minimum price below which and a maximum price and volume above which a reasonable person would consider that the execution of that order may result in a market for the relevant product which is not fair or orderly.

(3) In determining anomalous order thresholds for the purposes of subrule (1), the market operator must take into account, at a minimum:

- (a) the price or volume at which a single order would deviate substantially from:
 - (i) prevailing market conditions for the relevant product; and
 - (ii) historical patterns of price and volume of trading in the relevant product, at the time at which the relevant order is entered; and
- (b) the tick sizes for the relevant product.

E1-2 Requirement to publish anomalous order thresholds

A market operator must make publicly available the anomalous order thresholds determined under rule E1-1.

E1-3 Requirement to prevent anomalous orders from entering the market

A market operator must have in place adequate controls to prevent anomalous orders from entering the market.

E1-4 Requirement to have adequate arrangements

- (1) A market operator must have in place adequate arrangements for:
- (a) determining anomalous order thresholds for each equity market product quoted on the market, in accordance with rule E1-1;
 - (b) regularly reviewing, and if necessary, amending, the anomalous order thresholds for each equity market product quoted on the market, to take into account changes to the matters set out in subrules E1-1(2) and (3); and
 - (c) monitoring, and if necessary, adjusting, the controls referred to in rule E1-3 to ensure that the controls are adequate to prevent anomalous orders from entering the market.
- (2) A market operator must record in writing the arrangements referred to in subrule (1).

Part EB Volatility controls for extreme market movements

EB Definitions

In this Part:

orderly trading range means:

- (a) the maximum amount (expressed as a percentage or number of price steps) by which the price at which transactions in an equity market product are executed on the relevant market may change within a minimum time period; or
- (b) the maximum amount (expressed as a percentage or number of basis points) by which the level of an index may change within a minimum time period,

where the amount and minimum time period are notified by ASIC.

price step means a difference in price of one tick size.

trading suspension means a halt or suspension in trading during which:

- (a) orders in the relevant product or products may not be matched or executed on the relevant market; and
- (b) participants may enter, amend or cancel orders for the relevant product or products on the relevant market.

E2-1 Market operator to prevent trading outside of orderly trading range

- (1) A market operator must immediately impose a trading suspension on:
- (a) an equity market product, if the price at which transactions in the equity market product are executed moves outside of the orderly trading range; and
 - (b) all equity market products quoted on the market if the level of the index moves outside of the orderly trading range.

(2) The market operator must maintain a trading suspension imposed in accordance with subrule (1) for the minimum time period notified by ASIC for the purposes of this Part.

E2-2 Suspension and re-opening procedures

A market operator must have in place adequate arrangements for:

- (a) automatically imposing a trading suspension in accordance with subrule E2-1(1); and
- (b) ensuring that when a trading suspension imposed in accordance with subrule E2-1(1) ends, trading in the relevant product or products resumes in a fair and orderly manner.

Part EC Transparent cancellation policies for clearly erroneous trades

E3-1 Market operator to have transparent cancellation policies

(1) A market operator must have in place adequate policies and procedures for the cancellation of clearly erroneous trades in equity market products entered into on its market, designed to ensure:

- (a) transparency and certainty for participants regarding the circumstances, if any, in which clearly erroneous trades:
 - (i) will be cancelled;
 - (ii) may be cancelled subject to a discretion; and
 - (iii) will not be cancelled;
- (b) fairness and consistency of outcomes in relation to the cancellation of clearly erroneous trades;
- (c) the timely cancellation of clearly erroneous trades; and
- (d) publication to all participants in the market of information concerning clearly erroneous trades that have been cancelled.

(2) The market operator must ensure that the policies and procedures it has in place to comply with subrule (1) are published to all participants.

Chapter F: Electronic trading requirements

Part FA Framework

FA Definitions

In this Chapter:

algorithmic trading minimum requirements means the requirements set out at rule F5(2).

direct electronic access means an arrangement between a participant of a licensed market and a client who is not a participant of a licensed market under which the client submits orders directly to the licensed market using the participant's trading system.

direct electronic access facility means a facility through which direct electronic access is provided to a client.

direct electronic access client means a client who has a direct electronic access arrangement with a participant.

minimum standards for direct electronic access means the requirements set out at rule F2(2).

trading algorithm means a program or process that generates an order without human intervention.

Part FB Direct electronic access minimum requirements

F1 Minimum standards for direct electronic access

(1) Before providing a direct electronic access facility to a client, a participant must take reasonable steps to ensure that the client meets the minimum standards for direct electronic access set out in subrule (2).

(2) The minimum standards for direct electronic access are:

- (a) that the client has available adequate resources to meet the financial obligations of the client that may arise from the client's use of the direct electronic access facility;
- (b) that the client has in place adequate arrangements to ensure that all persons that use the facility:
 - (i) have demonstrated knowledge of, and comply with, all regulatory requirements relevant to the client's use of the facility; and
 - (ii) have demonstrated knowledge of, and competency in, the operation of the order entry system the client will use to submit orders through the facility;

- (c) that the client tests the order entry system before using it to submit orders through the facility for the purposes of ensuring that the use of the system will not interfere with the integrity of the market;
- (d) that the client has in place adequate arrangements for monitoring the use of the order entry system, for the purposes of ensuring that such use does not interfere with the integrity of the market or breach any regulatory requirements; and
- (e) that the client is of high integrity.

(3) For the purposes of paragraphs (2)(a) to (c), in considering whether the client's resources or arrangements are adequate, the participant must have regard to the proposed use of the facility, including:

- (a) the equity market products for which the client may submit orders;
- (b) the nature of the orders that the client may submit;
- (c) the nature of any algorithms that the client intends to use to submit orders; and
- (d) any pre-determined limits that will be imposed on the client's trading or financial exposure.

(4) For the purposes of paragraph (2)(e), in considering whether a client is of high integrity, the participant must have regard to whether:

- (a) if the client is a natural person, the client;
- (b) if the client is a body corporate, each of the client's responsible officers; or
- (c) if the client is a partnership or the trustees of a trust, each of the partners or trustees who would perform duties in connection with the use of the direct electronic access facility, is of high integrity.

F2 Legally binding contract for direct electronic access

(1) Without limiting rule F1, a participant must, before providing a direct electronic access facility to a client, enter into a legally enforceable agreement with the client pursuant to which the client agrees to:

- (a) meet the minimum standards for a direct electronic access client in connection with the client's use of the facility;
- (b) if the client is permitted to use trading algorithms to generate orders for submission through the facility, meet the algorithmic trading minimum requirements in relation to all trading algorithms it uses for that purpose; and
- (c) if the client is permitted to sub-delegate its access to the facility to a third party, ensure that the third party also meets the minimum standards for a direct electronic access client in connection with that party's use of the facility.

(2) The participant must ensure that the agreement referred to in subrule (1) remains in place at all times while the direct electronic access facility is provided to the client.

F3-1 Requirement to have adequate systems and controls

(1) In relation to each direct electronic access facility it provides, a participant must have in place systems and controls to:

- (a) automatically monitor all orders submitted through the facility, for the purposes of identifying orders, or a series of orders, that meet one or more of the following criteria:
 - (i) the order exceeds pre-determined limits on the client's trading or financial exposure;
 - (ii) the order may have been submitted in error or may contain errors as to price or volume;
 - (iii) the order is likely to have been submitted in breach of, or is likely to cause the client or participant to breach, any regulatory requirements; or
 - (iv) the order is otherwise likely to result in trading, in products or products of the same class as the product to which the order relates, that is not fair or orderly,
 and automatically prevent such orders from entering the market;
- (b) ensure that:
 - (i) all orders that are automatically prevented from entering the market in accordance with paragraph (a) are not released to the market until they are either reviewed by a representative of the participant having due consideration to whether the order meets any of the criteria set out at subparagraphs (a)(i) to (iv), or amended by the client; and
 - (ii) the participant prepares and reviews reports in relation to orders automatically prevented from entering the market in accordance with paragraph (a), for the purposes of determining whether its direct electronic access clients continue to meet the minimum standards for direct electronic access;
- (c) maintain records of all orders and other trading messages submitted through the facility; and
- (d) immediately and at any time:
 - (i) prevent the client from accessing the facility;
 - (ii) prevent one or more orders submitted through the facility from entering the market; and
 - (iii) cancel one or more orders submitted through the facility after those orders have entered the market.

F3-2 Documenting and reviewing order entry controls

A participant that provides a direct electronic access facility to a client must ensure that the participant keeps records of :

- (a) the systems and controls it has in place for complying with rule F3-1; and
- (b) the automated processes for handling and executing orders submitted through the facility,

and regularly reviews those systems, processes and controls for the purposes of determining whether they are effective in ensuring compliance with rule F3-1.

F3-3 Arrangements to manage the facility

A participant must have in place adequate operational and technical arrangements to manage direct electronic access facilities that it provides, including:

- (a) procedures that are designed to ensure that direct electronic access facilities will be available to clients during or as soon as possible after an emergency or other significant disruption to the business of the participant; and
- (b) arrangements for ensuring the participant has appropriate information technology infrastructure and other controls designed to prevent unauthorised persons gaining access to the direct electronic access facilities provided to clients.

Part FC Algorithmic trading minimum requirements

F4 Testing

(1) A participant that:

- (a) uses a trading algorithm to generate orders;
- (b) amends the logic, dependencies and parameters of a trading algorithm it uses to generate orders; or
- (c) permits its direct electronic access client to:
 - (i) use a trading algorithm to generate orders for submission through a direct electronic access facility; or
 - (ii) amend the logic, dependencies and parameters of a trading algorithm the client uses to generate orders through a direct electronic access facility,

must take reasonable steps to ensure that the algorithmic trading minimum requirements are met in relation to that trading algorithm.

(2) The algorithmic trading minimum requirements are:

- (a) that the logic, dependencies and parameters of the trading algorithm are documented; and
- (b) that a new trading algorithm or a trading algorithm for which the logic, dependencies and parameters are amended is tested before use for the purposes of ensuring that the trading algorithm:
 - (i) operates according to its design and specifications; and
 - (ii) does not generate orders that meet the criteria set out in subparagraphs F3-1(1)(a)(i) to (iv).

F5-1 Adequate systems and controls

A participant that uses trading algorithms to generate orders in equity market products must have in place systems and controls that enable the participant to:

- (a) automatically monitor all orders generated by the trading algorithm, for the purposes of ensuring that the trading algorithm is:
 - (i) operating according to its design and specifications; and
 - (ii) not generating orders that meet the criteria set out in subparagraphs F3-1(1)(a)(ii) to (iv);
- (b) automatically prevent orders of the kind set out in subparagraph (a)(ii) from entering the market;
- (c) ensure that:
 - (i) all orders that are automatically prevented from entering the market in accordance with paragraph (b) are not released to the market until they are reviewed by a representative of the participant having due consideration to whether the order is an order of the kind set out in subparagraph (a)(ii); and
 - (ii) the participant prepares and reviews reports in relation to orders that are automatically prevented from entering the market in accordance with paragraph (b) for the purposes of determining whether the trading algorithm is operating according to its design and specifications;
- (d) maintain records of all orders and trading messages generated by the trading algorithm; and
- (e) immediately and at any time prevent the trading algorithm from generating orders.

F5-2 Documenting and reviewing algorithmic trading systems and controls

A participant that uses trading algorithms to generate orders must ensure that it keeps records of:

- (a) the systems and controls it has in place to comply with rule F5-1; and
- (b) the automated processes for handling and executing orders generated by the trading algorithm,

and regularly reviews those systems, controls and processes for the purposes of determining whether they are effective in ensuring compliance with rule F5-1.

Chapter G: Best execution

Part GA Preliminary

GA Definitions

In this Chapter:

total consideration means:

- (a) for a buy order, the purchase price paid by the client in respect of performance of a client order plus transaction costs; or
- (b) for a sell order, the sale price received by the client in respect of performance of a client order minus transaction costs.

transaction costs means all costs paid by the client that are directly related to a particular transaction in equity market products and includes execution, clearing and settlement costs and commissions paid to the participant.

Part GB Best execution obligation

G1-1 Best execution obligation

(1) Subject to subrule (2), a participant must take reasonable steps when handling and executing a client order to obtain the best total consideration.

(2) Notwithstanding anything in subrule (1), if a participant receives instructions from:

- (a) a client who is a professional investor; or
- (b) a client who is a non-professional investor, where the size of the client order is greater than or equal to \$500,000,

to achieve a particular outcome or outcomes from the handling and execution of the client's order, and that outcome or those outcomes are inconsistent with obtaining the best total consideration, the participant must take reasonable steps to obtain that outcome or those outcomes.

G1-2 Best execution obligations—Scope

For the avoidance of doubt, a participant must comply with rule G1-1 when dealing in equity market products:

- (a) with a client on the participant's own behalf;
- (b) on behalf of a client on one side of a transaction; and
- (c) on behalf of clients on both sides of a transaction.

G1-3 Prohibition on discriminatory commission structure

A participant must not charge, or propose to charge, a client brokerage, commission or other fees for executing an order on an execution venue that differ from the brokerage, commission or other fees that the participant would charge if the order was executed on another execution venue, unless the difference is related to the actual cost of executing orders on those execution venues.

Part GC Policies and procedures

G2-1 Participant must have adequate policies and procedures in place

(1) A participant must have in place adequate policies and procedures to ensure that it complies with rule G1-1.

(2) Without limiting subrule (1), the participant must establish, document and implement procedures that set out:

- (a) the execution venues to which the participant may transmit client orders; and
- (b) the circumstances in which client orders will be transmitted to each execution venue.

(3) For the avoidance of doubt, the procedures referred to in subrule (2) must cover both:

- (a) the manual routing of orders to a particular execution venue by a representative of the participant; and
- (b) the automatic routing of orders to a particular execution venue by the participant's trading systems.

G2-2 Best execution arrangements—Review

A participant must review the policies and procedures it has in place to comply with rule G2-1:

- (a) at least once per calendar year; and
- (b) each time there is a material change in circumstances that affects:
 - (i) the execution venues to which the participant may transmit client orders; and
 - (ii) the circumstances in which client orders will be transmitted to each execution venue,

for the purposes of ensuring that the arrangements continue to be adequate to ensure compliance with rule G1-1.

Part GD Disclosure to clients of best execution obligation

G3-1 Disclosure of best execution obligation

Before accepting a client order from a client for the first time, the participant must:

- (a) disclose to the client that the participant is required to handle and execute client orders for equity market products in accordance with rule G1-1;
- (b) describe to the client, in general terms, how the requirement on the participant to comply with rule G1-1 may affect the handling and execution of the client's orders; and
- (c) disclose to the client:
 - (i) the execution venues to which the participant may transmit client orders; and
 - (ii) the circumstances in which client orders may be transmitted to each execution venue.

Part GE Evidencing execution performance

G4-1 Demonstrating execution performance and order routing by market participants—On request by a client

(1) A participant must, if requested to do so by a client, demonstrate to the client that the client's orders have been executed in accordance with the policies and procedures that the participant has in place to comply with rule G2-1.

(2) A participant must comply with subrule (1) within a reasonable time after receiving the request.

G4-2 Demonstrating execution performance and order routing by market participants—Evidencing adequacy of arrangements

A participant must keep information or documents to enable the participant to evidence that:

- (a) each client order has been executed in accordance with the policies and procedures that the participant has in place to comply with rule G2-1; and
- (b) the participant's policy and procedures enable it to consistently deliver the best total consideration, or such other outcomes as its clients instructs it to obtain pursuant to rule G1-1(2), when handling and executing client orders.

G4-3 Demonstrating execution performance and order routing by market participants—Monthly reporting requirement

A participant that deals on behalf of clients in equity market products during a calendar month must:

- (a) after the end of each calendar month, prepare a report for that calendar month setting out the information required by this rule; and

- (b) before the end of the calendar month immediately following the calendar month covered by the report, make the report referred to in paragraph (a) publicly available.

Note: Appendix 3 to CP 145 sets out for consultation purposes the information that may be required by this rule to be included in the report for the purposes of paragraph (a).

G5 Execution quality reporting by execution venues

A market operator or participant that operates an execution venue on or through which orders in equity market products are executed during a calendar month must:

- (a) after the end of the calendar month, prepare a report for that calendar month setting out the information required by this rule; and
- (b) before the end of the calendar month immediately following the calendar month covered by the report, make the report referred to in paragraph (a) publicly available.

Note: Appendix 3 to CP 145 sets out for consultation purposes the information that may be required by this rule to be included in the report.

Chapter H: Pre-trade transparency and price formation

Part HA Preliminary

HA Definitions

In this Chapter:

block trade has the meaning given by rule H1-3.

consolidated best bid has the meaning given by rule H1-5.

consolidated best offer has the meaning given by rule H1-5.

consolidated tape has the meaning given by rule H1-5.

highly liquid equity market products has the meaning given by rule H1-3.

large portfolio trade has the meaning given by rule H1-4.

order-driven market has the meaning given by rule H2-1.

pre-trade information means the information required by rule H2-1 or H2-2, as applicable.

quote-driven market has the meaning given by rule H2-2.

reportable short sale information has the meaning given by rule I4-1.

reportable short sale order has the meaning given by rule I4-1.

reportable short sale transaction has the meaning given by rule I4-1.

section 1020B products has the meaning given by rule I4-1.

time priority has the meaning given by subrule H3(2).

undisclosed order has the meaning given by rule H1-6.

with price improvement has the meaning given by rule H1-5.

Part HB Orders that should be pre-trade transparent

H1-1 Market operator to immediately make public pre-trade information subject to exceptions

(1) Subject to the exceptions in Part HC, a market operator must display pre-trade information in accordance with this Part immediately after the information is received by the market operator.

(2) The market operator must ensure that all pre-trade information displayed is complete, accurate and up-to-date and must take reasonable steps to identify and correct any errors in the pre-trade information.

Note: Section K of CP 145 sets out, for consultation purposes, options for consolidation of pre-trade information. Market integrity rules specifying how market operators must comply with their obligations to display pre-trade information will be proposed once an option for data consolidation is selected.

H1-2 Participants to display orders on pre-trade transparent venues, subject to exceptions

Subject to the exceptions in Part HC, a participant must not enter into a transaction in equity market products on its own behalf or on behalf of a client, unless pre-trade information relating to the transaction has been displayed on a licensed market in accordance with this Part.

Part HC Exceptions

H1-3 Exception—Block trades

(1) Part HB does not apply in relation to a block trade.

(2) In this rule:

block trade means a purchase or sale of equity market products for a price not less than:

- (a) \$1 million for highly liquid equity market products; and
- (b) \$500,000 for all other equity market products.

highly liquid equity market product means an equity market product notified by ASIC to be a highly liquid equity market product in accordance with subrule (3), at the time the order is executed.

(3) For the purposes of this rule, ASIC may:

- (a) determine that an equity market product is a highly liquid equity market product; or
- (b) determine that an equity market product is no longer a highly liquid equity market product,

having regard to the average daily traded volume in that product over a period of time determined by ASIC.

H1-4 Exception—Large portfolio trades

(1) Part HB does not apply in relation to a large portfolio trade.

(2) In this rule, **large portfolio trade** means:

- (a) a purchase or sale of at least ten different classes of equity market products pursuant to a single agreement where:
 - (i) the aggregated consideration is not less than \$5,000,000; and
 - (ii) the consideration for each different equity market product forming part of the transaction is not less than \$200,000; and
- (b) the participant will enter into the trade:
 - (i) as agent for both the buyer and the seller; or
 - (ii) as principal as either buyer or seller.

H1-5 Exception—Price improvement trades

- (1) Part HB does not apply where:
 - (a) the order results in a trade with price improvement; and
 - (b) the trade is for a total price of not less than \$20,000.

(2) In this rule:

consolidated best bid means the best bid, for equity market products of the same class as the equity market products to be sold, that is displayed on the consolidated tape at the time of the transaction.

consolidated best offer means the best offer, for equity market products of the same class as the equity market products to be purchased, that is displayed on the consolidated tape at the time of the transaction.

consolidated tape means an information feed displaying aggregated order and transaction information relating to equity market products.

with price improvement means:

- (a) for a purchase of equity market products, that the trade is executed at a price lower than the consolidated best offer; and
- (b) for a sale of equity market products, that the trade is executed at a price higher than the consolidated best bid.

H1-6 Exception—Undisclosed orders

- (1) Part HB does not apply where:
 - (a) the order is an undisclosed order; and
 - (b) the order is for a total price of not less than \$20,000.

(2) In this rule, *undisclosed order* means an order on an order book, permitted under the operating rules of the licensed market to not be displayed, either in whole or in part.

Note: Under rule H1-6, the part of an undisclosed order that is not displayed must not have time priority over an order for the same equity market product in the same order book that is displayed. See rule H3.

H1-7 Exception—Orders executed out of hours

Part HB does not apply where an order is placed or a transaction is executed for particular equity market products during a period in which no licensed market is open for trading in those equity market products.

H1-8 Application to partly filled orders

For the avoidance of doubt, where an exception in this Part applies to an order and that order is executed in part, the exception ceases to apply unless the remainder of the order would have been entitled to the exception if it were a new order.

Part HD Content of pre-trade disclosures

H2-1 Information to be made public subject to exceptions—order-driven markets

(1) Subject to the exceptions in Part HC, the market operator of an order-driven market must display the following information (*pre-trade information*) for each equity market product that is quoted on the market:

- (a) the unique code of the equity market product; and
- (b) each price level at which there are orders for the equity market product and:
 - (i) the aggregate number of orders at that price level; and
 - (ii) the aggregate number of units of the equity market product available at that price level.

(2) In this rule, *order-driven market* means a market in which orders to buy and sell equity market products are displayed to all participants.

(3) The information referred to in subrule (1) must be updated on a continuous basis as:

- (a) existing orders are matched or cancelled; and
- (b) new orders are transmitted to the market.

Note: Appendix 4 to CP 145 sets out for consultation further details of the information that market operators may be required to display for the purposes of this rule.

H2-2 Information to be made public subject to exceptions-quote-driven markets

(1) Subject to the exceptions in Part HC, the market operator of a quote-driven market must display the following information (*pre-trade information*) for each equity market product that is quoted on the market:

- (a) the unique code of each equity market product;
- (b) the unique code of each market-maker making bids and offers for the equity market product;
- (c) for each market-maker, the price level of:
 - (i) the highest bid; and
 - (ii) the lowest offer,
 for each equity market product; and
- (d) the number of units of the equity market product which each market maker is committing to purchase or sell at the highest bid or lowest ask.

(2) In this rule, *quote-driven market* means a market in which quotes made by designated dealers to buy or sell equity market products are displayed to all participants.

(3) The information referred to in subrule (1) must be updated on a continuous basis as the highest bids and lowest offers transmitted to the market change.

Note: Appendix 4 to CP 145 sets out for consultation the fields that market operators may be required to display for the purposes of this rule.

Part HE Priority for pre-trade transparent orders

H3 Priority for pre-trade transparent orders

(1) A market operator must not permit an order, or part of an order, which is on an order-book but for which pre-trade information is not displayed, to have time priority over an order for the same equity market product in the same order-book for which pre-trade information is displayed.

(2) In subrule (1), *time priority* means that orders to buy or sell equity market products for the same price are queued for matching and execution with priority in the queue being given to the order that was entered into the order book at the earlier time.

Part HF Reporting requirements for dark pools of liquidity

H4 Reporting requirements for dark pools of liquidity

(1) A market operator or participant that operates an execution venue during a calendar month, for which pre-trade information is not displayed in reliance on one or more exceptions set out in Part HC, must:

- (a) after the end of each calendar month, prepare a report for that calendar month setting out the information referred to in subrule (2); and
- (b) before the end of the calendar month immediately following the calendar month covered by the report, send the report referred to in paragraph (a) to ASIC.

(2) The report referred to in subrule (1) must:

- (a) describe:
 - (i) the criteria for access to the execution venue and whether these criteria have changed in the preceding month;
 - (ii) how orders are prioritised, matched and executed;
 - (iii) how the price for a trade is determined; and
 - (iv) whether the operator deals as principal with clients on the execution venue and if so, how conflicts are managed;
- (b) the number of Australian clients whose orders were executed on the execution venue during the preceding month; and
- (c) the number and dollar value of:
 - (i) all orders executed on the execution venue; and
 - (ii) if the operator of the execution venue is a participant, client orders of the operator executed on the execution venue, during the preceding month; and
- (d) if the operator of the execution venue is a participant:
 - (i) the proportion of client orders that are executed on the execution venue on behalf of non-professional investors;
 - (ii) the median size of orders executed on behalf of non-professional investors;
 - (iii) the average size of orders executed on behalf of non-professional investors;
 - (iv) the median size of orders executed on behalf of professional investors;
 - (v) the average size of orders executed on behalf of professional investors, during the preceding month.

Chapter I: Market integrity measures and regulatory reporting

Part IA Suspicious activity reporting

I1-1 Notification requirement

- (1) Subject to subrule (2), if a participant has reasonable grounds to suspect that:
- (a) a person is trading while in possession of ‘inside information’, as defined in sections 1042A to 1042D of the Act, whether or not the participant is aware of:
 - (i) the identity of the insider; or
 - (ii) all of the details of the transaction; or
 - (b) a transaction, or an order transmitted to an execution venue, has or is likely to have the effect described in:
 - (i) paragraphs (c) or (d) of section 1041A of the Act;
 - (ii) paragraphs (a) or (b) of subsection 1041B(1) of the Act; or
 - (iii) subparagraph (a)(ii) of rule 5.7.1 of the *ASIC Market Integrity Rules (ASX Market) 2010*, or the effect of creating a false or misleading appearance of active trading as described in subparagraph (b)(iii) of that rule,whether or not the participant is aware of:
 - (iv) the intention of any party to the transaction or order; or
 - (v) all of the details of the transaction or order,

the participant must as soon as practicable notify ASIC in writing of the details of the transaction or order and its grounds for the suspicion (to the extent known or suspected by the participant).

(2) The participant is not required to notify ASIC to the extent the participant has reported the information to AUSTRAC under section 41 of the *Anti Money Laundering and Counter Terrorism Financing Act 2006 (Cth)*.

I1-2 Confidentiality

A participant who notifies ASIC under rule I1-1 must not disclose to anyone else that the notification was made, or the information contained in the notification, other than as required by law.

Part IB Identification of off-order book execution venues—Dark pools

I3 Participant to identify execution venue in trade reports

A participant that is required to report post-trade information to the market operator in accordance with subrule J2-1(1) in relation to a transaction must identify in the post-trade information the execution venue on which the transaction was executed.

Note: Appendix 4 to CP 145 sets out for consultation other fields of information which a participant may be required to provide for the purposes of this Part.

Part IC Identification of short sales

I4-1 Definitions

In this Part:

reportable short sale information means:

- (a) that the order or transaction is a reportable short sale order or a reportable short sale transaction;
- (b) the number of section 1020B products in the order or transaction that the seller will vest in the buyer under the relevant securities lending arrangement.

reportable short sale order means an order to sell section 1020B products which, if executed, would result in a reportable short sale transaction.

reportable short sale transaction means a transaction for the sale of section 1020B products for which the seller is required to comply with subsection 1020AB(3) of the Act.

section 1020B products has the meaning given by subsection 1020B(1) of the Act.

I4-2 Identification of short sales

A participant must include reportable short sale information in:

- (a) a reportable short sale order transmitted to a licensed market; and
- (b) a report of a reportable short sale transaction provided to the market operator in accordance with subrule J2-1(1).

Chapter J: Post-trade transparency

Part JA Definitions

JA Definitions

In this Chapter:

executing participant has the meaning given by rule J4.

normal trading hours means, in relation to a licensed market, the times on a trading day during which transactions may normally be executed on that market.

post-trade information has the meaning given by rule J3.

trading day means a day on which transactions may be executed on an execution venue.

Part JB Timing

J1-1 Timing—Market operator

(1) For each transaction executed under the operating rules of a licensed market, the relevant market operator must publish post-trade information in relation to the transaction.

(2) The market operator must report post-trade information in accordance with subrule (1):

- (a) if the transaction is executed on the order book of the market or reported to the market operator during normal trading hours for the market, immediately after the transaction is executed or reported, subject to the exception in rule J2-2; or
- (b) if the transaction is reported to the market operator outside of normal trading hours for the market, before the time the market opens for trading on the next trading day.

(3) The market operator must ensure that all post-trade information is complete, accurate and up-to-date, and must take reasonable steps to identify and correct any errors in the post-trade information.

Note: Market integrity rules specifying how market operators must comply with their obligations to display post-trade information will be proposed once an option for data consolidation (discussed in detail in Section K of CP 145) has been selected.

J2-1 Timing—Market participant

(1) For each transaction executed on an execution venue other than an order book, the executing participant must report post-trade information in relation to the transaction to a market operator:

(2) The executing participant must report post-trade information in accordance with subrule (1):

- (a) if the transaction is executed during normal trading hours of any licensed market on which the equity market product is quoted, immediately after the transaction is executed, subject to the exceptions in rule J2-2; or
- (b) if the transaction is executed outside of normal trading hours for each licensed market on which the equity market product is quoted, by no later than 15 minutes before the earliest time any licensed market on which the equity market product is quoted opens for trading on the next trading day.

J2-2 Exception—Deferred publication for large principal transactions

(1) Where the transaction is a large principal transaction, the executing participant must report the post-trade information relating to the transaction to a market operator as soon as practicable once the executing participant is no longer exposed to risk as principal in connection with the transaction, and in any event:

- (a) if the transaction is executed before 1.00 pm on a trading day, by no later than 15 minutes before trading commences on any licensed market on which any of the equity market products forming part of the large principal transaction are quoted, on the trading day after the trading day on which the transaction is executed; or
- (b) if the transaction is executed after 1.00 pm on a trading day, by no later than 1.00 pm on the trading day after the trading day on which the transaction is executed.

(2) In this rule:

large principal transaction means a transaction in which:

- (a) the parties to the transaction are:
 - (i) the participant dealing as principal; and
 - (ii) the participant dealing on behalf of one client; and
- (b) the consideration for the transaction is not less than:
 - (i) \$15,000,000 for category A equity market products;
 - (ii) \$10,000,000 for category B equity market products;
 - (iii) \$5,000,000 for category C equity market products; or
 - (iv) \$2,000,000 for category D equity market products.

(3) For the purposes of this rule, ASIC may:

- (a) determine that an equity market product is a category A, B, C or D equity market product; or
- (b) determine that an equity market product is no longer a category A, B, C or D equity market product;

having regard to the market capitalisation of the issuer of the equity market product.

(4) A determination under subrule (3) will be notified by ASIC.

J2-3 Application to constituent parts of transaction

For the avoidance of doubt, where a participant buys or sells more than one class of equity market products under a single agreement, the participant or market operator may consider each constituent transaction as a separate transaction for the purposes of determining whether rule J2-2 applies to the transaction.

Part JC Content of post-trade disclosures

J3 Content of post-trade disclosures

The information (*post trade information*) that is required to be published or reported in relation to a transaction is the information set out in the [Schedule] to these rules.

Note: Appendix 4 to CP 145 sets out for consultation the information that may be required to be included in the *post-trade information*. The final form of information required will be set out in a Schedule to these rules.

Part JD Reporting of off-order book transactions

J4 Executing participant to report

(1) For the purposes of this Chapter, *executing participant* means:

- (a) the participant that executes the transaction on its own execution venue; or
- (b) if paragraph (a) does not apply:
 - (i) the participant that is, or is dealing on behalf of, the seller;
 - (ii) where a participant is the only party to the transaction that is required to comply with by these rules, that participant; or
 - (iii) if subparagraphs (i) and (ii) do not apply, the participant determined to be the executing participant by agreement between the parties to the transaction.

(2) If a participant is determined to be the executing participant in accordance with subparagraph (1)(b)(iii), the participant dealing on behalf of the seller must document the agreement reached with the participant acting on behalf of the buyer.

(3) Each participant that is a party to a transaction to which subrule J4(1) applies must take reasonable steps to determine, prior to the transaction being executed, which participant is the executing participant for the purposes of subrule (1).

(4) Each participant that is a party to a transaction to which subrule J4(1) applies must take reasonable steps to ensure that transactions entered into at the same time and for the same

price, with a single party interposed, are reported to the market operator as a single transaction.

Part JE Activities that do not need to be reported

J5 Dealings to which this Part does not apply

This Part does not apply to:

- (a) a participant transmitting an order to another participant for the purposes of the second participant transmitting the order to an execution venue;
- (b) a dealing that is an issue or allotment of, or application or subscription for, an equity market product;
- (c) transactions resulting from acceptance of an off-market bid; or
- (d) a delivery of a equity market products pursuant to a securities lending arrangement.

Chapter L: Market operators—Other obligations

Part LA Market operator cooperation

L1-1 Market operator cooperation protocol

(1) A market operator must enter into and comply with written arrangements between the market operator and other market operators dealing with, among other things:

- (a) co-ordinating the use of controls relating to:
 - (i) preventing the entry of anomalous orders into the market;
 - (ii) sudden or significant movements in the price of an equity market product or the level of an index that relates to equity market products; and
 - (iii) the cancellation of transactions in equity market products;
- (b) arrangements to synchronise suspensions or halts in trading of equity market products;
- (c) arrangement for managing a disruption to the operation of one or more licensed markets:
 - (i) that result in the market ceasing to operate for any period of time; and
 - (ii) during which trading in one or more equity market products is unable to occur;
- (d) responding to:
 - (i) events that may have a significant impact on the fair, orderly and transparent operation of any of the relevant licensed markets; and
 - (ii) any other significant event, including an emergency, that adversely affects or may adversely affect the operation of any of the relevant licensed markets;
- (e) the assignment of common identifiers and symbols to:
 - (i) participants; and
 - (ii) equity market products;
- (f) arrangements for managing differences in the operating hours of markets trading in the same classes of equity market products, including in relation to continuous disclosure by listed issuers; and
- (g) sharing information, including in relation to orders, transactions and company announcements.

(2) The written arrangements referred to in subrule (1) must be approved by ASIC.

Part LB Assignment of common identifiers and symbols

L2-1 Market operator must assign unique identifiers to each participant

(1) A market operator must assign each of its participants a unique identifier for the purposes of identifying the participant in records of orders, transactions and other trading messages relating to equity market products.

(2) Where a participant of a licensed market is a participant in more than one market, each relevant market operator must assign the same unique identifier to the participant for the purposes set out in subrule (1).

L2-2 Market operator must use unique identifiers for equity market products

(1) The operator of the licensed market on which each equity market product is listed must assign the equity market product a unique symbol for the purposes of identifying the equity market product in records of orders, transactions and other trading messages relating to equity market products.

(2) All other market operators must assign the same unique symbol to the equity market products for the purposes set out in subrule (1).

Part LC Synchronised clocks

L3-1 Market operator to synchronise clocks

(1) A market operator must set the clock the market operator uses for recording the time and date in their trading, supervision or reporting systems so that it is synchronised to the time standard notified by ASIC in accordance with rule L3-3, within the allowable tolerance notified by ASIC in accordance with that rule.

(2) Where a market operator relies on another person to provide any aspect of their trading, supervision or reporting systems, the market operator must ensure that person synchronises the clock used for that purpose.

L3-2 Market operator to have arrangements for compliance

(1) A market operator must have in place adequate arrangements to ensure that the market operator complies with rule L3-1, including arrangements for:

- (a) regularly monitoring the clock to ensure it remains synchronised with the time standard; and
- (b) re-setting the clock where it is no longer synchronised with the time standard.

(2) Where a market operator relies on another person to provide any aspect of their trading, supervision or reporting systems, the market operator must ensure that person has in place arrangements for the purposes set out in paragraphs (1)(a) and (b).

L3-3 ASIC to notify time standard

For the purposes of rule L3-1, the:

- (a) time standard against which market operators must synchronise their clocks; and
- (b) allowable difference between the market operator's clock and the time standard that will be tolerated,

will be notified by ASIC.

Part LD Tick sizes

L4 Market operators to use standard tick sizes

(1) Subject to subrule (2), a market operator must not accept, display or queue orders in its order book in tick sizes less than:

- (a) \$0.01 for an equity market product priced at equal to or greater than \$2.00;
- (b) \$0.005 for an equity market product priced at equal to or greater than \$0.10 and less than \$2.00; and
- (c) \$0.001 for an equity market product priced at less than \$0.01.

(2) Subrule (1) does not apply to orders for equity market products that are entitled to an exception set out in Part HC.

Chapter M: Market participants—Other obligations

MA Definitions

In this Part:

confirmation has the meaning given by rule M3.

off-market bid has the meaning given by section 9 of the Act.

M1 Trades to be under the operating rules of a market operator

A market participant must not enter into a transaction in an equity market product other than under the rules of a licensed market, unless the transaction is entered into pursuant to a primary market action, including an off-market bid for equity market products or an issue, allotment or subscription of new equity market products.

M2 Trading halts/suspensions and off-order book trading

A participant must not execute a transaction in an equity market product on any execution venue in circumstances where trading in that equity market product is halted or suspended on all licensed markets on which the equity market product is quoted.

M3 Participant may produce single trade confirmation

(1) Where a participant enters into transactions on more than one execution venue for the purposes of executing a single client order, the participant may:

- (a) provide a single confirmation of the transaction to the client in relation to all of the transactions; and
- (b) specify the volume-weighted average price, rather than the price per unit, for all of the transactions.

(2) Subrule (1) does not apply unless the participant obtains the client's written consent to receiving a single confirmation, prior to the confirmation being issued.

(3) A participant that provides a single confirmation in reliance on subrule (1) must, within a reasonable time, provide the price per unit for the transactions to the client if requested by the client to do so.

(4) In this rule, *confirmation* means a confirmation that is required to be given to the client in accordance with section 1017F of the Act.