



# **ASX 24 OPERATING RULES PROCEDURES**

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# SECTION 1 ACCESS TO THE MARKET

## ADMISSION OF TRADING PARTICIPANTS

### Procedure 1000(a)

The application form which must be completed by an applicant to be a Trading Participant is that form determined by the Exchange from time to time which is available on the following link or on request from the Exchange.

### Procedure 1000(d)

In order to satisfy the Exchange that it is of high business integrity an applicant must provide the following information to the Exchange in relation to the applicant and each director of the applicant (with respect to both Australia and all other foreign jurisdictions):

- any previous bankruptcy, insolvency, receivership, administration, or similar event;
- any charges or convictions for any offences relating to dishonesty, fraud, financial markets-related conduct, or money laundering;
- any fines, banning, suspension or other disciplinary measures for financial markets-related conduct;
- any disciplinary action or adverse mention in a report made by, or at the request of, any government or governmental authority or agency, the Commission, ASX, an Approved Clearing Facility, an Approved Settlement Facility, and any other exchange, market operator or clearing and/or settlement facility;
- any refusal of membership or revocation of membership of any financial markets-related, legal or accounting professional organisation or body;
- any refusal of an application for Trading Participant status (or equivalent status) on another exchange or market operator (with consent provided by the applicant for the Exchange to obtain details from the relevant exchange or market operator); and
- consent for the Exchange to obtain information on the credit worthiness of the applicant.

### Procedure 1000(e)

In order to satisfy the Exchange that it has the organisational competencies which are adequate for the performance of its obligations as a Trading Participant under these Rules an applicant (other than an applicant as a Principal Trader only) must provide to the Exchange:

- a certification in the form prescribed by the Exchange from time to time (and signed by the directors and senior executive responsible for the compliance function of the applicant) that the applicant has developed processes and procedures that are reasonably designed and that when implemented will function, so as to achieve compliance by the applicant with the Rules. In providing this certification to the Exchange the applicant must be able to demonstrate to the satisfaction of the Exchange, at anytime, the basis on which the certification is provided, including the following:
  - the applicant has the necessary regulatory approvals to trade on the Exchange, and that the applicant's AFSL (or other regulatory approval) enables it to trade the Products that it intends to trade on the Exchange;
  - the applicant is aware of and understands the obligations contained in the Rules;

- the applicant has a compliance program designed in accordance with the Australian Standard AS3806:2006 Compliance Programs to regularly assess and monitor its performance against the Rules, readily identify issues and provide continual improvements to its compliance program as required;
- the applicant has, at an organisational level, determined the resource competencies (be they human or systems) required for the adequate performance of its obligations as a Trading Participant and that the applicant has a program that monitors performance against these competencies;
- the applicant has an initial and ongoing training program on the Rules (and any associated changes) for its Employees involved in its business as a Trading Participant;
- the applicant has awareness, understanding and can evidence its infrastructure arrangements and infrastructure change management processes (including comprehensive testing programs) specific to its access to the Trading Platform and its business as a Trading Participant;
- the applicant has appropriate security and access arrangements, controls and monitoring programs relating to its infrastructure arrangements specific to access its Open Interface to the Exchange;
- the applicant has processes in place to ensure it can, provide evidence and produce supporting documentation relevant to the design, implementation and functioning of its compliance program; and
- details of any service agreements, if the applicant is outsourcing functions to a third party which are material to the applicant's compliance with the Rules.

In order to satisfy the Exchange that it has the organisational competencies which are adequate for the performance of its obligations as a Trading Participant under these Rules an applicant as a Principal Trader only must provide to the Exchange:

- a certification in the form prescribed by the Exchange from time to time (and signed by the directors and senior executive responsible for the compliance function of the applicant) that:
  - the applicant or at least one director of the applicant is a Professional Investor or Sophisticated Investor (as defined in the Corporations Act 2001); and
  - the applicant is aware of and understands the obligations contained in the Rules.
- proof that at least one director of the applicant:
  - possesses a minimum of five (5) years experience in a senior trading role, trading on the Exchange or a recognised exchange; or
  - is currently actively trading on a recognised exchange in the capacity of Principal Trader (or equivalent status); and
- details of any service agreements, if the applicant is outsourcing functions to a third party which are material to the applicant's compliance with the Rules.

#### Procedure 1000(f)

In order to satisfy the Exchange that it has the organisational competencies sufficient to prevent any action or inaction which results in a market for a Product not being both fair and orderly an applicant must demonstrate to the satisfaction of the Exchange:

- Compliance with the technical specifications in the form prescribed by the Exchange from time to time;

- That the applicant has mechanism(s) for placing, amending and cancelling orders on the Trading Platform; and
- The applicant has, at all times, a nominated person readily available for the Exchange to contact with the requisite competency and authority to make decisions as a representative of the Trading Participant regarding its trading.

#### Procedure 1000(g)

In order to satisfy the Exchange that it has the organisational competencies sufficient to prevent any action or inaction which interferes with the operational efficiency or proper functioning of the Trading Platform an applicant must demonstrate to the satisfaction of the Exchange:

- Compliance with the technical specifications in the form prescribed by the Exchange from time to time;
- The applicant has arrangements for connectivity to the Trading Platform, including providing details of the location(s) of infrastructure, and details of lines, fibre and networks and that the applicant can evidence a plan of those arrangements to the Exchange at anytime;
- The applicant has, at all times, a nominated person readily available for the Exchange to contact with the requisite competency and authority to make decisions as a representative of the Trading Participant regarding its trading; and
- The applicant has clearing arrangements in place, including connectivity to its Clearing Participant.

#### Procedure 1000(i)

The Prescribed Guarantor Clearing form which must be completed by an applicant to be a Trading Participant is set out in Appendix 1000(i).

#### Procedure 1002

If an applicant is a body corporate incorporated or resident outside Australia:

- (a) The Exchange must be satisfied that the body corporate (or a Related Body Corporate) currently conducts trading operations which are regulated by a foreign derivatives or securities exchange or foreign regulatory authority acceptable to the Exchange;
- (b) The Exchange may require the body corporate (or persons connected with the body corporate) to give an additional undertaking or undertakings governed by Australian law in respect of any matter which the Exchange considers reasonable or in the interest of the Exchange including, without limitation, undertakings as to:
  - (i) the amount of resources and number of Employees to be located in Australia or, if operations are principally located outside Australia, any resources, disclosure or arrangements (including in relation to the Exchange ) that are of the kind required by the Commission in respect of foreign providers of financial services to ensure maintenance of a fair and orderly market;
  - (ii) access by the Exchange to records required to be kept by the body corporate under these Rules;
  - (iii) foreign taxes that might be payable; and
  - (iv) the law governing the applicant's activities under the Rules and the applicant's submission to jurisdiction;
- (c) The Exchange may require the body corporate to provide a legal opinion, from independent lawyers acceptable to the Exchange, and paid for by the applicant,

which deals with matters required by the Exchange and which is acceptable to the Exchange; and

- (d) The Exchange may require a performance bond in the form and substance acceptable to the Exchange.

## **TRADING**

### **Trading Platform**

#### Procedure 1120

At this time there are no specific requirements for Trading Permission in respect of one or more parts of the Trading Platform.

### **Capacity**

#### Procedure 1130

At this time there is no prescribed maximum Throughput Capacity prescribed. Unless otherwise determined and notified by the Exchange, there is currently no limit prescribed for the maximum number of Open Interface Devices and the maximum aggregate Throughput Capacity of those Open Interface Devices operated by a Trading Participant.

### **Client Access**

#### Procedure 1140

There are no prescribed Procedures.

### **Ongoing Requirements**

#### Procedure 1400(e)

A Trading Participant must notify the Exchange of the following matters:

#### **Change of name or address**

A Trading Participant must notify the Exchange in writing of the following changes before they become effective:

- (a) any change to the Trading Participant's name, or any name under which the Trading Participant carries on business; or
- (b) any change to any address at which the Trading Participant carries on business.

The notice must include full details of the change.

#### **Change of Directors, licence or authorisation and other details**

A Trading Participant must notify the Exchange in writing:

- (a) no later than the date of the proposed appointment of a new director; and
- (b) immediately if:
  - (i) any director is removed or resigns;
  - (ii) there is any change to a licence or other authorisation which authorises the Trading Participant to carry on its activities as a Trading Participant;
  - (iii) there is any other material change in information concerning the Trading Participant's business from that previously provided to the Exchange.

The notice must include full details of the change.

## **Regulatory action**

If a Trading Participant is informed by the Commission or its delegates (or any other person authorised under the Corporations Act), an exchange, a market operator, a clearing and/or settlement facility or a regulatory body that action is being or may be taken by it against the Trading Participant or any of its Employees, its delegates or an authorised person under the Corporations Act, the Trading Participant must notify the Exchange in writing on or before the next Business Day of full details of that information.

## **Notification of amount and period of compensation cover**

Trading Participants must, where the Trading Participant acts for any person other than itself or a Related Body Corporate, give the Exchange via ASX Compliance Monitor within 5 Business Days:

- (a) a copy of the certificate of insurance following the issue of a new professional indemnity (or equivalent) insurance policy or the renewal of an existing professional indemnity (or equivalent) insurance policy for which the Trading Participant is an insured; or
- (b) details of the Trading Participant's compensation arrangements (other than professional indemnity insurance (or equivalent)) of which the Trading Participant is the beneficiary which satisfies the compensation requirements of its Australian Financial Services Licence or equivalent licence requirements in a foreign jurisdiction; and
- (c) if the Trading Participant's compensation arrangements change, details of the new compensation arrangements.

## **Notification of claims**

Trading Participants must notify the Exchange via ASX Compliance Monitor within 5 Business Days of:

- (a) any notification to its professional indemnity (or equivalent) insurer of any claim, potential claim or circumstance that might give rise to a claim; or
- (b) if a Trading Participant has alternative compensation arrangements notified to the Exchange under Notification of amount and period of compensation claim (a) or (b) above, any claim or circumstance of which it becomes aware that may result in the Trading Participant seeking compensation under those arrangements.

## **Provision of other information**

Trading Participants must provide the Exchange with further information which the Exchange reasonably requests in relation to any insurance policy, compensation arrangement or actual or potential claim or circumstance notified to the Exchange under (a) or (b) above.

### Procedure 1401(a)

A Trading Participant must have the resources and competencies specified in the Procedure to Rule 1000(g).

### Procedure 1401(b)

A Trading Participant must have arrangements to determine:

- (a) the order that corresponds to a Trading Message;
- (b) the Open Interface Device of the Trading Participant through which the Trading Message was submitted;
- (c) whether the Trading Message was submitted on the Trading Participant's own account or for a client.

## Procedure 1401(e)

A Trading Participant must maintain, for a period of seven years, records of the matters referred to in Procedure 1401(b).

## **Use Of Exchange Equipment**

### Procedure 1700

For the purposes of Rule [1700] the following are the terms of usage of Exchange Software and Exchange Equipment:

#### **1700.1 Licence Over Exchange Software**

##### (a) Grant of Licence

By meeting and continuing to meet the conditions set out in the Rules, a Participant is granted by the Exchange and continues to hold, a non-transferable, non-exclusive Licence to use such part of the Exchange Software as is approved by the Exchange.

##### (b) Conditions of Licence

The conditions of a Licence granted to a Participant under Rule [1700] are that the Participant must:

- (i) use the Licensed Software solely for purposes in the ordinary course of business directly related to the Trading Participant's activities as a Trading Participant;
- (ii) pay to the Exchange the Trading Infrastructure Fee and any Support Fee;
- (iii) not breach any Intellectual Property rights of the Exchange or any other third party in relation to the Licensed Software;
- (iv) use the Licensed Software only in accordance with the Rules;
- (v) not make or permit others to make any copy of the Licensed Software other than for back-up purposes and only in the ordinary course of its back-up procedures;
- (vi) not sub-license or otherwise transfer, assign, disclose or otherwise make available or supply the Licensed Software, or any part, version, copy, adaptation, enhancement, amendment, modification or new release of the Licensed Software to any other person without the consent of the Exchange;
- (vii) not transfer the Licensed Software to or network it with any site other than the site authorised by the Exchange from time to time;
- (viii) not use the Licensed Software to process the data of any third party for the purposes of the business of such third party, except in accordance with the Rules;
- (ix) not change, modify, amend or alter the Licensed Software or permit, employ or contract any other party (other than the Exchange or a party authorised by the Exchange) to do so;
- (x) not remove or deface any identification of ownership of copyright, trade mark or other proprietary rights connected with the Licensed Software;
- (xi) not reverse assemble, reverse compile, reverse engineer, adapt, alter, decompile, modify, unlock or permit, assist or cause any other person to reverse assemble, reverse compile, reverse engineer, adapt, alter, decompile, modify or unlock the Licensed Software;
- (xii) not derive works from the Licensed Software which infringe the Copyright Act 1968 (Cth);

- (xiii) not use or permit the use of the Licensed Software by any persons not authorised to do so;
- (xiv) not attach to the Licensed Software any item which is not Exchange Equipment or equipment approved by the Exchange;
- (xv) not disseminate data or confidential information generated by the Exchange System to a third party or allow a third party access to the Exchange System for the purpose of dissemination of that data or confidential information to others;
- (xvi) install any enhancements or upgrades to the Licensed Software as the Exchange may from time to time direct;
- (xvii) upon the Exchange giving the Trading Participant reasonable notice, allow the Exchange to effect any enhancements or upgrades to the Licensed Software as required by the Exchange;
- (xviii) only use the Licensed Software on a site or sites as the Exchange may from time to time agree to in writing;
- (xix) use the Licensed Software in accordance with any operating instructions supplied by the Exchange or by any other party on behalf of the Exchange;
- (xx) use all reasonable endeavours to maintain an environment suitable to keep the Licensed Software in effective working order and condition;
- (xxi) use all reasonable endeavours to prevent reckless or negligent use or wilful abuse of the Licensed Software;
- (xxii) bear all costs of repairing or replacing damaged Licensed Software where such damage results from negligent or reckless use or wilful abuse of the Licensed Software on the part of the Trading Participant, its officers or agents;
- (xxiii) notify the Exchange as soon as possible in the event of a breakdown of, or malfunction in, or defect in, the Licensed Software;
- (xxiv) not permit any unauthorised software to be installed or loaded in conjunction with the Licensed Software.

(c) Title to Licensed Software

- (i) With the exception of a non-exclusive Licence granted pursuant to Procedure 1700.1(a), use by a Trading Participant of the Exchange System will not confer upon the Trading Participant any right, title or interest in the Licensed Software.
- (ii) Ownership of any Intellectual Property rights in
  - (A) the Licensed Software; and
  - (B) any works within the meaning of the Copyright Act 1968 (Cth) derived from the Licensed Software,
 will vest or remain vested in the Exchange or the relevant Licensor or any other entity as the Exchange or its Licensor (as the case may be) may in their sole discretion elect.

(d) Warranty as to Title

The Exchange warrants to each Trading Participant to whom it grants a Licence in accordance with 1700.1(a) that it is authorised to grant the Licence and that the Trading Participant is entitled to use the Licensed Software in accordance with the Rules.

(e) Intellectual Property Rights Indemnity

- (i) The Exchange agrees to indemnify each Trading Participant to whom a Licence has been granted against any loss the Trading Participant may suffer due to any claim by any third party that the use or possession by the Trading Participant of the Licensed Software infringes any Intellectual Property right of that third party but only to the extent to which the Exchange is actually indemnified by its Licensors under the relevant licence agreements and provided that:
- (A) The Exchange is given notice of the claim as soon as practicable after receipt of a written claim by the Trading Participant from any such third party;
  - (B) The Exchange or its Licensors (as the case may be) are given complete control over such claim, and the Participant fully co-operates with the Exchange at the Exchange's or its Licensor's reasonable expense in the conduct of such claim;
  - (C) the Trading Participant does not prejudice in any manner the Exchange's or the Licensor's conduct of such claim;
  - (D) the claim is not based upon the use of the Licensed Software in a manner:
    - (I) not authorised under these Rules;
    - (II) for which the Licensed Software was not designed; or
    - (III) not in accordance with the documentation provided by the Exchange or its Licensors; and
  - (E) The Exchange will not be obliged to indemnify the Trading Participant for any claim of infringement based on the:
    - (I) use of an altered version of the Licensed Software unless such alteration was authorised in writing by the Exchange;
    - (II) combination, operation or use of the Licensed Software with software, hardware, equipment or other materials not supplied by the Exchange; or
    - (III) use of a superseded version of the Licensed Software where the Trading Participant has failed to install an upgraded or enhanced version of the Licensed Software as directed by the Exchange.
- (ii) If a final injunction is obtained against the use of any part of the Licensed Software as a result of a claim under which the Exchange is obliged to indemnify the Trading Participant under this clause, and provided the Trading Participant has fully complied with its obligations regarding any such claim, the Exchange may, at its absolute option and expense either:
- (A) procure for the Trading Participant the right to continue to use the Licensed Software;
  - (B) modify the Licensed Software so that it becomes non-infringing;
  - (C) replace the Licensed Software with software offering substantially similar functions; or
  - (D) terminate the Licence without any further liability to the Trading Participant.
- (iii) The Trading Participant agrees to indemnify the Exchange for any loss or damage the Exchange may suffer due to any claim by a third party for actual or alleged infringement of any Intellectual Property right arising out of

the Participant's use of the Exchange System in any manner prohibited by the Rules.

## **1700.2 Terms Relating to Exchange Equipment**

### **(a) Supply of Exchange Equipment**

- (i) Any Exchange Equipment supplied to a Trading Participant by the Exchange will be supplied, installed and serviced subject to the Participant complying with the conditions in 1700.2 and subject to the Rules.
- (ii) The quantity and type of Exchange Equipment supplied pursuant to Procedure 1700.2 shall be as approved by the Exchange.
- (iii) Any equipment supplied by a Trading Participant must comply with specifications approved by the Exchange and, if the Exchange so determines, must be installed by the Exchange.

### **(b) Conditions of use of Exchange Equipment**

The conditions applicable to the supply to and use of the Exchange Equipment by a Trading Participant are that the Trading Participant must:

- (i) pay to the Exchange the Trading Infrastructure Fee and any Support Fee;
- (ii) use the Exchange Equipment in accordance with any operating instructions supplied by the Exchange or by any other party on behalf of the Exchange;
- (iii) use all reasonable endeavours to maintain an environment suitable to keep the Exchange Equipment in effective working order and condition;
- (iv) use all reasonable endeavours to prevent reckless or negligent use or wilful abuse of the Exchange Equipment;
- (v) bear all costs of repairing or replacing damaged Exchange Equipment where such damage results from negligent or reckless use or wilful abuse of the Exchange Equipment on the part of the Trading Participant, its officers or agents;
- (vi) notify the Exchange as soon as possible in the event of a breakdown of, or malfunction in, or defect in, the Exchange Equipment;
- (vii) insure the Exchange Equipment to its full market value, such value to be advised in writing by the Exchange;
- (viii) not permit any unauthorised software to be installed or loaded onto the Exchange Equipment.

### **(c) Title to the Exchange Equipment**

Title to the Exchange Equipment will remain with the Exchange or a Related Body Corporate and shall not pass to a Trading Participant upon delivery of the Exchange Equipment to the Trading Participant at the agreed site.

### **(d) Insurance**

A Trading Participant must effect and maintain adequate insurance cover with a reputable insurance company with respect to loss or damage to the Exchange Equipment and for any potential liability, loss or damage arising out of use of the Exchange Equipment and must produce on demand by the Exchange evidence of such insurance cover.

## **1700.3 Terms Relating to Both Licensed Software and Exchange Equipment**

### **(a) Responsibility of the Exchange**

The Exchange will:

- (i) supply and service the Exchange Equipment and the Licensed Software in the Sydney central business district, or such other location(s) as the Exchange may designate in writing, in accordance with the installation and servicing instructions for the Exchange Equipment and the Licensed Software or as otherwise provided by the Exchange from time to time;
  - (ii) subject to Procedures 1700.1(b)(xxii) and 1700.2(b)(v), as soon as reasonably possible repair or replace damaged Exchange Equipment and Licensed Software;
  - (iii) liaise with the Trading Participant concerning the Trading Participant's requirements for Exchange Equipment and Licensed Software;
  - (iv) co-ordinate additions, reductions and relocations of Exchange Equipment and Licensed Software;
  - (v) maintain an inventory of Exchange Equipment and Licensed Software and provide a copy of the same to the Trading Participant upon reasonable request;
  - (vi) provide a facility for the Trading Participant to report faults in the Exchange Equipment and the Licensed Software to operational staff;
  - (vii) invoice the Trading Participant monthly;
  - (viii) provide the Trading Participant with upgrades or enhancements of the Licensed Software as and when they become available;
  - (ix) in consideration for payment by the Trading Participant of the Support Fee, provide the Trading Participant with on-going support services during working hours (8.00 am to 5.00 pm Monday to Friday Sydney time), which will consist of:
    - (A) telephone support;
    - (B) remote access support.
    - (C) on-site support where the Exchange determines that support cannot be provided through the use of telephone support, or remote access capability.
- (b) Responsibility for Security
- A Trading Participant will be solely responsible for the use of the Exchange System by any person not authorised by the Exchange or for any misuse, damage or destruction of the Exchange System resulting from the use of the Exchange System by the Trading Participant.
- (c) Termination of Licence
- The Exchange may terminate a Licence granted to the Trading Participant under Rule [1700] and the Participant's access to the Exchange System in the event that the Trading Participant ceases to be a Trading Participant of the Exchange as a result of enforcement action taken under the Rules.
- (d) Suspension of Licence
- The Exchange may suspend a Participant's access to the Exchange System in the event that:
- (i) the Trading Participant's Participant status or trading rights have been suspended under these Rules; or
  - (ii) in the opinion of the Chief Executive or his or her designate, a physical emergency (as described in these Rules) occurs and the Chief Executive (or in his or her absence, his or her designate) or the Board, as the case

may be, determines that such suspension is necessary to deal with the emergency;

- (iii) except where such amount is disputed in good faith, and without prejudice to any other rule relating to rights for late payment of fees in these Rules, the Trading Participant fails to pay the Trading Infrastructure Fee or the Support Fee within 30 days of the due date where the Exchange has issued a notice in writing to that effect to the Trading Participant requiring payment, the Trading Participant has failed to pay the amount set out in that notice within thirty days, the Exchange has issued a second notice, the Trading Participant has failed to pay the amount set out in the Exchange's second notice within a further seven days and the total amounts referred to in the second notice exceed 25% of the total amount due under that invoice.

(e) Suspension to be lifted

If:

- (i) the Trading Participant's Participant status and trading rights in the Exchange are no longer suspended; or
- (ii) a physical emergency ceases to exist; or
- (iii) the Trading Participant pays to the Exchange the amount referred to in paragraph (d)(iii) as well as any other outstanding amount which has accrued from the date of the last notice issued by the Exchange,

then the Exchange must immediately lift the suspension of the Trading Participant's access to the Exchange System.

(f) Trading Participant's Obligations on Termination of Licence

Upon termination of a Licence granted to it under paragraph 1(a), a Trading Participant will within 7 days of termination:

- (i) cease use of the Exchange System, return all documentation relating to the Exchange System to the Exchange and certify in writing to the Exchange that it has complied with the foregoing;
- (ii) return all Exchange Equipment and Licensed Software to the Exchange; and
- (iii) pay any outstanding Trading Infrastructure Fee, Support Fee and other charges and expenses.

## **Trading on behalf of US customers**

### Procedure 1800

#### Trading on Behalf of US Clients and Trading from Locations within the US

- Conditions under which Trading Participants may trade Exchange products on behalf of clients located in the US are in Procedure 1800.1;
- Products on other exchanges which may be traded on behalf of clients located in the US are in Procedure 1800.2;
- Exchange products which may be traded on behalf of clients located in the US are in Procedure 1800.3; and
- Conditions under which Trading Participants may place Exchange terminals in the US offices of Trading Participants or their clients are set out in Procedure 1800.4.

Note: In this Procedure the term 'trading' has been used to mean soliciting or accepting orders for or involving Exchange Contracts, and in connection therewith accepting any client

funds or securities or extending credit to margin, guarantee or secure any trades or contracts.

## **1800.1 Trading Exchange Products for Clients in the US**

### **1. Relief under Regulation 30.10**

Persons who wish to trade Exchange products for clients in the United States are required EITHER to be registered with the CFTC as Futures Commission Merchants (FCMs) OR to have been granted relief from the requirement to so register under Regulation 30.10 of the Regulations under the US Commodity Exchange Act.

Most Trading Participants of the Exchange have obtained relief under Regulation 30.10.

Trading Participants who do not act directly for US clients are not required to be registered by the CFTC and therefore need not apply for relief – for example:

- a Participant who provides only execution and/or clearing service for a registered FCM and who has no contact with the FCM's clients; or
- a Participant who trades Exchange products solely for its US subsidiary or affiliate or US branch office, for "proprietary accounts" (ie. house accounts)

is not required to be registered as an FCM or to apply for relief under Regulation 30.10.

Likewise Trading Participants who:

- execute orders for Exchange products for or on behalf of the foreign futures and options customer omnibus account of an FCM, without soliciting or accepting funds or security directly from any US clients, or
- carry the foreign futures and options customer omnibus account for an FCM and who accept orders for Exchange products from a person authorised by the FCM as an authorised customer<sup>1</sup>

need not be registered as an FCM or obtain a Regulation 30.10 relief.

Relief under Regulation 30.10 is available only to persons who:

- are located outside the US; and
- who trade on behalf of clients in the US.

It does not apply to trading in the US. Trading Participants who wish to trade on US exchanges in the US must either be members of those exchanges or have an arrangement with an FCM who is a member.

### **2 Rationale for CFTC granting relief to Participants from registration as an FCM**

In November 1988 the CFTC granted an Order in respect of the Exchange, pursuant to which a Trading Participant (then known as a Member) and the Exchange on behalf of each Participant may file a document with the CFTC giving undertakings and agreeing to comply with the conditions of the Order. Once the document is processed the Members/Trading Participants concerned are excused from compliance with certain of the CFTC's foreign futures and options rules, the major rule being that which requires registration with the CFTC as an FCM. The Order was granted on the basis that the CFTC was satisfied that the regulatory regimes to which Exchange Trading Participants are subject are comparable with those to

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<sup>1</sup> An 'authorised customer' is a person within the US with specific qualifications, who is authorised by an FCM to place orders for the FCM's foreign futures and options customer omnibus account.

which registered FCM's are subject in the US, and subject to the conditions specified in the Order.

Key areas of regulatory comparability include:

- registration, authorisation or other form of licensing, fitness review or qualification of persons through whom client orders are solicited and accepted;
- minimum financial requirements for those persons that accept client funds;
- minimum sale practice standards, including disclosure of risks, and the risk of transactions undertaken outside the US;
- procedures for auditing compliance with the requirements of the regulatory programme, including record keeping and reporting requirements;
- protection of client funds from misapplication; and
- the existence of appropriate information sharing arrangements.

### 3 Marketing

Participants who have been granted relief under Regulation 30.10 may engage in limited marketing activities from within the US. The conditions of such marketing are:

- it is limited to 30 business days in any calendar year in the aggregate;
- the Trading Participant must supervise and accept liability for all conduct by its employees or other representatives which takes place in the US with respect to its marketing activities;
- all accounts opened and all orders accepted must be effected directly through the Trading Participant's own office in Australia; and
- it is limited to US clients which are institutions, government entities and individuals who have a high degree of sophistication and substantial financial resources. Such persons include:
  - (i) registered FCM<sup>2</sup>s, IB<sup>3</sup>s, CPO<sup>4</sup>s and CTA<sup>5</sup>s;
  - (ii) brokers and dealers registered with the Securities Exchange Commission;
  - (iii) investment companies, business development companies, banks, and insurance companies appropriately registered in the US;
  - (iv) governmental entities, including the US, a US state or a foreign government, or a division or agency of any of them;
  - (v) plans established for the benefit of the employees of a state, an organisation described in section 202(a)(22) of the US Investment Advisers Act of 1940, a corporation, business trust, partnership, pool, trust or insurance company which in all cases has assets in excess of US\$5 million;
  - (vi) self-directed employee benefit plans where investment decisions are made solely by persons that are accredited investors as defined in 17

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<sup>2</sup> Futures Commission Merchants

<sup>3</sup> Introducing Brokers

<sup>4</sup> Commodity Pool Operators

<sup>5</sup> Commodity Trading Advisers

- CFR<sup>6</sup> 230.501(a) or any entity in which all of the equity owners are accredited investors as defined in 17 CFR 230.501(a);
- (vii) appropriately licensed Small Business Investment Companies;
  - (viii) natural persons whose individual net worth or joint net worth with that person's spouse exceeds US\$1 million; or
  - (ix) natural persons who had an individual income in excess of US\$200,000 in each of the two most recent years, or joint income with that person's spouse in excess of US\$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

## **1800.2 Products on Other Exchanges**

On July 17 2006 the CFTC issued a Supplemental Order which authorises Trading Participants who already have relief under Regulation 30.10 to solicit and accept orders from US clients for trading on certain other exchanges where those exchanges are determined by the Exchange<sup>7</sup>. See below for a list of exchanges which have been determined. (These exchanges are all located outside the US and (other than the Exchange) outside Australia).

Dealing on these other exchanges is subject to compliance with Rule [1800]. In addition, the Supplemental Order requires Trading Participants who wish to benefit from it to agree to provide to the CFTC or the US Department of Justice, the books and records related to trading on these exchanges on the same basis as they do in respect of trading Exchange products for US clients (as set out in Procedure for Obtaining Relief Under CFTC Regulation 30.10 below, in item (b) of the Undertakings by Participants). By effecting transactions pursuant to the Supplemental Order, Trading Participants will be deemed to have agreed to this condition without the need to provide a formal undertaking to do so.

Participants should note that whilst Rule [1800] and the Procedures sets out rules relating to dealing on 'Non-US Exchanges', the Supplemental Order refers to 'non-US and non-Australian exchanges' – ie the Order does not extend to dealing on ASX. Trading Participants wishing to deal in futures and options contracts on ASX on behalf of US clients must be ASX Participants and have CFTC Rule 30.10 relief granted to them in that capacity – for details see ASX's Circular entitled 'ASX Participants trading futures contract on behalf of US clients'.

If Trading Participants wish the Exchange to determine an additional exchange pursuant to Rule [1800] they should send an email to [compliance@asx.com.au](mailto:compliance@asx.com.au) to enable the Exchange to consider the matter. Trading Participants should provide the name of the exchange, the name of its regulator, the contracts which are traded on that exchange (including, as relevant, equities, futures, options over futures), the volume of contracts traded (separated into equities and derivatives) and the contract(s) in which the Trading Participant proposes to deal for US clients.

When dealing on behalf of US customers on Non-US Exchanges, Trading Participants who have received relief under Rule 30.10 of the Commodity Futures Trading Commission Regulations (17 CFR Part 30 Rule 30.10) of the US to deal on behalf of US customers on Non-US Exchanges:

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<sup>6</sup> Code of Federal Regulations

<sup>7</sup> This Supplemental Order replaces an earlier Order which provided for Participants to deal for US clients, subject to certain conditions, on exchanges which were 'recognised' exchanges published in Schedule 11 of the Corporations Regulations. Schedule 11 was removed as a part of the Financial Services Reform amendments to the Corporations Act.

- (a) may not deal for US customers on any exchanges except for the Exchange and those exchanges which are determined by the Exchange for the purposes of this Rule [1800];
- (b) must, when dealing on behalf of US customers on exchanges determined for the purposes of Rule [1800] comply with the Rules relating to:
  - (i) Order Records and Accounting Records under the ASIC Market Integrity Rules;
  - (ii) Clients' Segregated Account Obligations under the ASIC Market Integrity Rules; and
  - (iii) Mandatory Recording of Information by the Exchange and its Trading Participants under the ASIC Market Integrity Rules;
 as though they applied to Trading Participants dealing on behalf of clients on the exchanges determined in Rule [1800];
- (c) must provide their US customers with such risk disclosure statement as may be determined by the Exchange;
- (d) must advise the Commodity Futures Trading Commission or its delegate of any Non-US Exchange on which it proposes to deal on behalf of a US customer, before commencing to deal on their behalf; and
- (e) must notify the Exchange immediately upon becoming aware that it has breached any part of Rule [1800].

### **Exchanges Determined**

ADEX Athens Exchange Derivatives Market

OB Oslo Bors

BM & F Commodities & Futures Exchange Brazil

OMX Exchanges (Nordic Derivatives Market – Stockholm, Copenhagen, Helsinki, Riga, Tallinn, & Vilnius)

BSE Budapest Stock Exchange

OME Osaka Mercantile Exchange

C-Com Central Japan Commodity Exchange

OSE Osaka Securities Exchange

DGCX Dubai Gold and Commodities Exchange

RTS Russian Trading System Stock Exchange

EDX EDX London

SAFEX South African Futures Exchange

EEX European Energy Exchange

SGX Singapore Exchange

Eurex

SHFE Shanghai Futures Exchange

Euronext (Paris, Amsterdam, Brussels, Lisbon)

SICOM Singapore Commodity Exchange Limited

Euronext.liffe

SPSE Sao Paulo Stock Exchange

HKEX Hong Kong Exchanges & Clearing Ltd  
TAIFEX Taiwan Futures Exchange  
ICE Futures (formerly IPE)  
TASE Tel Aviv Stock Exchange Limited  
IDEM Italian Derivatives Market  
TRX Tokyo Financial Exchange (formerly TIFFE, Tokyo International Financial Futures Exchange)  
ISE International Securities Exchange  
TOCOM Tokyo Commodity Exchange  
LME London Metal Exchange  
TGE Tokyo Grain Exchange  
KRX the Korea Exchange  
TSE Tokyo Stock Exchange  
MDEX Bursa Malaysia Derivatives  
Turkdex Turkish Derivatives Exchange  
ME Montreal Exchange  
WB Wiener Börse AG  
MEFF Mercado Espanol de Futuros Financieros  
WCE Winnipeg Commodity Exchange  
MexDer Mexico Derivatives Exchange  
WSE Warsaw Stock Exchange  
NSE National Stock Exchange of India Limited

It should be noted that:

1. The listing of these exchanges by the Exchange is for identification purposes only and in no way indicates that the Exchange has approved them.
2. The CFTC Order allows dealings for US customers in futures contracts and options over futures contracts which are offered by the above exchanges only where such contracts are approved for such purposes. Most futures contracts over stock indices and government debt have not been approved. A list of such contracts which have been approved by the CFTC may be found on the CFTC's web-site at <http://www.cftc.gov/opa/backgrounder/opapart30.htm>.
3. Whilst some of the exchanges listed above offer equity and other products as well as futures and options, the Exchange's listing of the exchanges does not mean that Participants may deal in those contracts on behalf of US customers – the listing applies only to futures contracts and options over futures contracts (where those contracts have been approved, as mentioned in (2) above).
4. Rule [1800] requires Participants to give prior notification to the CFTC or its delegate of every exchange determined pursuant to Rule [1800] on which it proposes to deal for US clients.
5. New Trading Participants making application for relief under Regulation 30.10 will be required as a part of the application to provide a list of relevant exchanges. Trading Participants who had already received relief under Regulation 30.10 when the

Supplemental Order dated 17 July 2006 was issued have provided the Exchange with a list.

6. When a Trading Participant wishes to add an exchange to the list of already determined exchanges, they should give prior notification in advance of commencing to trade on that exchange, by sending an email to [compliance@asx.com.au](mailto:compliance@asx.com.au). The Exchange will then forward the notification to the National Futures Association.

### **1800.3 Exchange Contracts which may be traded on behalf of US clients**

The CFTC restricts some TYPES of contracts which may be traded on behalf of US clients; there is no restriction on exchange traded futures over commodities, or options over those futures contracts, but the offer or sale of exchange traded futures or options on stock index and government debt products is not permitted unless specific approval has been given by the CFTC. A list of all such products approved by the CFTC is kept up to date by the CFTC on their website – see <http://www.cftc.gov/opa/backgrounder/opapart30.htm>.

Most of the Exchange's products are not restricted in this manner. A complete list of those which are approved for trading on behalf of clients in the US appears on the ASX website.

### **1800.4 Placement of Terminals in the US**

Exchange terminals may be placed in the US to enable eligible Trading Participants and their clients to trade Exchange products directly. The Exchange has been able to do this because the Commodity Futures Trading Commission (CFTC) has granted relief from the normal requirement in the US that it be designated as a "Derivatives Transaction Execution Facility". This relief has been granted by way of a 'no-action' letter<sup>8</sup> and on the basis that the CFTC is satisfied that the regulatory environments in which the Exchange and its Participants operate are comparable to those which apply in the US.

1. Use of Terminals in the US
  1. Trading Participants must appoint an agent in the US who will receive, on their behalf, communications from the CFTC;
  2. Exchange terminals may be placed in Trading Participants' US offices and the offices of their affiliates, for proprietary trading;
  3. Exchange terminals may be placed in the offices of the US clients of Trading Participants, and the clients authorised by the Trading Participants to enter orders directly into the Exchange terminals provided:
    - 3.1. the Trading Participant guarantees and assumes all financial responsibility for all activity conducted through each terminal.
    - 3.2. the Trading Participant has relief under Regulation 30.10
    - 3.3. the Trading Participant agrees to comply with the various conditions of the approval.

2. Conditions of use of Exchange terminals in clients' offices in the US

The conditions imposed pursuant to item 3.3 above are that the relevant Trading Participant:

- 2.1. must agree to and submit to the jurisdiction of the CFTC with respect to the activities conducted pursuant to the no-action relief;

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<sup>8</sup> A 'no-action' letter states that the relevant department within the CFTC will not recommend enforcement action against the exchange solely because of the latter's failure to obtain Derivatives Transaction Execution Facility designation.

- 2.2. must agree to provide, on the request of the CFTC, the United States Department of Justice and if appropriate, the National Futures Association, prompt access to original books and records maintained at our United States offices as well as to the premises where Exchange terminals are installed or used in the USA;
- 2.3. will take reasonable steps to prevent unauthorised access to Exchange terminals;
- 2.4. will assist the Exchange in a timely manner in any investigation into potential violations of Exchange Rules, the Commodity Exchange Act (CEA) or the terms and conditions of the no-action relief, including but not limited to, requiring the client to produce documents, to answer questions from the Exchange and/or appear in connection with the investigation;
- 2.5. will suspend or terminate the clients' access to the Exchange terminal if the Exchange determines that the actions of the client threaten the integrity or liquidity of any contract, violates any of the Rules of the Exchange, the CEA or the terms and conditions of the no-action relief or if the client fails to co-operate in an investigation.

### **Procedure for Obtaining Relief Under CFTC Regulation 30.10**

The CFTC has authorised the National Futures Association (NFA) to receive and process applications for and to grant Regulation 30.10 exemptions. Each Trading Participant who intends to take advantage of the relief is required to give the undertakings set out below. The Exchange has prepared forms, which are available upon request, to assist Participants in their application for this exemption, and the forms include these undertakings.

The NFA charges Participants an annual fee of US\$100 (or as amended) for registration, records and maintenance; invoices are sent out annually to Participants and failure to pay the fee within 30 days following the due date is deemed to be a request to withdraw the confirmation of exemption.

#### *Undertakings by Trading Participants:*

Participants must give:

- (a)
  - (i) a consent to US jurisdiction;
  - (ii) a valid and binding appointment of an agent in the US for the service of process; such agent may be a registered Futures Commission Merchant or the National Futures Association;
- (b) an agreement to provide books and records related to transactions under Part 30 upon request, to a representative of the CFTC or the US Department of Justice, within 72 hours or such lesser period as may be specified; (the Exchange understands that copies of such books and records would normally be acceptable);
- (c) representations that no principal of the Trading Participant would be disqualified from doing business under Section 8a(2) of the Commodity Exchange Act (for reasons such as refusal of or suspension of a licence, conviction within the last ten years of embezzlement, theft, fraud or felony, etc);
- (d) disclose the identity of each subsidiary or affiliate of a Trading Participant which is domiciled within the US with related business (eg a bank or broker), and a brief description of that subsidiary's or affiliate's principal business in the US;
- (e) an undertaking that the Trading Participant will not accept any futures related business from any of its affiliates or subsidiaries in the US (other than a proprietary account of the affiliate or subsidiary) unless such entities are registered appropriately with the CFTC;

- (f) a statement that the Trading Participant has informed in writing its affiliates or subsidiaries which are banks, broker-dealers, or dealers in cash commodities that they may not introduce to or solicit futures business on behalf of the Trading Participant unless such entities are appropriately registered;
- (g) a consent to participate in any National Futures Association paper arbitration programme for the resolution of client disputes and consent to notify all US clients of the availability of such a program;
- (h) an agreement to maintain the greater of NTA as required by the Exchange Rules or 4 per cent of funds segregated on behalf of US clients; and
- (i) an undertaking to comply with the Corporations Act and the Exchange Rules.

#### *Undertakings by the Exchange*

The Exchange is also required to lodge with the CFTC, in respect of each Trading Participant which requires the exemption, representations that:

- (a) the Trading Participant is licensed, is in good standing, is engaged in business with clients in Australia and would not be disqualified under Section 8(a)(2) of the Commodity Exchange Act;
- (b) The Exchange will monitor the Trading Participant for compliance with regulatory requirements; and
- (c) The Exchange will notify the CFTC or the NFA of any change in a Trading Participant's status, including termination of trading in the US, which would affect its eligibility to continue to enjoy the exemption.

#### *Appointment of Agent*

Trading Participants should note that the first step in complying with the CFTC's conditions is the appointment of a U.S. agent. The NFA has indicated that it will provide its services as an agent upon completion and lodgement of its Agency Agreement in triplicate. The agency fee is included in the US\$100 registration, records and maintenance fee. Copies of the "Request to Appoint the NFA as Agent" and the appointment form for an agent other than the NFA are also available from the Exchange upon application. Trading Participants that are in good standing with the Exchange who intend to appoint the NFA as an agent should lodge the "Request to Appoint the NFA as Agent" form with the Exchange, which will then arrange for same to be forwarded to the NFA.

Participants who do not wish to appoint the NFA as their agent may appoint a registered futures commission merchant in the US as their agent.

#### *Location in the United States – Subsidiaries and Affiliated Companies*

A Trading Participant which is a US based company with branches outside the US is located in the US and so would not be eligible for Regulation 30.10 exemption. Any such Trading Participant must make application for registration as an FCM in order to trade on behalf of US customers.

A Trading Participant with related companies in the US is normally eligible for Regulation 30.10 exemption. The Trading Participant is, however, required to disclose the existence of all related companies which are in the business of banking, broking or commodities merchandising and may not accept futures related business from those entities (unless the latter are registered FCMs, IBs or CTAs) and must inform those entities that they may not introduce to, or solicit futures business on behalf of, the Trading Participant, (again, unless such entities are appropriately registered).

Particular conditions apply to Trading Participants' bank branches located in the US. Those branches may not:

- engage in futures or options trading except for their proprietary account;

- refer any foreign futures or options transactions to the Trading Participant;
- solicit or enter into foreign futures or options business on behalf of the Trading Participant; or
- establish relationships in the US with the Trading Participant's clients in the US for the purpose of facilitating the Trading Participant's futures and options business in the US.

In addition, the Trading Participant must maintain all contract documents, books and records relating to its trading for US clients outside the US, and both it and its US bank branches must to provide, on request by the CFTC, the NFA or the US Department of Justice, access to their books and records for the purpose of ensuring compliance with the above.

### *Risk Disclosure Statements*

Prior to opening an account being with a US client (other than an institutional client), a Trading Participant with Regulation 30.10 relief is required to provide a prescribed Risk Disclosure Statement (RDS) to the client and have the client sign it or, if the Statement is provided electronically, have the client acknowledge that he has received and understood the Statement. A copy of the statement is attached at Annexure B. Participants should note that an RDS is required even where a Product Disclosure Statement (PDS) has been provided, as the wording of a RDS is slightly different from that of a PDS.

Trading Participants should note that 'institutional clients' as described in the CFTC Regulations do not need to be provided with an RDS but they should be aware that such 'institutional clients' are not necessarily the same as 'wholesale clients' as described in the Corporations Act of Australia, so that where a Trading Participant is not required to provide an Australian client with a PDS Statement, it may be required to provide an equivalent client with a RDS if the client is located in the US.

Institutional clients include:

- financial institutions,
- US regulated insurance companies, investment companies and investment advisers,
- US regulated commodity pools with total assets exceeding US\$5 million,
- corporations, partnerships, proprietorships, organisations, trusts or other entities with total assets which exceed US\$10 million,
- US regulated retirement benefit schemes with total assets exceeding US\$5 million,
- certain US government entities,
- brokers or dealers subject to regulation by the Securities Exchange Commission,
- FCMs, floor brokers and floor traders regulated by the CFTC,
- individuals with total asset in excess of US\$10 million.

The above list is provided as a guide only. A full list of persons who comprise institutional clients may be found in the definition of 'eligible contract participant' in Section 1a subsection 12 of the US Commodity Exchange Act at [www.access.gpo.gov/uscode/title7/chapter1\\_.html](http://www.access.gpo.gov/uscode/title7/chapter1_.html).

### **Risk Disclosure Statement**

- The Risk Disclosure Statement determined is that required by the CFTC Regulations from time to time. The current version is set out below.
- No Risk Disclosure Statement is required where none is required by the CFTC Regulations (for example, for institutional clients) – see section above on Risk Disclosure Statements.

## **RISK DISCLOSURE STATEMENT**

THE RISK OF LOSS IN TRADING COMMODITY FUTURES CONTRACTS CAN BE SUBSTANTIAL. YOU SHOULD, THEREFORE, CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR CIRCUMSTANCES AND FINANCIAL RESOURCES.

You should be aware of the following points:

- (1) You may sustain a total loss of the funds that you deposit with your broker to establish or maintain a position in the commodity futures market, and you may incur losses beyond these amounts. If the market moves against your position, you may be called upon by your broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain your position. If you do not provide the required funds within the time required by your broker, your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account.
- (2) Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example, when the market reaches a daily price fluctuation limit ("limit move").
- (3) Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit your losses to the intended amounts, since market conditions on the exchange where the order is placed may make it impossible to execute such orders.
- (4) All futures positions involve risk, and a "spread" position may not be less risky than an outright "long" or "short" position.
- (5) The high degree of leverage (gearing) that is often obtainable in futures trading because of the small margin requirements can work against you as well as for you. Leverage (gearing) can lead to large losses as well as gains.
- (6) You should consult your broker concerning the nature of the protections available to safeguard funds or property deposited for your account.

ALL OF THE POINTS NOTED ABOVE APPLY TO ALL FUTURES TRADING WHETHER FOREIGN OR DOMESTIC. IN ADDITION, IF YOU ARE CONTEMPLATING TRADING FOREIGN FUTURES OR OPTIONS CONTRACTS, YOU SHOULD BE AWARE OF THE FOLLOWING ADDITIONAL RISKS:

- (7) Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, customers who trade on foreign exchanges may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. Before you trade, you should familiarize yourself with the foreign rules which will apply to your particular transaction.
- (8) Finally, you should be aware that the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting there from, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed

and the foreign futures contract is liquidated or the foreign option contract is liquidated or exercised.

THIS BRIEF STATEMENT CANNOT, OF COURSE, DISCLOSE ALL THE RISKS AND OTHER ASPECTS OF THE COMMODITY MARKETS.

I hereby acknowledge that I have received and understood this risk disclosure statement.

.....

Date

.....

Signature of Customer

## SECTION 2 PRODUCTS

### Adjustments

#### Procedure 2230

All adjustments will be conducted in accordance with the Individual Contract Specifications and as otherwise indicated by the Exchange.

### Effect of Futures Contract

#### Procedure 2300

On the Settlement Day of a Futures Contract which is cash settled:

- (a) the obligations of the parties to each Futures Contract are as follows:
  - (i) if the Contract Value is less than the Settlement Value the Seller shall be liable to pay the difference between that Contract Value and the Settlement Value;
  - (ii) if the Contract Value is greater than the Settlement Value the Buyer shall be liable to pay the difference between that Contract Value and the Settlement Value.
- (b) the rights of the parties to each Futures Contract are as follows:
  - (i) if the Contract Value is less than the Settlement Value the Buyer shall be entitled to receive the difference between that Contract Value and the Settlement Value;
  - (ii) if the Contract Value is greater than the Settlement Value the Seller shall be entitled to receive the difference between that Contract Value and the Settlement Value.
- (c) the rights and obligations of the parties to each contract shall be satisfied by cash settlement in the following way:
  - (i) Sellers shall, by no later than the time determined by Approved Clearing Facility on that day, pay to or receive from Approved Clearing (whichever is applicable), the amount representing the difference between the Contract Value and the Settlement Value;
  - (ii) Buyers shall, by no later than the time determined by Approved Clearing Facility on that day, pay to or receive from the Approved Clearing Facility (whichever is applicable), the amount representing the difference between the Contract Value and the Settlement Value.
- (d) Effect of a Cash Settled Futures Contract that is a Contract for Difference  
Additional effects of a cash settled Futures Contract that is designated by the Exchange as a Contract for Difference are as follows:
  - (i) A party holding an Open Position will make such CFD Daily Adjustments representing interest and/or yield, as the Exchange determines, by reference to the CFD Daily Settlement Price, as the Exchange determines.
  - (ii) The CFD Daily Adjustments will be paid in such currency as the Exchange determines.
  - (iii) In respect of a cash settled Futures Contract that is designated by the Exchange as a Contract for Difference, the Exchange may postpone the Settlement Day to a subsequent day and cause a notice of the new Settlement Day to be published. Failure to publish such notice shall not invalidate the alteration of the Settlement Day or delay its operation.

## Effect of Options Contracts

### Procedure 2400

#### **2400.1 Effect of Option Contract**

(a) Deliverable Call Option Contracts over a Futures Contract

In the case of deliverable Call Option Contracts over a Futures Contract:

- (i) the Buyer (Taker) of the Option Contract acquires the right to a bought futures position in the Underlying Futures Contract specified in the Contract Unit in the Individual Contract Specifications in consideration for a Contract Premium; and
- (ii) in the event that the Buyer of the Option Contract exercises that right, a Seller (Grantor) as appointed by Approved Clearing Facility in accordance with the Clearing Rules shall be vested with a sold futures position in the Underlying Futures Contract at the same price and in the same Settlement Month as that assumed by the Buyer of the Option Contract; and
- (iii) the Buyer acquires the right to a bought futures position at an Exercise Price agreed between the parties, provided it is selected from a list of such prices determined under the relevant Individual Contract Specifications; and
- (iv) where an Option Contract over a Futures Contract is exercised, the resulting Futures Contract shall be registered at the Exercise Price agreed pursuant to clause (a)(iii).

(b) Deliverable Put Option Contracts over a Futures Contract

In the case of deliverable Put Option Contracts over a Futures Contract:

- (i) the Buyer (Taker) of the Option Contract acquires the right to a sold futures position in the Underlying Futures Contract specified in the Contract Unit in the Individual Contract Specifications in consideration for a Contract Premium; and
- (ii) in the event that the Buyer of the Option Contract exercises that right, a Seller (Grantor) as appointed by Approved Clearing Facility in accordance with the Clearing Rules shall be vested with a bought futures position in the Underlying Futures Contract at the same price and in the same Settlement Month as that assumed by the Buyer of the Option Contract; and
- (iii) the Buyer acquires the right to a sold futures position at an Exercise Price agreed between the parties, provided that it is selected from a list of such prices determined under the relevant Individual Contract Specifications; and
- (iv) where an Option Contract over a Futures Contract is exercised, the resulting Futures Contract shall be registered at the Exercise Price agreed pursuant to clause (b)(iii).

(c) Deliverable Strip Option Contracts which are Call Option Contracts

In the case of deliverable Strip Options Contracts which are Call Option Contracts:

- (i) the Buyer (Taker) of the Strip Option Contract acquires the right to bought positions in the Underlying Futures Contracts specified in the Contract Unit in the Individual Contract Specifications, in consideration for a Contract Premium; and
- (ii) in the event that the Buyer of the Strip Option Contract exercises that right, a Seller (Grantor) as appointed by Approved Clearing Facility in accordance with the Clearing Rules shall be vested with sold futures

positions in the Underlying Futures Contracts, at the same prices and in the same Settlement Months as those assumed by the Buyer of the Strip Option Contract; and

- (iii) the Buyer acquires the right referred to in clause (c)(i) at an Exercise Price agreed between the parties, provided it is selected from a list of such prices as shall be determined under the relevant Individual Contract Specifications; and
- (iv) where a Strip Option Contract is exercised, the resulting Futures Contracts shall be registered at such prices as shall be determined under the relevant Individual Contract Specifications.

(d) Deliverable Strip Option Contracts which are Put Option Contracts

In the case of Deliverable Strip Options which are Put Option Contracts:

- (i) the Buyer (Taker) of the Strip Option Contract acquires the right to sold positions in the Underlying Futures Contracts specified in the Contract Unit in the Individual Contract Specifications in consideration for a Contract Premium; and
- (ii) in the event that the Buyer of the Strip Option Contract exercises that right, a Seller (Grantor) as appointed by Approved Clearing Facility in accordance with the Clearing Rules shall be vested with bought futures positions in the Underlying Futures Contracts at the same prices and in the same Settlement Months as those assumed by the Buyer of the Strip Option Contract; and
- (iii) the Buyer acquires the right referred to in clause (d)(i) at an Exercise Price agreed between the parties, provided that it is selected from a list of such prices as shall be determined under the relevant Individual Contract Specifications; and
- (iv) where a Strip Option Contract is exercised, the resulting Futures Contracts shall be registered at such prices as shall be determined under the relevant Individual Contract Specifications.

(e) Deliverable Call Option Contracts over an Underlying Physical

In the case of deliverable Call Option Contracts over an Underlying Physical:

- (i) the Buyer (Taker) of the Option Contract acquires the right to buy the amount of the Underlying Physical specified in the Contract Unit in the Individual Contract Specifications in consideration for a Contract Premium; and
- (ii) in the event that the Buyer of the Option Contract exercises that right, a Seller (Grantor) as appointed by the Approved Clearing Facility in accordance with the Clearing Rules assumes the obligations to sell the amount of the Underlying Physical referred to in clause (e)(i) to the Buyer; and
- (iii) the Buyer acquires the right referred to in clause (e)(i) to buy the Underlying Physical at an Exercise Price agreed between the parties provided it is selected from a list of such prices determined under the relevant Individual Contract Specifications.

(f) Deliverable Put Option Contracts over an Underlying Physical

In the case of deliverable Put Option Contract s over an Underlying Physical:

- (i) the Buyer (Taker) of the Option Contract acquires the right to sell the amount of the Underlying Physical specified in the Contract Unit in the

Individual Contract Specifications in consideration for a Contract Premium;  
and

- (ii) in the event that the Buyer of the Option Contract exercises that right, a Seller (Grantor) as appointed by Approved Clearing Facility in accordance with the Clearing Rules assumes the obligations to buy the amount of the Underlying Physical referred to in clause (f)(i) from the Buyer; and
- (iii) the Buyer acquires the right referred to in clause (f)(i) to sell the Underlying Physical at an Exercise Price agreed between the parties provided that it is selected from a list of such prices determined under the relevant Individual Contract Specifications.

(g) Cash Settled Call Option Contracts

In the case of cash settled Call Option Contracts:

- (i) the Buyer (Taker) of the Option Contract acquires the right to payment of an amount equivalent to the difference between the Exercise Price of the Option and the Settlement Price in consideration for a Contract Premium if the Settlement Price is higher than the Exercise Price; and
- (ii) in the event that the Buyer of the Option Contract exercises that right, a Seller (Grantor) as appointed by the Approved Clearing Facility in accordance with the Clearing Rules assumes the obligation to pay the amount referred to in clause (g)(i) to the Buyer.

(h) Cash Settled Put Option Contracts

In the case of cash settled Put Option Contracts:

- (i) the Buyer (Taker) of the Option Contract acquires the right to payment of an amount equivalent to the difference between the Exercise Price of the Option and the Settlement Price in consideration for a Contract Premium if the Settlement Price is lower than the Exercise Price; and
- (ii) in the event that the Buyer of the Option Contract exercises that right, a Seller (Grantor) as appointed by the Approved Clearing Facility in accordance with the Clearing Rules assumes the obligation to pay the amount referred to in clause (h)(i) to the Buyer.

## **2400.2 Rights of Buyer**

(a) Rights of Buyer of all Option Contracts

The Buyer of an Option Contract may, prior to the expiration of trading on the Declaration Date, sell an Option Contract of the same type at the same Exercise Price and with the same Settlement Month as that Option Contract bought, in which case the bought and sold positions may be Closed Out.

(b) Rights of Buyer of Deliverable Ordinary, Serial and Strip Option Contracts Over a Futures Contract

- (i) The Buyer of a deliverable Ordinary, Serial and Strip Option Contract may exercise the Option at any time prior to the time determined by the Exchange for lodging Exercise Requests in the relevant Option Contract, in which case the Buyer shall:
  - (A) in the case of a Ordinary or Serial Option, become the holder of a bought futures position (in the case of a Call Option Contract), or the holder of a sold futures position (in the case of a Put Option Contract), in the Underlying Futures Contract in the same month and at the same price as the Option Contract bought; or
  - (B) in the case of a Strip Option, become the holder of bought futures positions (in the case of a Call Option Contract), or the holder of sold

futures positions (in the case of a Put Option Contract), in the Underlying Futures Contracts in the same months, at the prices determined in accordance with the Individual Contract Specifications;  
or

- (ii) allow the Approved Clearing Facility, on the Declaration Date, to automatically exercise the Option Contract or let it lapse, in accordance with the relevant Individual Contract Specifications; or
- (iii) prevent the automatic exercise of the Option by lodging a Deny Automatic Exercise Request within the Clearing System at any time prior to the time determined by the Exchange for lodging a Deny Automatic Exercise Requests in the relevant contract, in which case the Option Contract shall be deemed to have lapsed.

(c) **Rights of Buyer of Deliverable Option Contracts Over an Underlying Physical**

The Buyer of a deliverable Option Contract over an Underlying Physical may:

- (i) exercise the Option at any time prior to the time determined by the Exchange for lodging Exercise Requests in the relevant Option Contract, in which case the Buyer shall take delivery of the Underlying Physical specified in the Individual Contract Specifications (in the case of a call Option Contract), or sell the Underlying Physical specified in the Individual Contract Specifications (in the case of a Put Option Contract) at the Exercise Price referred to in Procedures 2400.1(e)(iii) or (f)(iii), as the case may be; or
- (ii) allow the Approved Clearing Facility, on the Declaration Date, to automatically exercise the Option Contract or let it lapse, in accordance with the relevant Individual Contract Specifications; or
- (iii) prevent the automatic exercise of the Option by lodging a Deny Automatic Exercise Request within the Clearing System at any time prior to the time determined by the Exchange for lodging a Deny Automatic Exercise Requests in the relevant contract, in which case the Option Contract shall be deemed to have lapsed.

(d) **No Right of Buyer to Exercise Intraday and Overnight Option Contracts**

Neither deliverable nor cash settled Intraday Options and Overnight Options may be exercised by the Buyer and are automatically exercised or allowed to lapse by the Approved Clearing System.

**2400.3 Rights of Seller to Close Out for all Option Contracts Prior to Expiry**

Prior to the expiration of trading on the Declaration Date the Seller of an Option Contract shall be entitled to buy an Option Contract of the same type at the same Exercise Price and with the same Settlement Month as that sold in which case the bought and sold positions may be Closed Out.

**2400.4 Rights of Holder of Bought and Sold Options for all Option Contracts on Expiry**

Where a person holds bought and sold Option Contracts at the same Exercise Price and with the same Settlement Month, the sold position may be exercised against on expiry.

**2400.5 Premium**

- (a) An Option Contract shall be entered into in consideration of a Contract Premium payable by the Buyer.

- (b) The Contract Premium shall be calculated in accordance with these Rules and payment thereof shall be governed by the Deposit and Margin requirements set out in the Clearing Rules.

#### **2400.6 Exercise Prices**

Exercise Prices shall be determined by the Exchange from time to time to reflect the movement of the price of the applicable Futures Contract or Underlying Physical, and the Exchange shall Publish each new Exercise Price as it is determined.

#### **2400.7 Effect of Registration**

Upon the registration of an Option Contract by the Approved Clearing Facility, such Option Contract shall be replaced by an Option Contract or Option Contracts in accordance with the Clearing Rules and each Option Contract so registered shall be extinguished and the parties to such Option Contract shall be released from their obligations to each other.

#### **2400.8 Lodgement of Exercise or Deny Automatic Exercise Requests in Respect of Deliverable Ordinary Serial and Strip Option Contracts and Option Contracts over an Underlying Physical**

- (a) Exercise of an Option or prevention of the Automatic Exercise of an Option may be carried out by lodging electronically with the Approved Clearing Facility, an Exercise Request and/or Deny Automatic Exercise Request in the Clearing System or in a form determined by the Approved Clearing Facility.
- (b) A Trading Participant who holds a bought (Call or Put) Option Contract on behalf of a Client may exercise or prevent the automatic exercise of the Option provided that the Trading Participant has received the relevant instructions from the Client prior to the time for lodgement of the Exercise and/or Deny Automatic Exercise Request.

#### **2400.9 Exercise/Expiry of All Option Contracts on Declaration Date**

On the Declaration Date of both cash settled and deliverable Option Contracts, the Approved Clearing Facility shall, unless otherwise directed by an Exercise Request and/or Deny Automatic Exercise Request in respect of an Ordinary Option or a Serial Option, or unless the relevant Individual Contract Specifications state otherwise:

- (a) exercise all in-the-money Options except for energy and environmental contract options; and
- (b) allow all other Option Contracts to expire.

#### **2400.10 Option Contracts which are in-the-Money**

- (a) Deliverable Options
- (i) An Ordinary Option over a Futures Contract which is cash settled is in-the-money if the Settlement Price of the Underlying Futures Contract Settlement Month lies above the Exercise Price in the case of a Call Option Contract, or lies below the Exercise Price in the case of a Put Option Contract.
- (ii) An Ordinary Option over a Futures Contract which is deliverable is in-the-money if the Daily Settlement Price for the Underlying Futures Contract Settlement Month for the Declaration Date lies above the Exercise Price in the case of a Call Option Contract, or lies below the Exercise Price in the case of a Put Option Contract.
- (iii) A Strip Option is in-the-money if the Options Settlement Price lies above the Exercise Price in the case of a Call Option Contract or lies below the Exercise Price in the case of a Put Option Contract. The Option Settlement

Price shall be determined in accordance with the Individual Contract specifications.

- (iv) A Serial Option is in-the-money if the Serial Option price lies above the Exercise Price in the case of a Call Option Contract or lies below the Exercise Price in the case of a Put Option Contract. The Serial Option price shall be determined by reference to the underlying futures market price at expiry of the Serial Option.
- (v) An Intraday Option is in-the-money if the Intraday Option Futures price of the underlying Futures Contract Settlement Month lies above the Exercise Price in the case of a Call Option Contract or lies below the Exercise Price in the case of a Put Option Contract. Intraday Option futures prices shall be determined in accordance with the price sampling procedures which are specified in the Individual Contract Specifications for the relevant Option Contracts.
- (vi) An Overnight Option is in-the-money if the Overnight Option futures price of the underlying Futures Contract Settlement Month lies above the Exercise Price in the case of a Call Option Contract or lies below the Exercise Price in the case of a Put Option Contract. Overnight Option futures prices shall be determined in accordance with the price sampling procedures which are specified in the Individual Contract Specifications for the relevant Option Contracts.
- (vii) An Option over an Underlying Physical is in-the-money if the Settlement Price of the Underlying Physical lies above the Exercise Price in the case of a Call Option Contract, or lies below the Exercise Price in the case of a Put Option Contract.

(b) Cash Settled Option Contracts

A cash settled Option over a Futures Contract or Underlying Physical is in-the-money if the Settlement Price lies above the Exercise Price in the case of a Call Option Contract or lies below the exercise Price in the case of a Put Option Contract.

**2400.11 Notification to Sellers**

- (a) Notification to Sellers of Deliverable Option Contracts over a Futures Contract
  - (i) Upon receipt of an Exercise Request, the Approved Clearing Facility will notify the Seller that the Seller has become:
    - (A) in the case of an Option over a Futures Contract, the holder of a sold futures position in the case of a Call Option Contract, or the holder of a bought futures position in the case of a Put Option Contract, in the underlying Futures Contract in the same Month and at the same Exercise Price as the Option Contract sold;
    - (B) in the case of a Strip Option, the holder of sold futures positions in the case of a Call Option, or the holder of bought futures positions in the case of a Put Option, in the Underlying Futures Contracts in the same Months and at the same Exercise Prices as the Option Contract sold;
    - (C) entitled to receive the net value of the Contract Premium.
  - (ii) On the Declaration Date, the Seller will receive such notification after the Exercise Request is lodged in the Clearing System and by not later than the time determined by the Exchange for each relevant Option Contract.
  - (iii) On all other Business Days, the Seller will receive such notification after the conclusion of business processing at the end of the day on which the

Exercise Request was lodged by the Seller and by not later than the time determined by the Exchange for each relevant Option Contract.

- (b) Notification to Sellers of Deliverable Equity Option Contracts over an Underlying Physical
- (i) Upon receipt of an Exercise Request, the Approved Clearing Facility will notify the Seller, as soon as practicable, that the Equity Option over an Underlying Physical has been exercised.
  - (ii) On the Declaration Date, the Seller will receive the notification referred to above after the Exercise Request is lodged in the SFE Allocation & Clearing System and by not later than the time determined by the Exchange for each relevant Option Contract.
  - (iii) On all other Business Days, the Seller will receive the notification referred to above after the conclusion of business processing at the end of the day on which the Exercise Request was lodged by the Seller and by not later than the time determined by the Exchange for each relevant Option Contract.

- (c) Notification to Sellers of Cash Settled Option Contracts

On the Declaration Date, the Seller will receive notification of any Settlement Value to be paid and the Contract Premium to be received by not later than the time determined by the Exchange for each relevant Option Contract.

#### **2400.12 Obligations of Participant on Exercise of Deliverable Option Contracts over a Futures Contract**

Where the Seller has become the holder of a futures position pursuant to the exercise of an Option Contract, the Seller shall comply with the provisions of the Rules relating to the futures positions.

#### **2400.13 Disputes**

Documents must be taken up without prejudice to any question in dispute and such question shall be agreed between the parties. All differences, interests and all other charges are for prompt settlement.

#### **Determination of Daily Settlement Price**

##### Procedure 2500

#### **2500.1 Futures Daily Settlement Price Procedures**

- (a) Immediately following the Close of a Market, an Interim Daily Settlement Price for each Futures Contract month shall be displayed on the Trading Platform. Interim Daily Settlement Prices shall be calculated by the Exchange by using any one, or a combination, of the following methods:
- (i) where there is a final bid and a final ask, the mid-point between the final bid and final ask, rounded up shall be the Daily Settlement Price; or
  - (ii) where there is either a final bid or a final ask, and there is a last trade price, then the last trade price shall be the Daily Settlement Price, unless the last trade price is below the final bid or above the final ask, then the final bid or final ask shall be the Daily Settlement Price; or
  - (iii) where there is either a final bid or a final ask, and there is no last trade price, then the final bid or final ask shall be the Daily Settlement Price; or
  - (iv) where there are no final quotes, and there is a last trade price then the last trade price shall be the Daily Settlement Price; or

- (v) where there are no final quotes and no last trade, then the previous day's Daily Settlement Price, adjusted to maintain the previous days differential to the spot month, shall be the Daily Settlement Price; or
  - (vi) where there are no final quotes and no last trade in the spot month, then the previous day's Daily Settlement Price shall be the Daily Settlement Price.
  - (vii) where appropriate, a Daily Settlement Price can be determined based on a differential with an Inter-Commodity related product.
  - (viii) where the Contract is a Contract For Difference, the closing price of the underlying instrument as determined by the Exchange.
- (b) The Exchange may from time to time, nominate a "Settlement cut-off" time per commodity type at which no new bids, offers or trades will be taken into account for the purposes of the calculations in Procedure 2500.1(a).
  - (c) The Exchange may from time to time, nominate an order and/or trade volume requirement per product required to be taken into account for the purposes of settlement calculations in Procedure 2500.1(a).
  - (d) Participants shall have five (5) minutes to object to an Interim Daily Settlement Price for Futures Contracts as determined pursuant to Procedure 2500.1(a). At least three (3) objections, from different Participants must be received by the Exchange before the matter will be reviewed by the Exchange.
  - (e) If no objections are received within five (5) minutes the Interim Daily Settlement Prices shall become the Daily Settlement Price.
  - (f) No attempt may be made to alter the Daily Settlement Price or any component thereof by artificial means.

## **2500.2 Options Daily Settlement Price Procedures**

- (a) An Interim Daily Settlement Price shall be calculated by the Exchange for Option Contracts:
  - (i) in the case of Option Contracts over Futures Contracts, following the establishment of the Underlying Futures Contract Daily Settlement Price, and having regard to implied volatilities, the Underlying Futures Contract Daily Settlement Price, and other relevant factors; and
  - (ii) in the case of Options over an Underlying Physical, having regard to implied volatilities, such price at such time as determined by the Exchange of the Underlying Physical on the underlying market, and other relevant factors.
- (b) The Interim Daily Settlement Price shall be displayed on the Trading Platform.
- (c) Option orders that may be included in the calculation of the Interim Daily Settlement Price must be entered into the Trading Platform for a ten (10) minute period immediately prior to the Close other than energy contract options.
- (d) Participants shall have five (5) minutes to object to an Interim Daily Settlement Price for Option Contracts as determined pursuant to Procedure 2500.2 (a). At least two (2) objections from different Participants, need to be received by the Exchange before the matter will be reviewed by the Exchange.
- (e) If no objections are received within five (5) minutes the Interim Daily Settlement Price shall become the Daily Settlement Price.
- (f) No attempt may be made to alter the Daily Settlement Price or any component thereof by artificial means.

Amended 14/09/10

### **2500.3 Overnight Options and Intra-Day Options Daily Settlement Price Procedures**

- (a) The relevant Overnight Options and Intra-Day Options Daily Settlement Price shall be calculated in the manner set out in Section 6.
- (b) Once established, a Participant may raise an objection and must immediately notify an Exchange Official of such an objection. At least two (2) objections from different Participants need to be received before the matter will be reviewed by the Exchange.
- (c) If no objections are received within five (5) minutes the Interim Daily Settlement Price shall become the Daily Settlement Price.
- (d) No attempt may be made to alter the Daily Settlement Price or any component thereof by artificial means.

Amended 14/09/10

### **2500.4 Serial Option Daily Settlement Price Procedures at Expiry**

- (a) Following the establishment of the Underlying Futures Contract Daily Settlement Price, an Interim Daily Settlement Price shall be calculated by the Exchange for Serial Option Contracts (having regard to implied volatilities, the Underlying Futures Contract Daily Settlement Price, and other relevant factors), and shall be displayed on the Trading Platform. Serial Option orders that may be included in the calculation of the Interim Daily Settlement Price must be entered into the Trading Platform.
- (b) Participants shall have five (5) minutes to object to an Interim Daily Settlement Price for Serial Option Contracts as determined pursuant to Procedure 2500.4(a). At least two (2) objections from different Participants, need to be received by the Exchange before the matter will be reviewed by the Exchange.
- (c) If no objections are received within five (5) minutes the Interim Daily Settlement Price shall become the Daily Settlement Price.
- (d) No attempt may be made to alter the Daily Settlement Price or any component thereof by artificial means.

Amended 14/09/10

### **2500.5 Discretion to Amend the Daily Settlement Price**

Where any Daily Settlement Price is established pursuant to this Rule and the Exchange is of the opinion that the established Daily Settlement Price will have the effect of creating a market that is not fair, orderly and transparent, the Exchange may amend the Daily Settlement Price as it sees fit.

### **Determination of Settlement Price**

#### Procedure 2501

The Settlement Price for each Class of Contract shall be determined in accordance with the relevant procedures set out in the relevant Individual Contract Specifications. The Settlement Price so determined shall, subject to Rule 3100, be accepted as final.

Where the Individual Contract Specifications provide for the Settlement Price of a Class of Contract to be determined having regard to quotations provided by Participants in the underlying Market, for each relevant Futures Contract:

- (a) the Exchange shall determine a list of active participants in the underlying Market, to be known as the "Settlement List" for the relevant Class of Contract, and may amend the list from time to time. In approving parties for addition or deletion the

Exchange will have regard to the extent of their participation in the market for the underlying securities in the relevant Class of Contract;

- (b) the Exchange shall determine the day or days on which and the times at which quotations will be obtained to be used in the calculation of the Settlement Price.
- (c) on the day or days determined by the Exchange, the Approved Clearing Facility will request buying and selling quotes from the parties on the Settlement List. Quotations shall be sought from not less than 80 per cent of the members on the Settlement List (the members to be randomly selected). All quotations must be confirmed to the Approved Clearing Facility In Writing.
- (d) where a person representing a selected name fails to declare buying and selling quotations, or the spread between the buying and selling quotations is greater than 0.10 per cent per annum or the nearest practical equivalent of 0.10 per cent per annum where quotations are provided in other than yield per cent per annum, then each quotation submitted on behalf of that name for each quotation time shall not be accepted.
- (e) requirements relating to the quotations sought and procedures for calculation shall be set out in the Individual Contract Specifications for each relevant Class of Contract.

The Procedures for each Individual Contract Specification are set out in the Appendix to Schedule 1 of the Procedures.

#### Procedure 2802(c)

The form is set out in Appendix 1000i.

Introduced 24/10/11

## SECTION 3 TRADING RULES

### Fair and Orderly Markets

#### Procedure 3101(c)

For the purpose of Rule [3101], unless otherwise determined and notified by the Exchange, the representative referred to in that Rule must be contactable during Open Session State for any of the Products.

### Technical Failure

#### Procedure 3110(c)

1. Consequences of suspension or restriction of trading for technical failure  
The Trading Platform will be placed in the Pre-Open Session State prior to the re-commencement of normal trading (in Open, or other appropriate, Session State).  
The Exchange will:
  - (a) If possible, restore the Central Order Book as they appeared prior to the suspension taking effect; and
  - (b) notify Trading Participants of the times that the Pre-Open Session State will begin, when normal trading will resume and if applicable whether the Central Order Book has been restored.
2. Resumption of trading following suspension or restriction of trading for technical failure  
Following a suspension or restriction of trading under Rule [3110], the Exchange will notify Trading Participants of the time at which trading will resume and if it will be possible to restore the Trading Platform to how it appeared prior to the suspension or restriction taking effect. The Procedures may set out further steps prior to the resumption of trading.

#### Procedure 3111

A Trading Participant must notify the Exchange by telephone if it is unable to transmit or receive Trading Messages.

### Communications with a Trading Platform

#### Procedure 3120

If the testing referred to in Rule [3120]:

- (a) has been completed and the Exchange continues to reasonably believe there is some fact or matter which may impair the ability of a Trading Participant to communicate Trading Messages reliably with a Trading Platform or to correctly process those Trading Messages; or
- (b) is not completed within the time specified by the Exchange;

the Exchange may immediately take any steps which it considers appropriate having regard to Rule [6120] including any steps specified in the Procedures. The Exchange must immediately notify a Trading Participant of any steps taken.

Steps which may be taken by the Exchange under Rule [3120] include the following:

- (a) giving instructions or directions to the Trading Participant to prevent or minimise impairment to those communications of Trading Messages with a Trading Platform or the correct processing of those Trading Messages;

- (b) suspending the Trading Permission of the Trading Participant until the Exchange is satisfied that the ability of the Trading Participant to communicate Trading Messages reliably with a Trading Platform or to correctly process those Trading Messages is or will no longer be impaired; or
- (c) suspending the connection to a Trading Platform of any Open Interface Device of the Trading Participant

until the Exchange is satisfied that the ability of the Trading Participant to communicate Trading Messages reliably with a Trading Platform, or to correctly process those Trading Messages is or will no longer be impaired.

## **Request for Cancellation**

### Procedure 3200

#### 3200.1 Application

This Procedure applies to all transactions and products other than those specifically excluded.

Amended 28/11/11

#### 3200.2 Notification to the Exchange

- (a) A Participant must notify the Exchange by telephone within 10 minutes of the trade occurring if it requests a trade to be considered for cancellation if it is within the Qualifying Cancellation Range (QCR).
- (b) After the telephone request, the request for cancellation must be emailed to the Exchange within 5 minutes of the telephone request and shall include the following information:
  - time of execution;
  - security/symbol;
  - number of contracts;
  - price;
  - deal number; and/or
  - order number

Amended 28/11/11

#### 3200.3 Notification by the Exchange

- (a) Where the trade is within the QCR or ECR, the Exchange shall, as soon as possible, send a message to the market notifying that a cancellation is being requested and will provide the deal number(s) for the trade(s).
- (b) Where a decision regarding cancellation of a trade has been effected, the Exchange shall notify the effected Participants of the decision and send a message to the market and will clearly identify the deal number(s) of the trade(s) on the Trading Platform.

Amended 28/11/11

#### 3200.4 Time limit

The Exchange will not facilitate the cancellation of a trade where the request was not made in accordance with Procedure 3200.2 and/or 10 minutes has elapsed since the close of trading on the relevant Trading Day.

Amended 28/11/11

### 3200.5 Exchange Determinations and Cancellation Ranges

- (a) On receipt of the email request, the Exchange will refer to the Reference Price for the contract and then assess whether the trade qualifies for cancellation as follows:

Range	Outcome
At or within the NCR (No Cancellation Range)	The trade will not be cancelled
At or within the QCR (Qualifying Cancellation Range)	The trade will only be cancelled if the Participant counterparty to the trade consents within 5 minutes of the request.
At or within the ECR (Extreme Cancellation Range)	The Exchange will cancel the trade subject to any exception under Rule [3210]. If a Participant has requested a cancellation and the trade is determined by the Exchange to be within the ECR, Rule [3200] ceases to apply and Rule [3210] applies.

- (b) The cancellation ranges and Reference Price are set out below.
- (c) The Exchange will not accept the financial loss incurred by a Participant as grounds for cancellation.
- (d) The cancellation may be subject to such condition(s) as the Exchange sees fit, including but not limited to, the following:
- (i) the acceptance, by the Participant who has requested the cancellation, or has originally executed the trade, of a trade executed by another Participant in reliance on the trade cancelled; or
  - (ii) the acceptance of a trade to cancel the trade.

The Participant shall comply with any such condition.

- (e) Each trade will be individually assessed on the basis of price regardless of whether the trade was part of any strategy or contingency trade or combination trade subject to the following exception:

**Cancellation of Non-ECR leg of contingent or combination trade**

A Participant that is party to a strategy, contingent or combination order that results in a trade within the ECR (and is to be cancelled) can request that the leg of the trade that is not within the ECR is cancelled. The ASX will only be able to facilitate this in the following circumstances:

- (i) there is only one counterparty to all legs of the trade;
- (ii) the Participant requesting the non-ECR trade cancellation and the Participant consenting to the non-ECR trade cancellation are able to produce their clients' consent within 5 minutes of the request for cancellation being made.

Amended 28/11/11

### 3200.6 Actions Once Exchange determines the trade is within the Qualifying Cancellation Range

- (a) If the trade is within the QCR and therefore, eligible for cancellation under Rule [3200], the Exchange will contact the authorised signatory (under Rule [6510]) of the Participant that is the counterparty to the market transaction(s) and communicate the request that the trade be cancelled. The Participant counterparty to the transaction(s) is under no obligation to agree to the trade cancellation request.
- (b) If the Participant counter party does not agree to the trade cancellation within 5 minutes of notification, the initiator Participant will be informed and the trades will stand.
- (c) If an agreement is reached, the Exchange will inform the initiator Participant and will then facilitate the cancellation of the trade(s). The Exchange will notify the relevant Approved Clearing Facility of the cancellation.
- (d) The parties to the market transaction will remain anonymous unless their identity is already disclosed in accordance with the Rules.
- (e) **Counterparty Client Consent**  
Where the Exchange obtains relevant counterparty consent for the trade to be cancelled such consent is provided on the understanding that the counterparty has sought and received its Client's consent for such cancellation and can produce that consent at that time.

Amended 28/11/11

### 3200.7 Cancellation Fee

The Exchange will impose a cancellation fee as specified in the Fee Schedule on [www.asx.com.au](http://www.asx.com.au) on the Participant responsible for the trade. The fee will be levied individually on each order that results in a trade being cancelled under this Rule capped at 5 orders.

Amended 28/11/11

### 3200.8 Exceptions to Application of Rule 3200

#### (a) **Specific types of Trades**

Rule [3200] and this Procedure does not apply to the following transactions and the cancellation of these trades is dealt with in the trade specific Rules and Procedures:

- EFPs;
- Block Trades.

#### (b) **Exchange System or Process Malfunction**

In the event that trades result from any Exchange system or process malfunction, any resulting trade notified to the Exchange may be cancelled (regardless of the range the trade falls within or when the Exchange identifies the issue).

#### (c) **Other Exchange Rules and Approved Clearing Facility Rules**

Rule [3200] and this Procedure are subject to and may be overridden by any Exchange Rule that allows or disallows cancellation and any cancellation rule of an Approved Clearing Facility.

Amended 28/11/11, 27/02/12

## 3200.9 Reference Price and Cancellation Ranges

### Reference Price

The Reference Price is established by the Exchange using any or a combination of the following criteria:

- Valid last trade price preceding the entry of the asserted error trade
- Valid bid or ask available in the market
- Preceding Daily Settlement Price
- Intra and inter spread relationships
- Market conditions immediately before and after the transaction(s)
- Theoretical valuation
- Independent third parties
- Physical markets
- Utilisation of RFQ's

Amended 28/11/11

### Ranges for Interest Rate Futures Products

<b>Futures Contracts</b>	<b>NCR</b>	<b>QCR (Lower Limit)</b>	<b>QCR (Upper Limit)</b>	<b>Start of ECR</b>
<b>Australian 30 Day Inter Bank</b>	5.0 Basis Points	5.5 Basis Points	49.5 Basis Points	50.0 Basis Points
<b>Australian 90 Day Bank Bills</b>	5.0 Basis Points	6.0 Basis Points	49.0 Basis Points	50.0 Basis Points
<b>Australian 3 Year Treasury Bond</b>	5.0 Basis Points	5.5 Basis Points	49.5 Basis Points	50.0 Basis Points
<b>Australian 10 Year Treasury Bond</b>	5.0 Basis Points	5.5 Basis Points	49.5 Basis Points	50.0 Basis Points
<b>Australian 3 Year Interest Rate Swap</b>	5.0 Basis Points	5.5 Basis Points	49.5 Basis Points	50.0 Basis Points
<b>Australian 10 Year Interest Rate Swap</b>	5.0 Basis Points	5.5 Basis Points	49.5 Basis Points	50.0 Basis Points
<b>NZ 30 Day Official Cash Rate</b>	5.0 Basis Points	5.5 Basis Points	49.5 Basis Points	50.0 Basis Points
<b>NZ 90 Day Bank Bills</b>	5.0 Basis Points	6.0 Basis Points	49.0 Basis Points	50.0 Basis Points
<b>NZ 3 Year Government Bond</b>	5.0 Basis Points	6.0 Basis Points	49.0 Basis Points	50.0 Basis Points
<b>NZ 10 Year Government Bond</b>	5.0 Basis Points	6.0 Basis Points	49.0 Basis Points	50.0 Basis Points
<b>3 month Overnight Index Swap (OIS)</b>	5.0 Basis Points	5.5 Basis Points	49.5 Basis Points	50.0 Basis Points

Amended 28/11/11, 27/02/12

### Ranges for Equity Index Futures Products

<b>Futures Contracts</b>	<b>NCR</b>	<b>QCR (Lower Limit)</b>	<b>QCR (Upper Limit)</b>	<b>Start of ECR</b>
<b>SPI 200</b>	25 Points	26 Points	249 Points	250 Points

Amended 28/11/11

### Ranges for ASX CFD Products

<b>ASX CFD Contracts % means distance from Reference Price</b>	<b>NCR</b>	<b>QCR (Lower Limit)</b>	<b>QCR (Upper Limit)</b>	<b>Start of ECR</b>
<b>ASX Equity CFDs</b>	1.5% DP	> 1.5 % DP	≤ 15% DP	> 15% DP
<b>ASX Index CFDs</b>	1.5% DP	> 1.5 % DP	≤ 15% DP	> 15% DP
<b>ASX Commodity CFDs</b>	1.5% DP	> 1.5 % DP	≤ 15% DP	> 15% DP

Amended 24/10/11, 28/11/11

### Ranges for Commodity Futures Products

<b>Futures Contracts</b>	<b>NCR</b>	<b>QCR (Lower Limit)</b>	<b>QCR (Upper Limit)</b>	<b>Start of ECR</b>
<b>Fine Wool</b>	10 Cents	11 Cents	99 Cents	100 Cents
<b>Greasy Wool</b>	10 Cents	11 Cents	99 Cents	100 Cents
<b>Broad Wool</b>	10 Cents	11 Cents	99 Cents	100 Cents
<b>NSW Wheat</b>	\$5.00	\$5.10	\$34.90	\$35
<b>WA Wheat</b>	\$5.00	\$5.10	\$34.90	\$35
<b>Eastern Australia Feed Barley</b>	\$5.00	\$5.10	\$34.90	\$35
<b>Australian Sorghum</b>	\$5.00	\$5.10	\$34.90	\$35
<b>Eastern Australia Canola</b>	\$5.00	\$5.10	\$34.90	\$35

Amended 24/10/11, 28/11/11

### Ranges for Energy Futures Products

<b>Futures Contracts % means distance from Reference Price</b>	<b>NCR</b>	<b>QCR (Lower Limit)</b>	<b>QCR (Upper Limit)</b>	<b>Start of ECR</b>
<b>Base Load Electricity</b>	1.5% DP	> 1.5% DP	≤ 15% DP	> 15% DP
<b>Peak Load Electricity</b>	1.5% DP	> 1.5% DP	≤ 15% DP	> 15% DP
<b>Base Load Electricity Strip</b>	1.5% DP	> 1.5% DP	≤ 15% DP	> 15% DP
<b>Peak Load Electricity Strip</b>	1.5% DP	> 1.5% DP	≤ 15% DP	> 15% DP

<b>Futures Contracts % means distance from Reference Price</b>	<b>NCR</b>	<b>QCR (Lower Limit)</b>	<b>QCR (Upper Limit)</b>	<b>Start of ECR</b>
<b>Base Load Electricity Cap</b>	1.5% DP	> 1.5% DP	≤ 15% DP	> 15% DP
<b>Base Load Electricity Cap Strip</b>	1.5% DP	> 1.5% DP	≤ 15% DP	> 15% DP
<b>VIC Gas</b>	1.5% DP	> 1.5% DP	≤ 15% DP	> 15% DP
<b>VIC Gas Strip</b>	1.5% DP	> 1.5% DP	≤ 15% DP	> 15% DP

Amended 24/10/11, 28/11/11

#### Ranges for Environmental Futures Products

<b>Futures Contracts % means distance from Reference Price</b>	<b>NCR</b>	<b>QCR (Lower Limit)</b>	<b>QCR (Upper Limit)</b>	<b>Start of ECR</b>
<b>Renewable Energy Certificates (REC's)</b>	1.5% DP	> 1.5% DP	≤ 15% DP	> 15% DP

Amended 28/11/11

#### Ranges for Options Contracts

<b>Option Contracts</b>	<b>NCR</b>	<b>QCR (Lower Limit)</b>	<b>QCR (Upper Limit)</b>	<b>Start of ECR</b>
<b>Interest Rate Option Products</b>				
<b>Australian 90 Day Bank Bills</b>	5 Basis Points	5.5 Basis Points	19.5 Basis Points	20 Basis Points
<b>Australian 30 Day Inter Bank</b>	5 Basis Points	5.5 Basis Points	19.5 Basis Points	20 Basis Points
<b>NZ 90 Day Bank Bills</b>	5 Basis Points	5.5 Basis Points	19.5 Basis Points	20 Basis Points
<b>Australian 3 Year Treasury Bond</b>	5 Basis Points	5.5 Basis Points	19.5 Basis Points	20 Basis Points
<b>Australian 10 Year Treasury Bond</b>	5 Basis Points	5.5 Basis Points	19.5 Basis Points	20 Basis Points
<b>NZ 3 Year Government Bond</b>	5 Basis Points	5.5 Basis Points	19.5 Basis Points	20 Basis Points
<b>NZ 10 Year Government Bond</b>	5 Basis Points	5.5 Basis Points	19.5 Basis Points	20 Basis Points
<b>Australian 3 Year Treasury Bond SSO</b>	5 Basis Points	5.5 Basis Points	19.5 Basis Points	20 Basis Points
<b>Australian 10 Year Treasury Bond SSO</b>	5 Basis Points	5.5 Basis Points	19.5 Basis Points	20 Basis Points
<b>Equity Option Products</b>				
<b>SPI 200</b>	25.0 Points	25.5 Points	99.5 Points	100.0 Points

Option Contracts	NCR	QCR (Lower Limit)	QCR (Upper Limit)	Start of ECR
<b>Commodity Option Products</b>				
Greasy Wool	25 Cents	26 Cents	99 Cents	100 Cents
NSW Wheat	\$5.00	\$5.10	\$19.90	\$20
WA Wheat	\$5.00	\$5.10	\$19.90	\$20
Eastern Australia Feed Barley	\$5.00	\$5.10	\$19.90	\$20
Australian Sorghum	\$5.00	\$5.10	\$19.90	\$20
Eastern Australia Canola	\$5.00	\$5.10	\$19.90	\$20
<b>Energy Option Products</b>				
Peak Load Electricity	25 Cents	26 Cents	99 Cents	100 Cents
Base Load Electricity Strip	25 Cents	26 Cents	99 Cents	100 Cents
VIC Gas Strip	5 Cents	6 Cents	24 Cents	25 Cents
<b>Environmental Option Products</b>				
Renewable Energy Certificates	25 Cents	26 Cents	99 Cents	100 Cents
<b>Determined Price of Option (determined by ASX 24)</b>			<b>% of Options NCR and ECR</b>	
Below 5 Minimum Tick Increments			20%	
Between 5.1 and 20 Minimum Tick Increments			40%	
Between 20.1 and 50 Minimum Tick Increments			60%	
Between 50.1 and 100 Minimum Tick Increments			80%	
Greater than 100 Minimum Tick Increments			100%	

Amended 01/03/11, 24/10/11, 28/11/11

## Exchange Cancellation of trades in the Extreme Cancellation Range

### Procedure 3210

3210.1 The Exchange may cancel trades under this Rule whether or not it has received a request from a Participant under Rule [3200] – Request for Cancellation.

Amended 28/11/11

3210.2 Notification to ASX of Trade in the ECR

- (a) A Participant must notify the Exchange by telephone within 10 minutes of the trade occurring if a trade has been executed in the Extreme Cancellation Range (ECR).
- (b) After the telephone notification, the Participant must email to the Exchange within 5 minutes and include the following information:
  - time of execution;
  - security/symbol;
  - number of contracts;

- price;
  - deal number; and/or
  - order number
- (c) If a trade results from a strategy, contingent or combination order the Participant that is a party to a trade in the ECR can request that the non-ECR leg is cancelled or that the ECR leg is repriced. The Participant must include the same information as in 3210.2(b) to proceed with the request.

Introduced 28/11/11

### 3210.3. Notification by Exchange of Outcome

- (a) Where the trade is notified to the Exchange or identified by the Exchange as likely to be within the ECR, the Exchange shall, as soon as possible, send a message to the market notifying the deal number(s). Where a non-ECR trade results from a strategy, contingent or combination trade that is related to the ECR trade and that non-ECR trade is requested to be cancelled, the Exchange will also provide the deal number(s) for that trade(s).
- (b) Where a decision regarding cancellation of a trade has been effected, the Exchange shall on a best endeavours basis notify the affected Participants of the decision prior to the cancellation and send a message to the market and will clearly identify the deal number(s) of the trade(s) on the Trading Platform.

Introduced 28/11/11 Amended 27/02/12

### 3210.4 Trades within the Extreme Cancellation Range

If a trade has a price at or within the ECR it will be cancelled unless:

**(a) Time limit is exceeded**

The Exchange will not cancel trades in the ECR if the trade is identified by or to the Exchange more than 30 minutes after the time of trade execution or 10 minutes has elapsed since the close of trading on the relevant Trading Day, whichever is sooner.

**(b) The ECR Trade is Repriced**

Where a trade results from a strategy, contingent or combination order the Participant that is a party to the trade within the ECR can request that the trade is repriced to the price point immediately before the ECR commences. The Exchange will only be able to facilitate this in the following circumstances:

- (i) there is only one counterparty to all legs of the trade;
- (ii) the Participant requesting the repricing and the Participant consenting to the repricing are able to produce their clients consent within 5 minutes of the request for repricing being made.

**(c) Other exceptions**

The other exceptions referred to in Procedure 3210.7 apply.

Introduced 28/11/11 Amended 27/02/12

### 3210.5. Cancellation Condition

The cancellation may be subject to such condition(s) as the Exchange sees fit, including but not limited to, the following:

- (a) the acceptance, by the Participant who has requested the cancellation (if applicable), or has originally executed the trade, of a trade executed by another Participant in reliance on the trade cancelled; or
- (b) the acceptance of a trade to cancel the trade.

The Participant shall comply with any such condition.

Amended 28/11/11

#### 3210.6. Cancellation Fee

The Exchange will impose a cancellation fee as specified in the Fee Schedule on [www.asx.com.au](http://www.asx.com.au) on the Participant responsible for the trade. The fee will be levied individually on each order that results in a trade being cancelled under this Rule capped at 5 orders.

Amended 28/11/11

#### 3210.7 Exceptions

**(a) Specific types of Trades**

Rule [3210] and this Procedure do not apply to the following transactions and the cancellation of these trades is dealt with in the trade specific Rules and Procedures:

- EFPs;
- Block Trades.

**(b) Exchange System or Process Malfunction**

In the event that trades result from any Exchange system or process malfunction, any resulting trade notified to the Exchange may be cancelled (regardless of the range the trade falls within or when the Exchange identifies the issue).

**(c) Other Exchange Rules and Approved Clearing Facility Rules**

Rule [3210] and this Procedure are subject to and may be overridden by any Exchange Rule that allows or disallows cancellation and any cancellation rule of an Approved Clearing Facility.

**(d) Time Limits and Repricing**

Trades in the Extreme Cancellation Range will not be cancelled where the time limit has been exceeded or the trade has been repriced as set out in Procedure 3210.4.

Amended 28/11/11, 27/02/12

### Dealing Disputes

#### Procedure 3220

A Trading Participant that is not a party to the trade may refer a trade to the Exchange if the Trading Participant suspects that the trade is erroneous. The trade will then be assessed in accordance with Rule [3210].

### Position Limits

#### Procedure 3400

For the purposes of Rule [3400] the number the permitted number of Open Positions which may be held by Trading Participants on behalf of any market user is as follows:

	<b>3-Year Commonwealth Treasury Bond Futures Contracts</b>	<b>10-Year Commonwealth Treasury Bond Futures Contracts</b>
Maximum number of spot month net Open Positions to be held at close of trading on T-1 and the remaining life of the contract at a corporate 'group' level	25,000	19,000

These expiry concentration position limits should be considered by market users as hard limits applicable to all market users (with beneficial ownership applied at 'group'<sup>9</sup> level), regardless of the particular type or style of trading activity undertaken. The Exchange may vary the limits on an exceptional case-by-case basis, with such discretion likely to be exercised on an infrequent and judicious basis only.

Where multiple Trading Participants hold positions on behalf of a single market user, these limits include all holdings by that market user. To this end, Participants are advised to regularly consult with such clients to ensure that they are not to exceed these limits.

These limits have been based upon consideration of a number of factors including:

- The Exchange's assessment of overall futures market size and a maximum acceptable degree of Open Interest concentration;
- physical market turnover and liquidity on expiry day (ie. the size of the cash market); and
- turnover and liquidity within the repo market.

Participants are referred to Bulletins 47/04 and 76/04 for further detail.

In the event of or in order to prevent an undesirable market situation, the Exchange may – in order to ensure fair, orderly and transparent markets under Rule [3100](c) – instruct Trading Participants to trade in a particular manner on behalf of their own account or those of other market users, potentially including an instruction to hold no more than a certain number of positions. In such an event, no further notification may occur before the issuance of such an instruction.

### **Exercise limits**

#### Procedure 3410

No exercise limits have been set for the purpose of Rule [3410].

### **Transactions outside Trading Hours**

#### Procedure 3431

Only Block Trades and EFP transactions are currently prescribed to occur outside Trading Hours. Cancellations may only be effected in accordance with Rules [3200] and [3210].

#### Procedure 3432

No transactions are currently prescribed to occur outside Trading Hours for overseas clients.

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<sup>9</sup> Application of limits at a 'group' level as the default (i.e. consolidating all affiliated corporate entities) is considered to be the most straightforward and reasonable basis. However, genuine disparate holdings by international branches of a global institution, or by proprietary trading and funds management divisions of a bank may be examples where the Exchange would utilise its discretion to vary limits as required.

## Reporting

### Procedure 3500

For the purposes of Rule [3500], a Trading Participant is taken to have lodged the required information in relation to Derivatives Market Transactions that occur in the Central Order Book by virtue of the information being generated automatically and supplied to the Exchange through facilities provided by the Exchange.

Separate reporting requirements apply to Block Trades (see Rule [4820]) and EFPs (see Rule [4800]).

In addition Trading Participants must supply the following Daily Beneficial Ownership Reports in relation to all transactions including those matched through the Central Order Book.

### **Daily Beneficial Ownership Report and Exceptional Reports Procedure**

1. Daily Open Position Reports
  - (a) In respect of every Open Position in an Account, as at the Close of Trading on a Business Day, a Trading Participant shall, no later than 8.00 am on every Business Day, or such other time as determined by the Exchange, provide to the Exchange a daily report, or reports, in a machine readable form, approved by the Exchange, and containing such information regarding the beneficial ownership of the position as determined by the Exchange.
  - (b) In the case of an emergency, including but not limited to system failure, or if an exemption is granted by the Exchange, the daily report may be provided in a non-machine readable form approved by the Exchange.
2. Content of Report
  - (a) Each daily report shall contain the name and address of the beneficial holder of the position (or, if approved by the Exchange, a symbol or indicator which will enable the Participant and the Exchange to readily identify the name and address of the holder), together with such other information as the Exchange may determine. Any Trading Participant which chooses to use symbols or indicators shall, prior to their use, provide the Exchange with a list of such symbols or indicators and the corresponding names and addresses.
  - (b) Each daily report shall show each Open Position separately for each delivery month or Option Series, as the case may be, of each contract as at the Close on the preceding Trading Date.
  - (c) Where a bought or a sold position results in there being an Open Position in:
    - (i) Futures Contracts in a particular commodity in any one delivery month; or
    - (ii) options in a single Option Series in a particular commodity in any one (1) delivery month,the bought and sold Futures Contracts of all delivery months of the particular commodity and the bought and sold options in all Options Series of the particular commodity must be reported.
3. Client Obligation to provide information

The ASIC Market Integrity Rules and ASX 24 Rules regarding client agreements require the Client to take all reasonable steps to obtain and communicate to the Trading Participant information, which would include that regarding beneficial ownership.

#### 4. Affiliated Accounts (“Omnibus” Accounts)

Where a Trading Participant knows that two or more accounts maintained or carried by that Trading Participant are acting under day-to-day trading control of a common entity or set of related entities, these accounts may be reported as a single Affiliated Account, even if the ultimate beneficial owners of the positions are separate entities. This will commonly be the case for fund management trading or instances where confidentiality prevents a Trading Participant from knowing the details of a position's ultimate beneficial owners.

In such a case, these accounts are to be reported to the level at which day-to-day trading decisions are made – fund accounts, for example, would be reported as a single fund account. Where individual clients of a broking service make their own decisions, these would be reported separately.

It is recognised that where an Affiliated Account is carried on behalf of an entity that is not the Trading Participant nor a related entity to it, the identities of the ultimate beneficial owners of holdings in this account are a matter of commercial confidentiality between the Trading Participant and its (immediate) client. As such, these accounts may be initially listed in these reports as a single Affiliated Account.

If this is the case, however, Trading Participants are explicitly reminded that they have an obligation to provide information regarding the identity of the ultimate beneficial owners of positions if and when requested by the Exchange. This Rule applies to all Affiliated Accounts, including those held offshore.

It is the Trading Participant's obligation to ensure that they have established the appropriate procedures to obtain information relating to the identity of clients in an Affiliated Account readily. These procedures may include requiring the client provide the information directly to the Exchange in order to preserve confidentiality. The Client Agreement Form may be a suitable mechanism to ensure the appropriate framework is in place to ensure client account information is readily obtainable.

#### 5. Participants' House Affiliated Accounts

Where the Trading Participant has a number of internal divisions which clear trades through their futures division, a House Omnibus Account will generally incorporate trade details undertaken by these many different divisions.

In some instances the Trading Participant may only report open positions as a total of all divisions' trading held by the Trading Participant. The Exchange must then request that the Participant break down the report to reflect the separate positions held by the different divisions within the Trading Participant entity.

The Exchange recommends that Trading Participants report their House Omnibus Account information, where possible, with a full break down of open positions held by their separate Divisions as a matter of best practice.

#### 6. Determination of Penalties in Case of Breach

This Rule requires reports provided under it to be complete, accurate and submitted in a timely manner. In considering whether a penalty should be imposed – and the level of penalty imposed – upon a Trading Participant because of computer malfunction or, without limitation, other circumstances which the Trading Participant demonstrates are beyond its control, the Exchange shall have due regard for the circumstances of the breach.

A Trading Participant should be able to demonstrate that it has made every effort to submit these files accurately and in a timely manner, including identification and use of back-up procedures should the primary submission mechanism fail. Trading Participants are further reminded that if the Daily Open Position Report is submitted by a third-party on the Trading Participant's behalf, the Trading Participant remains liable for any failure to provide this report.

## 7. Alternative Avenues to Request the Information

Where the ultimate client account information is held in an offshore client omnibus account, the Exchange may utilise various international information sharing arrangements to access the relevant information. Clearly, such a procedure is not as discreet as requesting the relevant information from the Trading Participant directly and the Trading Participant requesting the information from its Client. If necessary, the Exchange may:

- (i) request the information directly from the host exchange via “The International Information Sharing Memorandum of Understanding and Agreement”;
- (ii) request the information directly via the “Intermarket Surveillance Group Agreement”; or
- (iii) request the Australian Securities & Investment Commission (“ASIC”) exercise its international information sharing arrangements and where possible request the information be compelled by the relevant foreign regulator.

The Exchange will only use these avenues when a Trading Participant’s efforts to obtain the relevant client account information have been unsuccessful.

## 8. Exceptional Reports

The Exchange may at any time call for an exceptional report from any Trading Participant in respect of Open Positions, requiring it to furnish such information as determined by the Exchange. This may include each transaction entered into by the Trading Participants on other Exchanges, matched through the Central Order Book or conducted off-market, including by Block Trade or EFP facilities.

## Registration with Approved Clearing Facility, Allocation and Designation

### Procedure 3713

The Exchange has determined the following times to designate and allocate:

Session	Allocation and Assignments	Assignments of Allocations In
Overnight	9.00 am	9.30 am
Morning	2.00 pm	2.30 pm
Afternoon	6.00 pm	6.30 pm
NZ	3.30 pm (5.30 pm NZ time)	3.30 pm (5.30 pm NZ time)

## Client Agreements

### Procedure 3801

A Client agreement required under ASIC Market Integrity Rule 2.2.5 in relation to Futures Market Contracts must incorporate the following minimum terms:

- (a) **Governing Law and Rules**

The Client and Trading Participant are bound by the Exchange Rules and the customs, usages and practices of the Exchange’s Markets.
- (b) **Client to Provide Information**

In relation to the Client’s trading on the Exchange, the Client will upon the Trading Participant’s request, provide all information and documentation relevant to that

trading, to the Trading Participant and the Trading Participant is authorised by the Client to provide the information and documentation to the Exchange.

(c) Benefit to Participant of Contract Registration with the Approved Clearing Facility

Any benefit or right obtained by any Trading Participant upon registration of a contract with the Approved Clearing Facility by way of assumption of liability of the Approved Clearing Facility under any contract or any other legal result of such registration is personal to the Trading Participant and the benefit of such benefit or right does not pass to the Client.

(d) Client only has Rights Against Participant

In relation to all trades conducted on the Exchange by the Trading Participant and all Contracts registered by the Trading Participant with the Approved Clearing Facility the Client has no rights whether by way of subrogation or otherwise, against any person or corporation other than the Trading Participant.

(e) Appointment of Attorney

An appointment by the Client of the Managing Director of the Approved Clearing Facility as the Client's attorney to do all things necessary to transfer any Open Position held by the Trading Participant on the Client's behalf to another Trading Participant where the Trading Participant status of the Trading Participant has been suspended or terminated.

(f) Exchange Data

An acknowledgment by the Client who has access to electronic order facilities that:

- (i) data made available to the Client by access to electronic order entry facilities is not the property of the Participant and remains the valuable property of the Exchange; and
- (ii) the client is prohibited from publicly displaying, redistributing or re-transmitting the data in any way without having executed a Market Data Distribution Agreement or similar agreement with the Exchange.

### **Explanatory Note**

A clause regarding Exchange data to the effect of (f) is not required where a Client does not have access to electronic order facilities.

This Rule and Procedure does not apply:

- (i) to a Principal Trader;
- (ii) where the Client is another Trading Participant, in which case an agreement containing this term is deemed to have been entered and come into effect immediately upon the Trading Participant accepting the first instruction from the Client to enter a contract on the Exchange's Markets; or
- (iii) where the Trading Participant is performing execution business only and has an agreement in place with the Client that incorporates all the terms of an agreement determined by the Exchange to be appropriate for use when a Trading Participant is performing execution business only.

The Exchange has determined, that the provisions set out in the International Uniform Brokerage ("Give-Up" Agreement) (both client and trader versions) approved from time to time by the Futures Industry Association and Futures and Options Association is appropriate for use by a Trading Participant when performing execution business only.

## Grain Futures Client Agreement – Minimum Terms

### Interpretation

“**ASX Clear (Futures)**” means ASX Clear (Futures) Pty Limited.

“**Current Season**” means:

- (a) in relation to an Underlying Commodity (other than Sorghum and Feed Barley):
  - (i) the commodity has been harvested in the same industry accepted crop season within which the Settlement Month falls; or
  - (ii) the commodity has been upgraded by the Bulk Handler as if it had been harvested in the same industry accepted crop season within which the Settlement Month falls;
- (b) in relation to Sorghum and Feed Barley the commodity may be harvested in any industry accepted crop season so long as there is no regulatory control over that particular crop year.

“**Interest**” means, in relation to an Underlying Commodity which is grain, a reference to the interest which ASX Clear (Futures) has in the Underlying Commodity under the terms of the Bulk Handler Agreement.

### 1. The nature of the Grain Futures Contracts and the Underlying Commodity

The Client acknowledges that:

- (a) ASX Clear (Futures) operates a clearing and settlement facility for deliverable Futures Contracts over an Underlying Commodity which is grain;
- (b) Under the ASX Clear (Futures) Operating Rules, a Clearing Participant which is a Seller under a Futures Contract must ensure that ASX Clear (Futures) holds, prior to the settlement of the contract by effecting delivery of the Underlying Commodity, an Interest in the Underlying Commodity and that Interest will be held by ASX Clear (Futures) for the benefit of that Clearing Participant;
- (c) ASX Clear (Futures) will hold the Interest in the Underlying Commodity for the benefit of a Clearing Participant which is a Buyer where the Buyer has taken delivery in accordance with the ASX Clear (Futures) Operating Rules;
- (d) ASX Clear (Futures) will not generally take or make actual physical delivery of the Underlying Commodity from or to a Clearing Participant;
- (e) the Underlying Commodity in which ASX Clear (Futures) holds the Interest is held by a Bulk Handler in a Delivery Depot and the physical storage, transfer and physical delivery of the Underlying Commodity is governed by the terms of the relevant Bulk Handler Agreements;
- (f) the Bulk Handler will hold the Underlying Commodity for a number of Clients of the Bulk Handler (one of which is ASX Clear (Futures)) and will recognise the interest of ASX Clear (Futures) in the stored Underlying Commodity with the other Clients of the Bulk Handler (as owners in common);
- (g) the Bulk Handler will only recognise ASX Clear (Futures)’s Interest and is not bound to recognise that ASX Clear (Futures) may hold the Interest, or any part of the Interest, for the benefit of a Clearing Participant or the Client;
- (h) ASX Clear (Futures) may deal with, and exercise all rights attached to, its Interest in accordance with the ASX Clear (Futures) Operating Rules and any Bulk Handler Agreement and need not, subject to the ASX Clear

(Futures) Operating Rules, have regard to any interest the Client or Clearing Participant might have in the Underlying Commodity; and

- (i) ASX Clear (Futures) has no obligation to insure any Interest or any Underlying Commodity represented by that Interest.

## **2. No representations and warranties**

The Client acknowledges that neither the Exchange nor ASX Clear (Futures) makes any warranty or representation to the Client or the Trading Participant:

- (a) concerning the quality or suitability for any purpose of any Underlying Commodity or the correspondence of any Underlying Commodity with any description or sample;
- (b) that any Bulk Handler Agreement or any similar agreement between the Bulk Handler and any other person is valid or enforceable;
- (c) that the interest conferred on ASX Clear (Futures) under any Bulk Handler Agreement is a valid and enforceable interest or that it confers on or through ASX Clear (Futures) a proprietary interest in the relevant Underlying Commodity; or
- (d) concerning the suitability or financial viability of, or the services provided by, the Bulk Handler.

The application of the United Nations Convention on Contracts for the International Sale of Goods is excluded from any contract created or contemplated by the ASX 24 Operating Rules.

## **3. Instructions**

The following term must be included in the Client agreement between the Trading Participant and its Client, where the Client does not also have an agreement with the Clearing Participant governing the clearing of Market Transactions:

*The Trading Participant will notify the Client of procedures for the Client to give instructions for the lodgement of tender documentation prior to the settlement of Open Contracts including, without limitation, the latest time at which those instructions will be accepted.*

## **4. Pre-settlement arrangements for Sellers**

Prior to the Client instructing the Trading Participant to settle a Grain Futures Contract by effecting delivery of the Underlying Commodity, the Client must have transferred, or procured the transfer, through a Clearing Participant to ASX Clear (Futures) an Interest in the Underlying Commodity at least two Business Days prior to instructing the Trading Participant to effect tender in accordance with the ASX Clear (Futures) Operating Rules and Clearing Procedures.

## **5. Authority**

If the Client transfers or delivers, or provides for transfers or delivery, of the Underlying Commodity to the Clearing Participant to enable the Clearing Participant to meet its obligations to ASX Clear (Futures) under the ASX Clear (Futures) Operating Rules, the Client represents and warrants to each of the Trading Participant and the relevant Clearing Participant that:

- (a) it has capacity and authority to transfer or deliver (as applicable) the Underlying Commodity to the Clearing Participant;
- (b) the Clearing Participant is authorised to transfer or deliver (as applicable) the Underlying Commodity (or an interest in the Underlying Commodity) to ASX Clear (Futures); and
- (c) the Underlying Commodity (or an interest in the Underlying Commodity) is free from any encumbrance or lien.

**6. Conversion of "old season grain" to "new season grain"**

The Client acknowledges that the Bulk Handler Agreement may give ASX Clear (Futures), as the holder of the Interest, the right to convert "old season grain" to "new season grain" and the Clearing Participant is, under the ASX Clear (Futures) Operating Rules, required to indemnify ASX Clear (Futures) against any costs and expenses incurred by ASX Clear (Futures) where ASX Clear (Futures) exercises any right in respect of such conversion.

**7. ASX Clear (Futures) directions**

The Client acknowledges that ASX Clear (Futures) may make a direction to the Clearing Participant to either:

- (a) accept the transfer from ASX Clear (Futures) of all or part of the Interest which ASX Clear (Futures) holds for the benefit of the Clearing Participant; or
- (b) accept physical delivery from ASX Clear (Futures) (or its agent) of all or part of the Underlying Commodity represented by that Interest.

The Client also acknowledges that if the ASX Clear (Futures) Clearing Participant does not comply with a direction of that kind from ASX Clear (Futures), ASX Clear (Futures) has powers under the ASX Clear (Futures) Operating Rules to dispose of the Interest or the Underlying Commodity represented by the Interest.

**8. Clearing Participant directions**

Where the Clearing Participant holds or receives the Underlying Commodity or any interest in the Underlying Commodity for the benefit of the Client, the Client must in turn comply with any direction given in connection with the holding, transfer or delivery of the interest or the Underlying Commodity which the Clearing Participant considers necessary to comply with its obligations under the ASX Clear (Futures) Operating Rules or any agreement between the Clearing Participant and a Bulk Handler. The Trading Participant may take all necessary steps, including the execution of all necessary documents, to give effect to that direction.

Introduced 24/10/11

## **SECTION 4 EXECUTION, QUOTE, DISPLAY AND REPORTING SERVICES**

### **Session States**

#### Procedure 4013

For the purposes of Rule [4013] the parameters applicable during particular Session States are as follows:

#### **Trading Platform Phases of Operation and Prioritisation**

- 1 There will be a Pre-Opening Phase prior to the commencement of Open Trading.
- 2 During the Pre-Opening Phase only individual Limit Orders at a specified price may be entered into the Trading Platform Book but they cannot be executed by the Trading Platform until the Open.
- 3 No bids or offers entered into the Trading Platform Book during the Pre-Opening Phase may be cancelled during the Levelling Phase and no further bids or offers may be entered in this period.
- 4 At the expiry of the Levelling Phase, the Trading Platform shall execute at the Open as many as possible bids greater than or equal to a common price and as many as possible offers less than or equal to a common price. For the purposes of filling orders at the common opening price, time of order submission shall be used to determine priority among orders at a single price. The allocation of orders by the Trading Platform shall be final.
- 5 The common price calculated during the Levelling Phase shall be determined on the basis of an Equilibrium Price at which the most trades may be executed. During the Pre-Opening Phase the Trading Platform shall display, where possible, an indicative Equilibrium Price based on the bids and offers in the Trading Platform Book.
- 6 Upon commencement of Open Trading, all bids and offers released for trading shall be executed by the Trading Platform by Prioritised Execution.
- 7 There shall be a Pre-Price Discovery Phase for specified Markets as determined by the Exchange from time to time. At the commencement of the Pre-Price Discovery Phase, all orders that have not traded or have not fully traded and/or are not designated as GTC shall be purged from the Trading Platform in readiness for the Price Discovery Phase. No new orders shall be accepted and no modifications to GTC orders with the exception of cancellation of GTC orders shall be made during the Pre-Price Discovery Phase.
- 8 There shall be a Price Discovery Phase for specific Markets, as determined by the Exchange from time to time, prior to the re-commencement of Open Trading.
- 9 During the Price Discovery Phase only individual Limit Orders may be entered into the Trading Platform Book but they cannot be executed by the Trading Platform until the Open.
- 10 No bids or offers entered into the Trading Platform Book during the Price Discovery Phase may be cancelled during the Levelling Phase and no further bids or offers may be entered in this period.
- 11 At a time after the Close of a Commodity specified by the Exchange, all orders that have not traded or have not fully traded and are not designated as GTC shall lapse and be Purged from the Trading Platform.

## **Prioritisation of the Trading Platform**

- 12 (a) Once accepted by the Trading Platform, entries in the Trading Platform Book, other than orders entered via the Custom Market, shall be maintained in time priority as recorded by the Trading Platform until executed on a Prioritised Execution basis (other than during a Pre-Opening Phase) or cancelled.
- (b) Once accepted by the Trading Platform, GTC Orders entered in the Trading Platform Book may be maintained through to the next Trading Date subject to Purge and Retain functionality.

## **Order Entry**

### Procedure 4021

For the purposes of Rule [4021] the following applies:

#### **4021.1 Expressions of Interest**

1. An Expression of Interest is an enquiry made by a Client to obtain the current market in a particular contract or for volume available at a certain price. It is not a firm order to buy or sell. This rule is intended to provide for the situation where a market is not available (on the screen) for a particular product. If a market is on screen, as would normally be the case for a liquid product such as the spot Ten Year Commonwealth Treasury Bond contract, the Participant may pass this information on to the Client, without being required to send a message.
2. Upon receipt of an Expression of Interest a Participant is required to broadcast that interest to the entire market via the Trading Platform by either of the following methods:
  - (a) the "Request for Quote" facility where the Expression of Interest is for a single contract or option strike; or
  - (b) the "Message" facility where the Expression of Interest is for a multi-legged strategy.
3. When using the "Message" facility Participants must ensure that all Expressions of Interest are sent to "All Users". Under no circumstances may a Participant send its interest to one or more selected Participants unless the same details of that Expression of Interest have been broadcast to "All Users".
4. An Expression of Interest is only valid when the market is open. Therefore, although it is possible to make an Expression of Interest broadcast outside trading hours, it must be broadcast again upon the open of the trading session to ensure the widest possible audience.
5. A Participant may make enquiries regarding that Expression of Interest amongst other market Participants to the extent that the Expression of Interest has been broadcast to the market. However, only information that has been disclosed to the entire market may be disclosed to other market Participants. It is a breach of the Operating Rules to disclose details of an Expression of Interest that have not been broadcast to the market.
6. A Participant cannot trade on an Expression of Interest until the Client gives a definite instruction to buy and sell. Failure to receive a firm order prior to executing a trade would be considered Post Allocation and therefore, prohibited by the ASIC Market Integrity Rules.

#### **4021.2 Information to be Input When Orders Entered on the Trading Platform**

1. An Order is an instruction to deal that satisfies the following requirements:

- contract(s) and month(s);
  - volume;
  - an instruction to buy or sell; and
  - price – ie. an indication of price level, volatility level or instruction such as volume weighted average price (VWAP).
2. The following shall be input when entering a bid or offer:
    - (a) type of order and/or time indications as required by the order type;
    - (b) relevant price;
    - (c) quantity;
    - (d) an indication as to whether an order should be Retained by the Trading Platform if the Participant's Terminal goes off line;
    - (e) an indication as to whether an order is a Shared Order;
    - (f) subject to an account number to be assigned to the order;
    - (g) in the case of the Spread Trade Facility, the differential;
    - (h) in the case of Custom Market Orders, the individual leg prices and the base ratio; and
    - (i) subject to a Client Identifier assigned to the client unless such Client Identifier is satisfied by (f) above.
  3. The Client Identifier or Account Number must be entered in the Trading Platform no later than ten (10) minutes after the entering of a bid or offer and may only be entered after this time when the Participant can demonstrate to the satisfaction of the Exchange that extenuating circumstances existed.
  4. During Open Trading no bids may be released into the Trading Platform that are higher than the current best offer price and no offers may be released into the Trading Platform that are lower than the current best bid price, except when entering a Sweep Order.
  5. The Client Identifier or Account Number can be entered as trade modification in the Clearing System either manually or electronically via the OMnet API.
  6. Participants who wish to use straight through electronic processing via the Clearing System must comply with the following processes for the mapping of Account Numbers and Client Identifiers for any comments between the Trading Platform and the Clearing System or such other processes as the Exchange determines:
    - (a) Comments and Client Account information must be separated by a “/” delimiter, i.e. Comment/Account;
    - (b) The “/” delimiter can be entered anywhere within the field, e.g. Comment/Account or C123/Account;
    - (c) Comment information must always precede Client Account information;
    - (d) If there is a Comment but no Client Account, the field should contain no “/” delimiter, e.g. Comment;
    - (e) If there is a Client Account but no Comment, the field must commence with a “/”, e.g. /Account; and
    - (f) The field is limited in length to 15 characters.
  7. The updated information will then be available to Participant's back office systems via the OM SECUR client information field on the API.

8. In the event the Participant fails to follow any or all of these procedures, straight through electronic processing will not be available and the Participant must give up or allocate information manually via OM SECUR.
9. Participants should note that 'all or none' orders are not acceptable. Therefore, if a client requests an order to be executed for a certain volume or not at all, it is the Participant's responsibility to educate its clients that such orders cannot be accepted.
10. All orders, that are at or near market, must be entered into the Trading Platform upon receipt, in sequence, and pursuant to client instructions in accordance with the Operating Rules. It should be noted, however, that Participants can finesse orders, that is, orders must be entered into the Trading Platform but they do not have to be entered at their limit price, or for full volume.

#### **4021.3 Permitted Orders and Order Designations on the Trading Platform**

1. The Trading Platform will only accept permitted orders and order designations as follows:
  - (a) Limit Order: also referred to as "LIM", being an order to be executed at a specified price;
  - (b) Sweep Order: being an order that allows a Participant to buy or sell one or more price levels through the prevailing Market to execute a given volume;
  - (c) Spread Order: being a Limit Order with a specified differential at which such order is to be executed;
  - (d) Custom Market Order: being a Limit Order which is a non-standard multi-legged strategy consisting of up to six legs of either Futures Contracts or Option Contracts or a combination of both and traded pursuant to the Custom Market Rules;
  - (e) Fill or Kill: also referred to as "FOK", being a Limit Order which expires after a period of time as determined by the Exchange; and
  - (f) Good Till Cancelled: "GTC" being a Limit Order which remains good till cancelled.
  - (g) Market Limit Order: also referred to as "MLM", being a Limit Order to be executed at a specified price which is above or below the prevailing Market; and
  - (h) Timed Orders: being a Limited Order which expires at a specified time and date.

Amended 14/09/10

2. An order on the Trading Platform may also be designated as follows:
  - (a) Market: also referred to as "MKT", orders are not functional and act as an order type identifier only;
  - (b) Market if Touched: also referred to as "MIT", orders are not functional and act as an identifier only;
  - (c) Stop Order: also referred to as "STP", orders are not functional and act as an identifier only;
  - (d) Stop Limit: also referred to as "SLM", orders are not functional and act as an identifier only;
  - (e) Discretionary: also referred to as "DSC", orders are not functional and act as an identifier only; and

However these orders shall have functionality as Limit Orders and are also subject to the Purge and Retain functionality.

#### Procedure 4025

For the purposes of Rule [4025] the guidelines concerning an excessive number of Orders are a ratio of Orders entered to trades executed that equals or exceeds 50:1.

There are no guidelines prescribed concerning an excessive number of Quote Requests.

#### **Priority of Orders**

#### Procedure 4030

For the purposes of Rule [4030] there are no exceptions prescribed.

#### **Removal or Retention of Orders at End of Day**

#### Procedure 4070

For the purposes of Rule [4030] all unmatched Limit Orders in the Central Order Book will be removed at the end of each Trading Day. GTC orders will remain.

#### **Pre- Negotiated Orders**

#### Procedure 4401

For the purposes of Rule [4401] the following Contracts may only be pre-negotiated as follows:

<b>CONTRACT</b>	<b>MINIMUM PRESCRIBED TIME BETWEEN MESSAGE AND ENTRY OF ORDERS: OUTRIGHT MARKET</b>	<b>MINIMUM PRESCRIBED TIME BETWEEN MESSAGE AND ENTRY OF ORDERS CUSTOM MARKET</b>	<b>AFTER PRESCRIBED TIME HAS ELAPSED – TIME ALLOWED FOR ORDER EXECUTION+</b>	<b>MINIMUM VOLUME THRESHOLD</b>
<b>INTEREST RATES</b>				
30 Day Interbank Cash Rate Futures	Not permitted	30 seconds*	90 seconds	1 lot
Options on 30 Day Interbank Cash Rate Futures	10 seconds	30 seconds	90 seconds	1 lot
90 Day Bank Accepted Bill Futures	Not permitted	30 seconds*	90 seconds	1 lot
Serial & Quarterly Options on 90 Day Bank Accepted Bill Futures	10 seconds	30 seconds	90 seconds	1 lot
3 Year Commonwealth Treasury Bond Futures	Not permitted	30 seconds*	90 seconds	1 lot
Serial & Quarterly Options on 3 Year Commonwealth Treasury Bond Futures	10 seconds	30 seconds	90 seconds	1 lot
3 Year Interest Rate Swap Futures	10 seconds	30 seconds	90 seconds	1 lot
10 Year Commonwealth Treasury Bond Futures	Not permitted	30 seconds*	90 seconds	1 lot

Serial & Quarterly Options on 10 Year Commonwealth Treasury Bond Futures	10 seconds	30 seconds	90 seconds	1 lot
10 Year Interest Rate Swap Futures	10 seconds	30 seconds	90 seconds	1 lot
New Zealand 90 Day Bank Bill Futures	Not permitted	30 seconds*	90 seconds	1 lot
New Zealand 90 Day Bank Bill Options	10 seconds	30 seconds	90 seconds	1 lot
New Zealand 3 Year Government Stock Futures	Not permitted	30 seconds*	90 seconds	1 lot
New Zealand 3 Year Government Stock Options	10 seconds	30 seconds	90 seconds	1 lot
New Zealand 10 Year Government Stock Futures	Not permitted	30 seconds*	90 seconds	1 lot
New Zealand 10 Year Government Stock Options	10 seconds	30 seconds	90 seconds	1 lot
New Zealand 30 Day Official Cash Rate Futures Contract	10 seconds	30 seconds	90 seconds	1 lot
Options on 30 Day Interbank Cash Rate Futures	10 seconds	30 seconds	90 seconds	1 lot
<b>EQUITY</b>				
SPI 200 Futures	N/A	30 seconds*	90 seconds	1 lot
SPI 200 Options (quarterly)	10 seconds	30 seconds	90 seconds	1 lot
<b>COMMODITIES</b>				
Wool Futures	120 seconds	120 seconds	90 seconds	1 lot
Wool Options	120 seconds	120 seconds	90 seconds	1 lot
Grain Futures	60 seconds	60 seconds	90 seconds	1 lot
Grain Options	60 seconds	60 seconds	90 seconds	1 lot
<b>ELECTRICITY</b>				
Australian electricity futures (including cap futures and strip products)	30 seconds	30 seconds	90 seconds	1 lot
Australian electricity options (including strip options)	30 seconds	30 seconds	90 seconds	1 lot
New Zealand Electricity Futures (including strip products)	30 seconds	30 seconds	90 seconds	1 lot
New Zealand Electricity Strip Options	30 seconds	30 seconds	90 seconds	1 lot
Victorian Wholesale Gas Futures (including strip products)	30seconds	30 seconds	90 seconds	1 lot

Victorian Wholesale Gas Strip Options	30 seconds	30 seconds	90 seconds	1 lot
<b>ENVIRONMENTAL PRODUCTS</b>				
REC Futures & Options	120 seconds	120 seconds	90 seconds	1 lot

Amended 24/10/11

- + Time allowed for order execution – determined to be “immediate”.
- \* Can only be pre-negotiated under Rule [4401] as part of a strategy in the Custom Market involving prescribed contracts, for example, a SPI 200 Futures / SPI 200 Options strategy or a 90 Day Bank Bill Futures / 90 Day Bank Bill Options strategy.

## Trading Procedures

1. Where a Trading Participant receives an instruction from a Client which can be executed as pre-negotiated business, the Trading Participant may:
  - (a) withhold transmission of the instructions in order to solicit orders from Clients and other Trading Participants;
  - (b) disclose details of Clients’ instructions; and
  - (c) aggregate orders received from Clients in satisfaction or part satisfaction of the originating Client order.

The broker is free to withhold the order, disclose information not known to the rest of the market and pre-negotiate the other side of the order. An order may of course still be entered into the market, but it is not a requirement when pre-negotiating business.

2. Once counterparties have been solicited the Trading Participant(s) must enter the orders on the Trading Platform for execution.
3. Prior to entering the pre-negotiated orders on the Trading Platform for execution in the relevant contract month or strategy, the Trading Participant holding the originating Client order must make an enquiry via the Trading Platform Message Facility or via the Trading Platform Request For Quote Facility for a market in that contract month or strategy.
4. No pre-negotiated business order shall be entered into the Trading Platform unless the prescribed period, being not less than 5 seconds or such other time as determined by the Exchange, has elapsed after the entry of the enquiry.
5.
  - (a) Where the Trading Platform Request for Quote Facility is available all requests for quote must be made via that facility.
  - (b) Where a Trading Platform Request for Quote Facility is not available, all requests for quote must be made via the Trading Platform Message Facility.
6. The request for quote needs to specify all information that is material to the pricing and trading of the orders to be executed. The request for quote should, where applicable, include the following:
  - (a) A description of the contract and/or class and series of the options(s) that will form the strategy;
  - (b) A description of the intended trade using common market terminology; and
  - (c) If the trade involves a ratio of futures or options and/or delta hedge, information that explicitly specifies the ratio and/or delta and the price basis for the hedge in the underlying commodity.

7. If an order is not pre-negotiated and a Request for Quote or Message is not sent prior to entry of opposing orders then the Trading Participant must conform with the usual Rules. This includes prohibitions on withholding, disclosure and trading to the exclusion of the market which are set out in the ASIC Market Integrity Rules. If Trading Participants are unsure whether orders have been pre-negotiated or not they are encouraged to send a Request for Quote or Message and wait the prescribed period before releasing opposing orders.
8. Following the entry of an enquiry via the Trading Platform Message Facility or Trading Platform Request for Quote Facility, the pre-negotiated orders must be entered on the Trading Platform for execution immediately after the prescribed period has elapsed. When entering orders after this prescribed period they can be entered simultaneously, for instance, by 'tagging and releasing' or entry via two separate Terminals at the same time.
9. Where a Trading Participant holds opposing orders at a particular price, and a market is made following a Request for Quote or Message that touches or overlaps that specific price, then a Trading Participant must trade with the market even if it means missing out on a cross trade. To hold back execution of a client order that is in market would be inconsistent with client instructions and detrimental to the client's best interests and contrary to ASIC Market Integrity Rules.
10. Definition of Client  
For the purpose of the pre negotiated business facility "a Client" of a Trading Participant which is a corporation shall include a related body corporate as defined in the Corporations Act or a division of the Trading Participant which is separate from that Trading Participant's futures division.
11. Client Authorisation  
See ASIC Market Integrity Rules.

## **Strategy Orders**

### Procedure 4402

For the purpose of Rule [4402] Strategy orders may only be effected as follows:

The following Strategy Orders are permissible:

1. Strip Orders
2. Spread Orders
3. Option Strategy Orders

#### **4402.1 – Trading Procedure – Strip Trading**

There are two types of permitted Strip Orders:

- (a) Spot Month Strip Orders; and
  - (b) Non Spot Month Strip Orders.
- 
- (a) Procedures for Spot Month Strip Order
    1. A Spot Month Strip refers to a trade where between 5 and 20 consecutive traded months of a Futures Contract, beginning with the spot contract, are bought and/or sold simultaneously with the same volume for each of those traded months via a dedicated market on the Trading Platform.
    2. Receipt of Order

Upon receipt of an order the Participant transmits the order via order entry into the defined Trading Platform market window.

3. Pricing

- (a) The Exchange's standard for defining a Strip market will be that the last expiry month for that Strip market will denote the contract month to identify that Strip market in the defined market window on the Trading Platform.

For example: if the H0 contract was the spot (1) contract then:

1-5 strip	=	STH1
1-6	=	STM1
1-7	=	STU1
1-8	=	STZ1
1-9	=	STH2
1-10	=	STM2
1-11	=	STU2
1-12	=	STZ2

- (b) Contracts listed in the defined market window on the Trading Platform will be the 1-5 strip out to the 1-20 strip.

- (c) Pricing convention in the defined market window on the Trading Platform will be:

Differential = (IR strip price – YT price) + 1000

IR strip = 94.00

YT price = 94.5000

ie trading 50 under, differential input into market for order entry = 950.00

- (d) Where an on-market Strip is traded basis the Three Year Treasury Bond Contracts, the Three Year Treasury Bond Contract price allocated to the trade will be the last traded price in the Spot Three Year Treasury Bond Contract at the trade time of the Strip Trade. If the Three Year Treasury Bond Contracts have not traded, then the price allocated by the Exchange will be the Spot Three Year Treasury Bond Contract settlement price.
- (e) Prices for the first four (1-4) 90 Day Bank Accepted Bill contract months are within the high/low for that Trading Date. From the fifth to twentieth (5-20) month, prices are within the tick range as from the bid or offer for that particular contract month. Where there is no bid or offer, then the previous spread differential from the prior month must be used to determine the price.
- (f) The spot month of the 90 Day Bank Accepted Bill contract will always be the first month of any on-market Strip Trade executed through the on-market Strip Market.
- (g) There is no time limit after the entry of a bid or an offer before entering a bid or offer in the same Strip contract at the same price, which is opposite in effect.

4. Complete Record

- (a) Where a Strip has traded the Seller and Buyer complete a Strip Trade Record. The Seller provides the Record to the Buyer for verification containing the following information:

- (i) the average price of the Strip Trade;

- (ii) which Trading Participant bought and which Trading Participant sold;
  - (iii) the number of lots traded; and
  - (iv) the basis for each contract month.
- (b) The Record is submitted via SFEIN for 90 Day Bank Bill Strips and via the attached form for all other Spot Month Strip Trades.

5 Submit Record To Exchange

- (a) Participants are responsible for ensuring that records for Spot Month Strip Trades are lodged with the Exchange within ten (10) minutes of the trade being executed.
- (b) The Strip Trade Record is transmitted to the Exchange within ten (10) minutes after the Strip Trade has been confirmed so that the Exchange can present the trades to the Approved Clearing Facility for registration. Where a Strip Trade Record is not received by the Exchange within the ten (10) minutes or the parties to the trade cannot agree the prices to be inserted on the Strip Trade Record, the Exchange shall allocate the indicative prices generated by the Exchange as the individual prices to the legs of the Strip Trade. The trade is deemed to be confirmed by the parties and recorded by the Exchange as being executed by the Trading Platform.
- (c) Each Record is provided to the Exchange in writing for verification. Full details are recorded by the Exchange and the record is retained by the Exchange. Full details of the net price of the Strip Trade shall be provided on the Trading Platform.
- (d) Exchange Officials are under no obligation to accept Record details where the information cannot be readily and properly verified.

6. Allocate Each Leg To Same Account

As per ASIC Market Integrity Rules each individual leg of an on-market Strip Trade is allocated to the same account.

**Spot Month Strip Trade Record Form**

DATE		TIME	
------	--	------	--

AVERAGE PRICE		DEAL No.	
---------------	--	----------	--

Deal No.	Contract	Sell	Buy	Volume	Price

<b>SELLER</b>		
	<b>Signature</b>	

	<b>Print Name</b>	<b>Member MNM</b>
BUYER		
	<b>Signature</b>	
	<b>Print Name</b>	<b>Member MNM</b>

FOR ASX 24 USE:

Received by:	
Time:	
Details Agreed:	
Presented to Trade Entry for Registration:	

(b) Procedures For Non-Spot Month Strip Trading

1. Non Spot Month Strip Trade

A Non Spot Month Strip Trade refers to a trade where seven (7) or more consecutive traded months of a Futures Contract are bought or sold simultaneously, with the same volume for each of those traded months and the trade is unable to be executed on a designated Trading Platform market (as the trade does not commence with the spot contract) or via the Custom Market.

2. Receipt of Order

Upon receipt of an order the Trading Participant transmits the order immediately to the Trading Platform via the Message Facility, stating the average price or Net Premium of the trade and the number of lots to be traded for each contract month. Trading Participants state the average price of the Non Spot Month Strip Trade and the volume to be traded for each contract month and this is sent to the Exchange via the Trading Platform Message Facility using the following terminology:

“Sell /Buy CCMY – CCMY x lots @ average price”

3. Pricing

The basis price(s) are within the following limits:

- (a) The bid/offer of the appropriate contract.
- (b) If only a bid or only an offer, then the specified tick range from the existing bid or offer. If the bid is below prior settlement then prior settlement may be used. If the offer is over prior settlement then prior settlement may be used.

- (c) If no bid or offer exists, then the specified tick range for a Contract, which is the No Cancellation Range, set out in Procedure 3200, from the settlement price.

4. Time To Obtain Counterparties

Upon release of the order to the market by the Trading Platform, Trading Participants have a period of five (5) minutes to attempt to obtain counterparties. Should a Trading Participant receive an opposite order it transmits the order to the Trading Platform via the Message Facility. After the five (5) minute period has elapsed, the Exchange will match the orders on a first in first out basis. However, the originating Trading Participant is guaranteed to cross 50 per cent of the original order volume. Should there be any volume remaining of the originating order, the originating Trading Participant may cross this remaining volume. Otherwise, the originating order shall lapse.

5. Exchange Advises of Counterparties

- (a) Once orders are matched, the Exchange will inform the selling Trading Participant of its counterparties.
- (b) The selling Trading Participant will, within ten (10) minutes of receiving the identities of counterparties from the Exchange, confirm with each of its counterparties the basis of each contract month and obtain authorisation of such confirmations by the Exchange Official.
- (c) A record providing details of the Non Spot Month Strip Trade is completed by the Seller and provided to the Buyer for verification. This record contains the following information:
  - (i) the average price of the Non spot Month Strip Trade;
  - (ii) which Trading Participant bought and which Trading Participant sold;
  - (iii) the number of lots traded; and
  - (iv) the basis for each contract month.
- (d) The Record is then submitted to the Exchange via the attached form.
- (e) Participants are Responsible for ensuring that Records are lodged with the Exchange within ten (10) minutes of the trade being executed.
- (f) Full details shall be recorded by the Exchange and the record shall be retained by the Exchange. Full details of the net price of the Strip Trade shall be provided on the Trading Platform.
- (g) Exchange Officials are under no obligation to accept record details where the information cannot be readily and properly verified.

6. Allocate Each Leg to Same Account

See ASIC Market integrity Rules.

(c) Specified Tick Ranges

The Specified Tick Ranges are the same as the No Cancellation Ranges set out in Procedure 3200.

**Record Form**

Trading Date: \_\_\_\_\_ Trade Time: \_\_\_\_\_

Average Net Price: \_\_\_\_\_ Deal No: \_\_\_\_\_

(Exchange use only)

Deal No	Contract	Strike Price P/C	Sell	Buy	Volume	Basis/Price

<p><b>SELLER:</b></p> <p>_____</p> <p>(Signature)</p> <p>_____</p> <p>(print name)</p>	<p>_____</p> <p>Participant (MNM)</p>
<p><b>BUYER:</b></p> <p>_____</p> <p>(Signature)</p> <p>_____</p> <p>(print name)</p>	<p>_____</p> <p>Participant (MNM)</p>

**FOR EXCHANGE USE:**

Received by: \_\_\_\_\_

Time: \_\_\_\_\_

Details Agreed: \_\_\_\_\_

Presented to the Trade Entry  
for Registration: \_\_\_\_\_

**4402.2 – Spread Orders**

(a) Procedures For Intra-Commodity Spread Orders

- 1 A Trading Participant specifies the quantity of Futures Contracts bid or offered and the price differential when entering an Intra-commodity Spread order.
- 2 A bid will be buying the near month and selling the far month, an offer will be selling the near month and buying the far month.
- 3 An Intra-commodity Spread order when executed will be filled for both legs by the Trading Platform simultaneously with equal volume.
- 4 The Intra-commodity Spread market is fully interactive with the underlying market.
- 5 An Intra-commodity Spread order, if and when matched by the Trading Platform, may trade with other spread orders or orders from the underlying market.
- 6 When an Intra-commodity Spread order is matched with another Intra-commodity Spread order the Trading Platform will use the spread trade price algorithm to determine the proceeds of the individual legs, as detailed below.
- 7 As per ASIC Market integrity Rules each individual leg of an Intra-Commodity Spread is allocated to the same account.

(b) Procedures For Inter-commodity Spread Orders and Inter-Regional Spread Orders

- 1 A Trading Participant specifies the quantity of the spread bid or offered and the price differential when entering an Inter-commodity Spread or Inter-regional Spread order.
- 2 Inter-commodity Spread or Inter-regional Spread markets pre-defined by the Exchange shall be at a ratio of one to one unless otherwise defined by the Exchange from time to time.
- 3 If an Inter-commodity Spread or Inter-regional Spread order is traded at a volume ratio then one lot of an Inter-commodity Spread or Inter-regional Spread order shall be, if and when matched, matched at the pre-defined volume ratio for the individual legs.

- 4 An Inter-commodity Spread or Inter-regional Spread order will be filled for both legs automatically by the Trading Platform simultaneously with the pre-defined volume ratio when matched.
- 5 The Inter-commodity Spread order or Inter-regional Spread order is partially interactive with the underlying market.
- 6 An Inter-commodity Spread or Inter-regional Spread order, if and when matched by the Trading Platform, may trade with other Inter-commodity Spread or Inter-regional Spread orders or orders from the underlying market.
- 7 When an Inter-commodity Spread or Inter-regional Spread order is matched with another Inter-commodity Spread or Inter-regional Spread order, the Trading Platform will use the spread trade price algorithm as detailed below to determine the prices of the individual legs.
- 8 As per ASIC Market integrity Rules each individual leg of an Inter-commodity Spread or Inter-regional Spread is allocated to the same account.
- 9 An Inter-Commodity Spread order can be traded so that the spot expiry month of one commodity can be spread against an expiry month of another commodity other than the spot expiry month.

(c) Spread Trade Price Algorithm

The Trading Platform uses the following algorithm to determine the individual leg prices for Spread-to-Spread orders that are matched:

- 1 If there is a bid and offer in the near month, then the algorithm uses the mid point of this bid and offer to establish the near month price, the spread differential traded at will be used to establish the far month's price.
- 2 In the absence of a bid and offer in the near month, the algorithm uses the mid point of the bid and offer in the far month to establish the far month price. The spread differential traded at will be used to establish the near month's price.
- 3 In the absence of a bid and offer in the near and far month, the algorithm uses any bid or offer existent in the near month to establish the near month price. The spread differential traded at will be used to establish the far month's price.
- 4 In the absence of a bid or offer in the near month, the algorithm uses any bid or offer existing in the far month to establish the far month price. The spread differential traded at will be used to establish the near month's price.
- 5 In the absence of any of the above, the algorithm uses the closing price (assume this is the settlement price) in the near month to establish the near month price. The spread differential traded at will be used to establish the far month's price.

(d) Specified Tick Ranges

The Specified Tick Ranges are the same as the No Cancellation Ranges set out in Procedure 3200.

### 4402.3 – Procedures for Option Strategy Orders

1. Definition of Option Strategy

An Option Strategy means a strategy consisting of seven (7) or more legs of option contracts or a combination of Futures and Options Contracts.

2. Receipt of Order

Upon receipt of an order the Trading Participant transmits the order immediately to the Trading Platform via the Message Facility, stating the average price or Net Premium of the trade and the number of lots to be traded for each Option Contract using the following terminology:

“Sell /Buy x lots CCMY – Sell/Buy x lots CCMY (name of strategy) @ net premium”

3. Pricing

The basis price(s) are within the following limits:

- (a) The bid/offer of the appropriate contract.
- (b) If only a bid or only an offer, then the specified tick range from the existing bid or offer. If the bid is below prior settlement then prior settlement may be used. If the offer is over prior settlement then prior settlement may be used.
- (c) If no bid or offer exists, then the specified tick range for a Contract, which is the same as the No Cancellation Ranges, set out in Procedure 3200, as set out below from the settlement price.

4. Time To Obtain Counterparties

Upon release of the order to the market by the Trading Platform, Participants have a period of five (5) minutes to attempt to obtain counterparties. Should a Participant receive an opposite order it transmits the order to the Trading Platform via the Message Facility. After the five (5) minute period has elapsed, the Exchange will match the orders on a first in first out basis. However, the originating Participant is guaranteed to cross 50 per cent of the original order volume. Should there be any volume remaining of the originating order, the originating Participant may cross this remaining volume. Otherwise, the originating order shall lapse.

5. Exchange advises of Counterparties

- (a) Once orders are matched, the Exchange will inform the selling Participant of its counterparties.
- (b) The selling Participant will, within ten (10) minutes of receiving the identities of counterparties from the Exchange, confirm with each of its counterparties the basis of each contract month and obtain authorisation of such confirmations by an Exchange Official..
- (c) A record providing details of the off-market Option Strategy is completed by the Seller and provided to the Buyer for verification. This record contains the following information:
  - (i) the net premium of the Option Strategy;
  - (ii) which Trading Participant bought and which Trading Participant sold;
  - (iii) the number of lots traded; and
  - (iv) the basis for each contract month.
- (d) The Record is then submitted to the Exchange via the attached form.
- (e) Trading Participants are Responsible for ensuring that Records are lodged with the Exchange within ten (10) minutes of the trade being executed.
- (f) Full details shall be recorded by the Exchange and the record shall be retained by the Exchange.
- (g) Exchange Officials are under no obligation to accept record details where the information cannot be readily and properly verified.

Amended 14/09/10

6. Allocate Each Leg to Same Account

As per ASIC Market Integrity Rules, each individual leg of an Option Strategy is allocated to the same account.

**Specified Tick Ranges**

The Specified Tick Ranges are the same as the No Cancellation Ranges set out in Procedure 3200.

**Option Strategy Record Form**

Trading Date: \_\_\_\_\_ Trade Time: \_\_\_\_\_

Average Net Price: \_\_\_\_\_ Deal No: \_\_\_\_\_

(Exchange use only)

Deal No	Contract	Strike Price P/C	Sell	Buy	Volume	Basis/Price

<p><b>SELLER:</b></p> <p>_____</p> <p>(Signature)</p> <p>_____</p> <p>(print name)</p>	<p>_____</p> <p>Participant (MNM)</p>
<p><b>BUYER:</b></p> <p>_____</p> <p>(Signature)</p> <p>_____</p> <p>(print name)</p>	<p>_____</p> <p>Participant (MNM)</p>

**FOR EXCHANGE USE:**

Received by: \_\_\_\_\_

Time: \_\_\_\_\_

Details Agreed: \_\_\_\_\_

Presented to the Trade Entry  
for Registration: \_\_\_\_\_

**Custom Market Orders**

Procedure 4403

For the purpose of Rule [4403] Custom Market orders may only be effected as follows:

CFDs are not permitted to be traded in the Custom Market.

1. The Custom Market allows Trading Participants to create their own multi-legged contingent strategies consisting of up to six (6) legs. Custom Market orders may consist of either futures or options or a combination of both. The Custom Market eliminates legging risk as the order is filled at a user-defined ratio and at specific leg prices for all contingent legs of the order.
2. As per ASIC Market Integrity Rules each individual leg of a Custom Market trade must be allocated to the same account.
3. No Custom Market order should have any resemblance to order functionality which may already exist in the Trading Platform, for example futures spreads that are available. As pre-defined Spread orders must be executed on the defined market.
4. Prices for all legs of a Custom Market order must be within the following price limits at the time of order entry:
  - (a) The high/low of the Trading Date for the appropriate contract;
  - (b) If only a bid or only an offer then the specified tick range from the existing bid or offer (if the bid is below prior settlement then prior settlement may be used, if the offer is above prior settlement then prior settlement may be used);
  - (c) If no bid or offer exist, then the specified tick range from the settlement price. In the case of an Option Contract then within the specified tick range from the system generated indicative price; and
  - (d) For Futures/Options orders, deltas must be within a range that is same as the No Cancellation Ranges set out in Procedure 3200.
5. All orders traded on the Custom Market must be traded at the lowest common denominator, however the maximum volume that can be used in the volume ratio field is 50 lots.

for example, trading an IR straddle:

- + 100 IR 95000P @ price
- + 100 IR 95000C @ price

In the Custom Market for the above example, the Custom Market Order should be entered with 100 lots in the volume field and the ratio field should be 1 - 1 for the two legs.

6. One exception to this rule is where the Custom Market Order is for an option strategy, which includes two or more option legs in a ratio, and is basis futures. In this situation, the volume that can be used in the volume ratio field, in relation to the option leg with the larger ratio denomination only, may exceed fifty lots. This is because available deltas would be restricted otherwise.
7. Should a Trading Participant be in possession of a Custom Market order and there is no existing market for that particular strategy, the Trading Participant must ask for a market via the Message Facility broadcast to 'all users' before inputting the order.
8. Should a Trading Participant broadcast their Custom Market interest outside a trading session, they must make a further broadcast upon the open of the next trading session in order to ensure the widest possible audience. Orders entered or subsequent trades executed may be cancelled where these procedures are not followed.
9. Once a strategy has been established in the Custom Market, changes to the delta or basis require the user to create a new strategy and send out a message to All Users. This is because delta and basis changes result in a change in the outright price. It will also discourage Trading Participants from making minor changes in order to maximise crossing opportunities.
10. Should a Trading Participant enter an order which creates an identical strategy and net price to an existing strategy, the orders or trades resulting from such orders may be cancelled by the Exchange.
11. Where a bid and offer has been established in the Custom Market, a trade may only be executed between that bid and offer. In the event of only a bid or only an offer, a trade may not be executed where it is lower than the best bid or higher than the best offer. Orders that are subsequently entered and trades resulting from such orders shall be cancelled by the Exchange.
12. Trading Participants are advised that should they be aware of an order that is out of market, they should contact the Exchange.
13. As all Custom Market orders are purged at the end of a trading day, should the Trading Participant wish to continue broking a Custom Market order during the next trading session, they must broadcast the details of the strategy at the commencement of the next session prior to placement of the orders, as it is considered establishing a new strategy.
14. Simultaneous futures/options transactions may be placed for execution within the Custom Market.
15. When a Custom Market Order is matched, Trading Participants will receive confirmations for each leg of the Custom Market Order at the under defined ratio.

### **Specified Tick Range**

The Specified Tick Ranges are the same as the No Cancellation Ranges set out in Procedure 3200.

## Exchange for Physical

### Procedure 4800

For the purpose of Rule [4800] EFPs may only be effected as follows:

1. Transaction in a physical commodity or instrument

An Exchange for Physical (EFP) transaction is effected where:

- (a) a bona fide physical transaction in a commodity, instrument or other transaction as determined by the Exchange is completed whereby physical delivery takes place at the time of the transaction (immediate settlement) or is intended by both parties to take place at a later time (deferred settlement), or a transaction of a kind approved by the Exchange, is entered into; and
- (b) at or about the same time a Contract, opposite in effect, is traded for the same or similar quantity or amount of the commodity or a substantially similar commodity or instrument on behalf of the parties to the physical transaction.

EFP transactions not conducted in accordance with the Rules and Procedures will be subject to cancellation and sanctions imposed by the Exchange.

There must only be two beneficial parties to an EFP - the buyer of the physical commodity or instrument must also be the seller of the Contract and the seller of the physical commodity or instrument must be the buyer of the Contract.

### **Bona Fide Physical Transaction**

A physical transaction is not bona fide if there is a pre-existing intent to reverse or cancel the physical deal once the futures transaction is registered unless the EFP transaction complies specifically with a scenario as determined by the Exchange.

The only scenario in which the Exchange will permit the pre-meditated reversal of the physical side of the transaction is where the EFP specifically relates to a Primary Issuance of bonds into the market. The physical side of the EFPs between the lead managers or facilitating entities that relate directly to the transfer of risk associated with the Primary Issuance will, under this determination, be allowed to be reversed as part of the overall Primary Issuance transaction. Such EFPs registered with the Exchange will require reference to be made in the comments field in the registration system stating the name, amount, maturity date, coupon and the lead managers/facilitators of the associated Primary Issue. All other requirements relating to record keeping and evidence of physical transactions must be adhered to.

Whether a physical transaction is bona fide is a question of fact in each case, however, in deciding whether or not a transaction is bona fide, the Exchange will have regard to the normal dealing conduct and arrangements of the parties in relation to physical transactions generally. All relevant indicia of a bona fide transaction including transfer of cash will be considered.

The Exchange would expect to see the physical transactions related to EFPs recorded in the same way as any other similar physical transactions conducted by the parties. Instances where reversals or cancellations regularly take place other than in the ordinary course of business will be regarded as evidence of lack of bona fides.

A physical trade between two parties with the intention of being traded back in a reversal of the EFP or in exchange for other futures contracts (such as a roll trade or a curve spread trade) is being used merely as a tool to conduct off-market futures trading and is thus explicitly considered not to be part of a bona fide physical transaction. Submitted trades believed to fall into this category will not be approved.

2. Accepted physical commodities or instruments

EFPs must contain a physical component where the commodities or instrument is of a similar value or quantity to the futures or options being traded and be reasonably correlated with the futures or options contract.

Unless specified in the list below, the physical component of the EFP transaction cannot be an exchange traded futures or options contract.

The following table provides a list of physical commodities or instruments against which Exchange listed futures and options on futures contracts can be exchanged.

Exchange Product	Exchanged for
Interest Rate Futures and Options on Futures	<ul style="list-style-type: none"> <li>– Australian Dollar denominated:               <ul style="list-style-type: none"> <li>– Commonwealth Government Securities</li> <li>– Semi-Government Bonds</li> <li>– Corporate Bonds</li> <li>– Bank Accepted Bills of Exchange</li> <li>– Negotiable Certificates of Deposit</li> <li>– Interest Rate Swaps</li> <li>– Forward Rate Agreements</li> <li>– Bonds Options</li> <li>– Caps and Floors</li> <li>– Swaptions</li> <li>– Forward Currency Swaps</li> </ul> </li> <li>– Foreign currency denominated securities equivalent to the above list, which are reasonably correlated to Australian securities are accepted. Exchange for Physical in the following currencies are considered reasonably correlated against Exchange Interest Rate Futures and Options contracts: New Zealand dollar, US dollar, Canadian dollar, British Pound and Euro denominated securities with a similar present value of a basis point (PVBP) exposure.</li> </ul>
SPI 200® Index Futures and Options on Futures	<ul style="list-style-type: none"> <li>– Basket of ASX traded stocks in one or more companies where the cash value of the basket of stocks and the notional value of the SPI Futures fall within 10% of each other.</li> <li>– Special Size trades (as defined in the ASX Operating Rules) in the S&amp;P/ASX 200 index options contract (XJO options)</li> </ul>
Wool Futures and Options	<ul style="list-style-type: none"> <li>– Physical wool or financial instrument pertaining to wool of similar value or quantity.</li> </ul>
Grain Futures and Options	<ul style="list-style-type: none"> <li>– Physical grain or financial instrument pertaining to grain of similar value or quantity.</li> </ul>
Energy Futures and Options	<p>Where the Over The Counter (OTC) component of an EFP is within 10% of the size (eg MWhs / GJ / Tonnage) or value, the following are accepted:</p> <ul style="list-style-type: none"> <li>– Australian and New Zealand Electricity:               <ul style="list-style-type: none"> <li>• OTC Swaps, Caps and / or Options against Electricity Futures and / or Futures Options.</li> </ul> </li> <li>– Gas:               <ul style="list-style-type: none"> <li>• OTC Swaps and / or Options against Gas Futures and / or Futures Options</li> </ul> </li> </ul>
Renewable Energy Certificates (RECs) Futures and Options	<ul style="list-style-type: none"> <li>– Underlying RECs</li> </ul>
Equity CFDs	<ul style="list-style-type: none"> <li>– Underlying equity</li> </ul>
Gold CFDs	<ul style="list-style-type: none"> <li>– Physical gold</li> </ul>

Amended 24/10/11

### 3. Multiple Futures and Physical

An Exchange for Physical trade may involve more than one type of futures or physical. The most common EFP involves one type of physical (e.g. a certain number of a particular bond) to be offset against a certain type of futures contract. However a Multiple Futures EFP involves one type of physical and two or more types of futures (e.g. a combination of Ten Year and Three Year Bond Futures or a strip of Bank Bill Futures). Alternatively a Multiple Physical EFP involves two or more types of physical (e.g. bonds of different maturities) and one type of futures. A combination could involve two or more types of futures and two or more types of physical.

### 4. Price

There are no restrictions regarding the price for futures contracts traded in an EFP. However if the price of the futures were substantially different from that of the current market price the Exchange would seek good reason as to why the parties wish to trade at this price. In this regard it should be noted that the Exchange reserves the right to disallow an EFP.

### 5. Exchange For Physical Lodgement Times

EFPs can be registered up until 5:00 pm only. EFPs agreed between 4:00 pm and 4:30 pm will require the seller and buyer to complete their registration within 15 and 30 minutes of execution respectively. Registration times for EFP sellers and buyers outside the 4:00 pm and 4:30 pm bracket will be set at 30 and 60 minutes respectively.

EFPs presented for registration after 5:00 pm will be processed on the next business day.

	Seller	Buyer
EFPs agreed between 7:00 am and 4:00 pm	Lodged within 30 minutes	Lodged within 60 minutes
EFPs agreed between 4:00 pm and 4:30 pm	Lodged within 15 minutes	Lodged within 30 minutes
EFPs agreed between 4:30 pm and 7:00 am	Lodged by 9:00 am	Lodged by 9:30 am

### 6. Exchange for Physical Registration

- (a) Full details of the futures transaction and the physical transaction are provided to the Exchange in such form as determined by the Exchange. The "Notification of Exchange for Physicals" form must be lodged with the Exchange using the electronic registration system for approval. Trading Participants should be aware that failure to comply with the aforementioned may result in the EFP being rejected or enforcement action being taken.
- (b) Where a Trading Participant enters into a Contract on behalf of a Clearing Participant and the position is to be registered in the name of the Clearing Participant, the Trading Participant shall immediately send, or cause to be sent by the Approved Clearing Facility, a document in a form determined by the Exchange, setting out the following information in relation to each such trade:
  - (i) name of the Clearing Participant;
  - (ii) name of contract;

- (iii) delivery month;
- (iv) contract price;
- (v) number of lots (distinguishing those bought and those sold);
- (vi) name of the Trading Participant; and
- (vii) date of the trade.

## 7. Retention of Records

Where a client or the Trading Participant is a party to an EFP transaction, the onus is on the Trading Participant to obtain and keep on record appropriate evidence of the physical transaction. The Exchange considers that “best practice” is adopted where the Trading Participant:

- (i) obtains and retains the physical evidence of the EFP transaction on their files;
- (ii) maintains authorised Trading Participant signatory lists for employees to approve EFP transactions on the electronic registration system and on paper if need be. If paper forms are used the signatory lists must be copied to the Exchange.

Appropriate evidence would include, but is not limited to:

- (i) Swap Agreement forms, such as ISDA documentation;
- (ii) Bond Confirmation Forms and third party confirmation i.e. Austraclear and RITS statements, and Euro-clear Documentation; or
- (iii) Greasy Wool Warehouse Receipts.

Where the Participant is able to employ “best practice”, all documentation relating to EFP transactions should be retained and maintained by the Participant in a manner and form which will enable the Exchange to readily conduct a review. EFP documentation will be reviewed as part of the Exchange’s routine Participant inspection program.

Some Participants may find that it is both administratively and procedurally burdensome for them to retain on file the physical evidence relating to the EFP transaction. In these cases, the Exchange would consider that the Participant has satisfied the requirements by undertaking the following procedures:

- (i) obtaining and retaining executed copies of the general “Client Undertaking Form” (CUF) prior to transacting EFP business on the Client’s behalf as required under the ASIC Market Integrity Rules.
- (ii) requesting appropriate physical evidence (as referred in the “Notification of Exchange for Physical” form) on an “as needs” basis from the client when requested by the Exchange.

Participants should note that the futures side of an EFP transaction does involve trading of futures contracts, even though it has not been executed on the Trading Platform. Trading Participants must retain all documentation normally required by such a transaction.

- 8. Acceptance of an EFP by the Exchange does not constitute acceptance that the trade has been conducted in accordance with the Rules. The Exchange will partially rely on the Trading Participants’ statements to that effect and will take appropriate action if non-compliance is subsequently discovered. All Trading Participants involved in transactions in breach of the Rules will be held responsible.
- 9. Cancellation on the Day of Registration

- (a) An Exchange For Physical transaction may be submitted for cancellation at any time up to the end of the Business Day on which registration and acceptance of the transaction took place.
  - (b) An Exchange For Physical transaction may only be cancelled where both parties to the transaction have approved of the cancellation.
  - (c) The Exchange may refuse to cancel an Exchange for Physical transaction in its own discretion even if both parties to the transaction have approved of the cancellation.
10. Cancellation on Day Two
- (a) Where there has been an error in the details of an Exchange For Physical transaction submitted for registration, a Trading Participant may submit that transaction for cancellation at any time up to the end of the Business Day after the registration and acceptance of that transaction.
  - (b) A Trading Participant may only submit an Exchange For Physical transaction for cancellation where it submits at the same time a replacement Exchange For Physical transaction with the correct details for registration.
  - (c) An Exchange For Physical transaction may only be cancelled and replaced in accordance where both parties to the transaction have approved of the cancellation and replacement.
  - (d) The Exchange may refuse to cancel an Exchange For Physical transaction in its own discretion even if both parties to the transaction have approved of the cancellation.
11. Publication of Details of Exchange for Physical
- The Exchange shall in respect of all Exchange for Physical transactions publish to Trading Participants upon receipt of each Exchange for Physical transaction the commodity, quantity, time and price of the Exchange for Physical transaction.
12. Submission of all Contracts for Registration
- Except as otherwise provided by the Rules, a Trading Participant shall submit all Contracts which it trades to the Exchange for registration with the Approved Clearing Facility in accordance with the Clearing Rules.
13. Open Positions
- A Participant shall ensure that any Open Positions not given up to another Participant, created by trading on the instructions of a Client including discretionary trading on behalf of a Client, is either:
- (a) carried in the Participant's name as an Open Position with the Approved Clearing Facility; or
  - (b) carried in the Participant's name as an Open Position with another Participant.
14. Direct Transactions with Approved Clearing Facility
- Where, in accordance with the Clearing Rules, the Approved Clearing Facility wishes to protect its position by entering into transactions with Participants, Participants may, with the approval of the Exchange, agree to buy or sell Contracts as traded in the Exchange's Markets directly with the Approved Clearing Facility and without trading on the Exchange's Markets. Such transactions may be registered by Approved Clearing Facility in the same way as contracts traded on the Exchange's Markets.

Amended 20/06/11

## Block Trade Orders

### Procedure 4820

For the purposes of Rule [4820] the Exchange has prescribed the following Derivatives Market Contracts and conditions for the Block Trade Facility:

<b>CONTRACTS</b>	<b>THREE YEAR COMMONWEALTH TREASURY BOND FUTURES CONTRACTS</b>	<b>TEN YEAR COMMONWEALTH TREASURY BOND FUTURES CONTRACTS</b>	<b>90 DAY BANK ACCEPTED BILL FUTURES CONTRACTS</b>	<b>30 DAY INTERBANK CASH RATE FUTURES</b>
<b>APPLICABLE CONTRACTS</b>	Spot Month only	Spot Month only	All Months (tiered minimum thresholds applied)	All Months except the spot month (tiered minimum thresholds applied) <sup>10</sup>
<b>APPLICABLE AGREEMENT HOURS</b>	Block Trades may be agreed during the contract's night session only.	Block Trades may be agreed during the contract's night session only.	Block Trades may be agreed during the contract's night session only.	Block Trades may be agreed during the contract's night session only.
<b>NOTIFICATION TO THE EXCHANGE</b>	Within 5 minutes of the agreement between the parties.	Within 5 minutes of the agreement between the parties.	Within 5 minutes of the agreement between the parties.	Within 5 minutes of the agreement between the parties.
<b>REGISTRATION TIMES</b>	Registration of Block Trades agreed during the contract's night session must occur on the next Business Day Between 8.30am and 9.30am AEST.	Registration of Block Trades agreed during the contract's night session must occur on the next Business Day Between 8.30am and 9.30am AEST.	Registration of Block Trades agreed during the contract's night session must occur on the next Business Day Between 8.30am and 9.30am AEST.	Registration of Block Trades agreed during the contract's night session must occur on the next Business Day Between 8.30am and 9.30am AEST.
<b>MINIMUM THRESHOLD</b>	2,000 lots	750 lots	1,500 lots (spot month only) 750 lots (all other months)	1,500 lots (second expiry month only) 500 lots (all other months)
<b>CHANGE OF SPOT MONTH (DAYS PRIOR TO EXPIRY)</b>	5	5	5	5
<b>MINIMUM TRADING INCREMENT</b>	Refer to contract specifications	0.005	0.01	0.005
<b>METHOD OF REGISTRATION<sup>11</sup></b>	Electronic	Electronic	Electronic	Electronic

Amended 01/08/11, 24/10/11

<sup>10</sup> Block Trade not permitted in the spot month of the 30 Day Interbank Cash Rate Futures

<sup>11</sup> Electronic registration currently via SFEIN

<b>CONTRACTS</b>	<b>3 YEAR INTEREST RATE SWAP FUTURE</b>	<b>10 YEAR INTEREST RATE SWAP FUTURE</b>
<b>APPLICABLE CONTRACTS</b>	Spot Month only	Spot Month only
<b>APPLICABLE AGREEMENT HOURS</b>	Block Trades may be agreed during the contract's night session only.	Block Trades may be agreed during the contract's night session only.
<b>NOTIFICATION TO THE EXCHANGE</b>	Within 5 minutes of the agreement between the parties.	Within 5 minutes of the agreement between the parties.
<b>REGISTRATION TIMES</b>	Registration of Block Trades agreed during the contract's night session must occur on the next Business Day Between 8.30am and 9.30am AEST.	Registration of Block Trades agreed during the contract's night session must occur on the next Business Day Between 8.30am and 9.30am AEST.
<b>MINIMUM THRESHOLD</b>	500 lots	250 lots
<b>CHANGE OF SPOT MONTH (DAYS PRIOR TO EXPIRY)</b>	5	5
<b>MINIMUM TRADING INCREMENT</b>	0.005	0.005
<b>METHOD OF REGISTRATION<sup>12</sup></b>	Electronic	Electronic

Introduced 29/08/11

<b>CONTRACTS</b>	<b>SPI 200 FUTURES CONTRACT</b>	<b>ASX LISTED CFDS</b>
<b>APPLICABLE CONTRACTS</b>	Closest quarterly (March, June, September, December) contract to expiry	All
<b>MINIMUM THRESHOLD</b>	200 lots	\$100,000 divided by the number of CFDs
<b>APPLICABLE AGREEMENT HOURS</b>	Block Trades may be agreed during the contract's day or night session and up to 10 minutes after the close of trading for that applicable session.	Block Trades may be agreed during the contract's trading session and up to 10 minutes after the close of trading for that applicable session.
<b>NOTIFICATION TO THE EXCHANGE</b>	Within 5 minutes of the agreement between the parties.	Within 5 minutes of the agreement between the parties.
<b>REGISTRATION TIME</b>	For Block Trades agreed during the contract's day session the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. Block Trades agreed during the contract's night session registration must occur on the next Business Day between 8:30am and 9:30am AEST.	For Block Trades agreed during the trading session the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange.
<b>CHANGE OF QUARTERLY MONTH (DAYS PRIOR TO EXPIRY)</b>	5	Not applicable to CFDs
<b>MINIMUM TRADING INCREMENT</b>	0.1	Refer to individual contract specifications
<b>METHOD OF REGISTRATION</b>	Electronic	Electronic

<sup>12</sup> Electronic registration currently via SFEIN

<b>CONTRACTS</b>	<b>NEW ZEALAND THREE YEAR BOND FUTURES CONTRACT</b>	<b>NEW ZEALAND TEN YEAR BOND FUTURES CONTRACT</b>	<b>NEW ZEALAND 30 DAY OFFICIAL CASH RATE FUTURES</b>
<b>APPLICABLE CONTRACTS</b>	All	All	All
<b>MINIMUM THRESHOLD</b>	50 lots	100 lots	50 lots
<b>APPLICABLE AGREEMENT HOURS</b>	Block Trades may be agreed during the contract's day or night sessions.	Block Trades may be agreed during the contract's day or night sessions.	Block Trades may be agreed during the contract's day or night sessions.
<b>NOTIFICATION TO THE EXCHANGE</b>	Within 5 minutes of the agreement between the parties.	Within 5 minutes of the agreement between the parties.	Within 5 minutes of the agreement between the parties.
<b>REGISTRATION TIMES</b>	For Block Trades agreed during the contract's day session the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. For Block Trades agreed during the contract's night session registration must occur on the next Business Day between 8:30am and 9:30am AEST.	For Block Trades agreed during the contract's day session the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. For Block Trades agreed during the contract's night session registration must occur on the next Business Day between 8:30am and 9:30am AEST.	For Block Trades agreed during the contract's day session the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. For Block Trades agreed during the contract's night session registration must occur on the next Business Day between 8:30am and 9:30am AEST.
<b>CHANGE OF SPOT MONTH (DAYS PRIOR TO EXPIRY)</b>	N/A	N/A	N/A
<b>MINIMUM TRADING INCREMENT</b>	0.005	0.005	0.005
<b>METHOD OF REGISTRATION</b>	Block Trade Registration Form sent by fax to the Exchange	Block Trade Registration Form sent by fax to the Exchange	Block Trade Registration Form sent by fax to the Exchange

<b>CONTRACTS</b>	<b>NEW ZEALAND ELECTRICITY FUTURES CONTRACT</b>	<b>NEW ZEALAND ELECTRICITY STRIP OPTIONS</b>
<b>APPLICABLE CONTRACTS</b>	All	All
<b>MINIMUM THRESHOLD</b>	5 lots	5 lots
<b>CHANGE OF SPOT MONTH (DAYS PRIOR TO EXPIRY)</b>	N/A	N/A
<b>MINIMUM TRADING INCREMENT</b>	NZ\$0.01	NZ\$0.01
<b>APPLICABLE AGREEMENT HOURS</b>	Block Trades may be agreed at any time, except during the pre-open period (10:20am to 10:30am NZST).	Block Trades may be agreed at any time, except during the pre-open period (10:20am to 10:30am NZST).

<b>NOTIFICATION TO THE EXCHANGE</b>	For Block Trades agreed during the contract trading session and up to one hour after the close, notification is required within 5 minutes of the parties reaching agreement. For Block Trades agreed outside the trading session and later than one hour after the close, notification is required on the next Business Day between the hours of 10:00am and 10:20am NZST.	For Block Trades agreed during the contract trading session and up to one hour after the close, notification is required within 5 minutes of the parties reaching agreement. For Block Trades agreed outside the trading session and later than one hour after the close, notification is required on the next Business Day between the hours of 10:00am and 10:20am NZST.
<b>REGISTRATION TIMES</b>	For Block Trades agreed during the trading session and up to one hour after the close, the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. For Block Trades agreed outside the trading session and later than one hour after the close, registration must occur on the next Business Day between 10:00am and 10:20am NZST.	For Block Trades agreed during the trading session and up to one hour after the close, the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. For Block Trades agreed outside the trading session and later than one hour after the close, registration must occur on the next Business Day between 10:00am and 10:20am NZST.
<b>METHOD OF REGISTRATION</b>	Electronic	Electronic

<b>CONTRACTS</b>	<b>REC FUTURES &amp; OPTIONS</b>	<b>VICTORIAN WHOLESALE GAS FUTURES (INCLUDING STRIP PRODUCTS)</b>	<b>AUSTRALIAN ELECTRICITY FUTURES CONTRACT</b>	<b>AUSTRALIAN-ELECTRICITY OPTIONS- STRIP OPTIONS- CAP FUTURES</b>
<b>APPLICABLE CONTRACTS</b>	All	All	All	All
<b>MINIMUM THRESHOLD</b>	5 lots	5 lots	25 lots	25 lots
<b>CHANGE OF SPOT MONTH (DAYS PRIOR TO EXPIRY)</b>	N/A	N/A	N/A	N/A
<b>MINIMUM TRADING INCREMENT</b>	\$0.01	\$0.01	\$0.01	\$0.01
<b>APPLICABLE AGREEMENT HOURS</b>	Block Trades may be agreed at any time, except during the pre-open period (8:50am to 9:00am).	Block Trades may be agreed at any time, except during the pre-open period (8:50am to 9:00am).	Block Trades may be agreed at any time, except during the pre-open period (8:50am to 9:00am).	Block Trades may be agreed at any time, except during the pre-open period (8:50am to 9:00am).

<b>NOTIFICATION TO THE EXCHANGE</b>	For Block Trades agreed during the contract trading session and up to one hour after the close, notification is required within 5 minutes of the parties reaching agreement. For Block Trades agreed outside the trading session and later than one hour after the close, notification is required on the next Business Day between the hours of 8:30am and 8:50am AEST.	For Block Trades agreed during the contract trading session and up to one hour after the close, notification is required within 5 minutes of the parties reaching agreement. For Block Trades agreed outside the trading session and later than one hour after the close, notification is required on the next Business Day between the hours of 8:30am and 8:50am AEST.	For Block Trades agreed during the contract trading session and up to one hour after the close, notification is required within 5 minutes of the parties reaching agreement. For Block Trades agreed outside the trading session and later than one hour after the close, notification is required on the next Business Day between the hours of 8:30am and 8:50am AEST.	For Block Trades agreed during the contract trading session and up to one hour after the close, notification is required within 5 minutes of the parties reaching agreement. For Block Trades agreed outside the trading session and later than one hour after the close, notification is required on the next Business Day between the hours of 8:30am and 8:50am AEST.
<b>REGISTRATION TIMES</b>	For Block Trades agreed during the trading session and up to one hour after the close, the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. For Block Trades agreed outside the trading session and later than one hour after the close, registration must occur on the next Business Day between 8:30am and 8:50am AEST.	For Block Trades agreed during the trading session and up to one hour after the close, the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. For Block Trades agreed outside the trading session and later than one hour after the close, registration must occur on the next Business Day between 8:30am and 8:50am AEST.	For Block Trades agreed during the trading session and up to one hour after the close, the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. For Block Trades agreed outside the trading session and later than one hour after the close, registration must occur on the next Business Day between 8:30am and 8:50am AEST.	For Block Trades agreed during the trading session and up to one hour after the close, the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. For Block Trades agreed outside the trading session and later than one hour after the close, registration must occur on the next Business Day between 8:30am and 8:50am AEST.
<b>METHOD OF REGISTRATION</b>	Electronic	Electronic	Electronic	Electronic

<b>CONTRACTS</b>	<b>GRAIN FUTURES CONTRACTS</b>	<b>GRAIN OPTIONS CONTRACTS</b>
<b>APPLICABLE CONTRACTS</b>	All	All
<b>MINIMUM THRESHOLD</b>	500 lots	200 lots
<b>CHANGE OF SPOT MONTH (DAYS PRIOR TO EXPIRY)</b>	5	5
<b>MINIMUM TRADING INCREMENT</b>	\$0.10	\$0.10

<b>APPLICABLE AGREEMENT HOURS</b>	Block Trades may be agreed at any time, except for the period after the close of the night session through to the open of the day session. Block Trades may not be agreed during the pre-open period for the day session 10.50am to 11.00am.	Block Trades may be agreed at any time, except for the period after the close of the night session through to the open of the day session. Block Trades may not be agreed during the pre-open period for the day session 10.50am to 11.00am
<b>NOTIFICATION TO THE EXCHANGE</b>	Within 5 minutes of the agreement between the parties.	Within 5 minutes of the agreement between the parties.
<b>REGISTRATION TIMES</b>	For Block Trades agreed during the contract's day session the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. For Block Trades agreed after the day session or during the contract's night session registration must occur on the next Business Day between 8:30am and 9:30am AEST.	For Block Trades agreed during the contract's day session the Trading Participant must complete registration within five minutes of the agreed terms being communicated to the Exchange. For Block Trades agreed after the day session or during the contract's night session registration must occur on the next Business Day between 8:30am and 9:30am AEST
<b>METHOD OF REGISTRATION</b>	Electronic	Electronic

Introduced 24/10/11

## Trading Procedures

### 1. Trade Negotiation

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

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

### 2. Trade Agreement and Notification

Trading Participants must only agree to the terms of a Block Trade for the sessions set out for the relevant contract in the tables above under 'applicable agreement hours'.

Where a Block Trade Order is to be crossed, the executing Participant must advise the Exchange (at Trading Operations) of the details of the Block Trade via the Message Facility, within five minutes of the trade being agreed. The time on this message will be the official time stamp used by the Exchange.

Where two or more Participants are involved in a Block Trade, the initiating Trading Participant must send the message to the Exchange via the Message Facility, within five minutes of being agreed, including details of the counterparty(s). Again, the time stamp on the message will be the official time stamp used by the Exchange.

For Block Trades in the electricity, gas and REC futures and options markets, the Trading Participant representing the Seller must send the message to the Exchange by way of a Market Broadcast via the Message Facility within 5 minutes of the trade being agreed that includes all details of the Block Trade in the following format:

1. Descriptor (e.g. "BT")

2. Product Code
3. Volume
4. Price

With a single product or a group of single products, which do not constitute a defined Strip Product, then typically only one message will be required. For Example:

“BT: BNH4 25 @ 65.00”

With a defined Strip Product that was Block Traded, only one message will be required. For example:

“BT: HNZ4 25 @ 40.25.”

The individual leg prices associated with a defined Strip Product that was Block Traded shall be generated by using the methodology as set below at the paragraph “Participant Registration of Strip Leg Prices”.

### 3. Registration

Trading Participants to a Block Trade executed during the day session or the contract trading session and up to one hour after the close must each complete the Block Trade Facility registration form, ensuring all details have been filled out legibly and correctly and submit the form to the Exchange for validation or submit the details via the registration system (as applicable) within five (5) minutes of the time at which the agreed terms of the Block Trade Order is communicated to the Exchange. Refer to the tables above for the relevant contract under ‘method of registration’ to determine whether the Block Trade Facility registration form is to be sent to the Exchange via fax or electronically.

The time limit for the submission of the Block Trade Facility registration form or submission via the registration system or such other notification to the Exchange commences as soon as the agreed terms of the Block Trade Order are communicated to the Exchange via the Message Facility. The Exchange may grant an extension of time beyond five (5) minutes but the Exchange is under no obligation to grant such an extension.

Trading Participants who agree the terms of a Block Trade during the contract’s night session or outside the contract trading session and later than one hour after the close must complete the Block Trade Facility registration form and submit it to the Exchange for validation or submit the details via the registration system within the timeframe for the relevant contract set out in the tables above under “registration times”.

### 4. Retention of Records by Trading Participants

The original completed Block Trade Facility registration form(s) or submission via the registration system or such other notification as prescribed by the Exchange will be retained by the Trading Participant(s) to a Block Trade Order and a copy of the completed, validated and confirmed Block Trade Facility registration form or such other notification as prescribed by the Exchange will be retained by the Exchange.

### 5. Trade Publication

Details of all Block Trades validated and confirmed by the Exchange shall be published by the Exchange to Trading Participants. The details published to Trading Participants will include the commodity, quantity, time, expiry month(s) and price of each Block Trade.

The Exchange will assess the validity of the details recorded on the Block Trade Facility Registration Form or such other notification as prescribed by the Exchange.

When the Exchange is satisfied that the details recorded are valid and complete, then the Exchange will confirm the execution of the Block Trade.

6. Exchange Under No Obligation to Accept Agreed Terms of the Block Trade

The Exchange is under no obligation to accept record details where:

- (a) the information cannot be readily and properly validated; and
- (b) the proposed price of the Block Trade varies significantly, as assessed by the Exchange, from the price at which trades are being effected on the Trading Platform at the time that the record details are lodged.

7. Validity of Block Trade

A Block Trade is not executed until it is accepted by the Exchange. An agreement between parties to execute a Block Trade does not constitute a 'filled' trade – it must firstly be accepted by the Exchange. Any Block Trade which is not executed in accordance with the Rule and Procedures shall be invalid. The decision of the Exchange as to the invalidity of a Block Trade shall be final. The Exchange shall notify the affected Trading Participants of that decision and send a message to the market identifying the Block Trade concerned.

8. Exchange May Take Enforcement Action

Confirmation by the Exchange of execution of a Block Trade does not preclude the Exchange from taking enforcement action in the event that the Block Trade is found to be other than in compliance with the Rules.

9. Unfilled Block Trade Orders

Where counterparties have been solicited and the Block Trade Order remains unfilled, then the Block Trade Order may revert to a Permitted Order and can be executed by the Participant on the Trading Platform in accordance with the Client's instructions.

10. Block Trade Order versus Block Trade Interest

A Trading Participant must be holding an order that meets the requirements of a Block Trade Order before it can solicit counterparties. If a Trading Participant has received 'interest' in a Block Trade but not a firm order it may continue to 'broke' the interest but must do so in accordance with the Rules. For instance, only revealing to potential counterparties information that has already been shown to the market via the Message Facility.

Where a Trading Participant is unsuccessful in obtaining counterparties to a Block Trade Order (ie the Minimum Volume Threshold cannot be met), but counterparties wish to execute a trade for a lesser volume, the Trading Participant may take the orders to the Trading Platform for execution. However, as the trade would essentially have been 'prearranged' the Participant must not attempt to execute a cross trade unless a period of sixty (60) seconds has elapsed from the entry of the originating client order. This will enable other Trading Participants, and therefore their clients, to enter opposing orders into the Trading Platform.

11. Block Trade Order Recording

Although Block Trades are executed off-market they are still subject to the requirements to maintain order records.

12. Block Trade Pricing

The Exchange reserves the right to refuse to accept a Block Trade where the price varies significantly from the price of the underlying at the time the Block Trade was lodged. The Exchange may still accept a Block Trade where the price is well away from the current underlying market, but it is likely to query the Trading Participant(s) involved to establish the rationale for the price.

As a guide, the price of a Block Trade will be acceptable without query where it is within the tick range, either side of the current market price. Where a Block Trade price falls outside this range the Exchange will generally query the Trading Participants involved. However, it is important to note that prices outside this range may still be acceptable. For instance, a price determined on VWAP (Volume Weighted Average Price) may be outside this range but the Exchange will accept prices based on VWAP.

13. Aggregation of Orders and Roll Business

As per ASIC Market Integrity Rules, Trading Participants cannot aggregate smaller orders to make up a Block Trade Order, thereby satisfying the Minimum Volume Threshold. Block Trade Orders may only be aggregated where each individual order meets or exceeds the Minimum Volume Threshold. This does not preclude an order from one client being allocated to several accounts in volumes less than the Minimum Volume Threshold. For instance, a fund manager may place an order that satisfies the minimum volume threshold and is executed as a Block Trade, but it may then be allocated to several sub-accounts under the fund manager's control. It is prohibited to use the Block Trade Facility to execute Roll business. For strip trading involving the spot month is not deemed to be Roll business.

14. Non-Availability of Block Trading

Block Trading is restricted to certain prescribed contracts and months. Block Trading may also be restricted in the spot month for a number of days prior to a contracts expiry.

15. Sequencing

Block Trade Orders are subject to the sequencing provisions under the ASIC Market Integrity Rules.

16. Cancellation on the Day of Registration

- (a) A Block Trade may be submitted for cancellation at any time up to the end of the Business Day on which registration and acceptance of the trade took place.
- (b) A Block Trade may only be cancelled where both parties to the trade have approved of the cancellation.
- (c) The Exchange may refuse to cancel a Block Trade in its own discretion even if both parties to the trade have approved of the cancellation.

17. Cancellation on Day Two

- (a) Where there has been an error in the details of a Block Trade submitted for registration, a Trading Participant may submit that trade for cancellation at any time up to the end of the Business Day after the registration and acceptance of that trade.
- (b) A Trading Participant may only submit a Block Trade for cancellation under this clause where it submits at the same time a replacement Block Trade with the correct details for registration.
- (c) The Exchange may refuse to cancel a Block Trade in its own discretion even if both parties to the trade have approved of the cancellation.

18. Participant Registration of Strip Leg Prices – Electricity and Gas Futures Market Contracts

Upon execution of an electricity or gas strip, the Trading Participant shall use the information contained in the message sent to the Exchange by way of a Market Broadcast via the Message Facility to generate the individual leg prices associated with a defined Strip Product that was Block Traded.

Participants are required to register the individual leg prices associated with strip trades only within the registration system to complete the registration process.

### **Strip Allocation Process**

The Exchange will apply the algorithm outlined below to calculate the component futures prices (Final futures price allocations will be rounded to the nearest \$0.01 MWh). The Exchange will present the details of the strip with the associated leg prices to Participants via email for Participants record keeping. The Exchange will register the allocated price levels resulting from the Strip trade in the Clearing system (Secur).

The Exchange reserves the right to refuse to accept a Block Trade relating to a Strip Product where the individual leg prices do not match with those generated by using the methodology as set out below:

#### **Year-long Strips:**

1. The previous official daily settlement prices (“ODSPs”) of the underlying Futures Market Contract will be used as a starting point and adjusted by a price adjustment factor to achieve an implied strip price which approximates the price of the executed underlying futures contracts;
2. Price adjustments will be made via a consistent proportional price movement from ODSPs (rounded to \$0.01/Mega Watt Hour (“MWh”) for electricity and \$0.01/GJ for Gas); with the exception that
3. The underlying Futures Market Contract with the longest dated expiry will be further adjusted up or down in increments of \$0.01/MWh for electricity and \$0.01/GJ for gas to the extent that such adjustment will achieve a more accurate implied strip price as calculated to 4 decimal places (e.g. \$109.2995/MWh or \$3.6045/GJ).

#### **Off-peak Year-long Strips (Australian Electricity only)**

1. Underlying base Futures Market Contract: The previous OSDPs of the underlying base futures contracts will be held constant for allocation purposes;
2. Underlying peak Futures Market Contract: The previous ODSPs of the underlying peak futures contracts will be used as a starting point, adjusted via a consistent proportional price movement (rounded to \$0.01/MWh) from ODSPs to achieve an implied peak strip price which, when subtracted from the implied ODSP base strip price (on an MWh-weighted basis) creates an implied Off-peak strip price approximately equal to the strip trade price; with the exception that
3. The underlying peak Futures Market Contract with the longest dated expiry will be further adjusted up or down in increments of \$0.01/MWh to the extent that such adjustment will achieve an implied strip price as calculated to 4 decimal places (e.g. \$49.0008) which more closely approximate the Off-peak strip trade price.

Trading Participants, OTC brokers and market users are responsible for developing their own spreadsheets or other tools should they wish to replicate the futures prices as per the defined process.

## Examples

### 1. Peak Strip Example – Australian Electricity

On 23rd May 2007 a Peak Strip (DNZ8) trades at a price of \$109.30.

1. The Peak futures allocation prices will be allocated as follows:
  - a. Strip MWh = PNH8 MWh + PNM8 MWh + PNU8 MWh + PNZ8 MWh = 3,795;
  - b. Strip price using ODSP = (Sum of: Peak futures price x Peak futures MWh) ÷ Peak Strip MWh. = (\$166 x 915 + \$88 x 945 + \$95.00 x 990 + \$90.00 x 945) ÷ 3,795 = \$109.1304
  - c. Strip Trade price = \$109.30
2. Adjust each peak futures price proportionally to achieve the target implied strip price: Peak price adjustment factor = (Strip Price - Strip price using ODSP) ÷ Strip price using ODSP
 
$$= (\$109.30 - \$109.1304) \div 109.1304$$

$$= 0.1554\%$$

Quarter	ODSP Peak Futures price 22 <sup>nd</sup> May 07	Adjustment Factor - 0.1554%	Allocated Peak Futures Price (Preliminary)	Allocated Peak Futures Price (Final)
Q108	\$166.00	x (1 + 0.1554%) =	\$166.26	\$166.26
Q208	\$88.00	x (1 + 0.1554%) =	\$88.14	\$88.14
Q308	\$95.00	x (1 + 0.1554%) =	\$95.15	\$95.15
Q408	\$90.00	x (1 + 0.1554%) =	\$90.14	\$90.13

Notes.

1. An adjustment of the final (i.e. Q4 08) futures price by a (negative) \$0.01/MWh improves the accuracy of allocated strip price, hence the final allocated price for Q4 08 is \$90.13;
2. An equivalent methodology will be applied to allocate base strips (e.g. HN29)

### 2. Off-peak Example – Australian Electricity

On 23rd May 2007 an Off-peak strip (ONZ8) executes at a price of \$49.00.

The Base futures allocation prices will equal the ODSPs of Base futures: BNH8 \$96.00, BNM8 \$65.60, BNU8 \$71.25, BNZ8 \$67.00.

The Peak futures allocation prices will be allocated as follows:

1. Calculate the implied peak strip price which when deducted (on an average MWh-weighted basis) from the implied Base strip price yields the Off-peak Strip Price.
  - a. Base Strip MWh = BNH8 MWh + BNM8 MWh + BNU8 MWh + BNZ8 MWh = 8,784;
  - b. Peak Strip MWh = PNH8 MWh + PNM8 MWh + PNU8 MWh + PNZ8 MWh = 3,795;
  - c. Offpeak Strip MWh = Base Strip MWh – Peak Strip MWh = 4,989;

- d. Peak Strip price using ODSP = (Sum of: Peak futures price x Peak futures MWh) ÷ Peak Strip MWh = (\$166 x 915 + \$88 x 945 + \$95.00 x 990 + \$90.00 x 945) ÷ 3,795 = \$109.1304
- e. Target Implied peak strip price = [(Sum of: Quarter Base futures price x Quarter Base futures MWh) – (Offpeak Strip trade price x Offpeak Strip MWh)] ÷ Peak Strip MWh = \$109.0196

2. Adjust each peak futures price proportionally to achieve the target implied strip price:

Peak price adjustment factor = (Target Implied peak strip price - Peak Strip price using ODSP) ÷ Peak Strip price using ODSP

$$= (\$109.0196 - \$109.1304) \div 109.1304$$

$$= - 0.1016\%$$

Quarter	ODSP Peak Futures price 22 <sup>nd</sup> May 07	Adjustment Factor 0.1016%	Allocated Peak Futures Price	Allocated Base Futures Price
Q108	\$166.00	X (1 – 0.1016%) =	\$165.83	\$96.00
Q208	\$88.00	X (1 – 0.1016%) =	\$87.91	\$65.60
Q308	\$95.00	X (1 – 0.1016%) =	\$94.90	\$71.25
Q408	\$90.00	X (1 – 0.1016%) =	\$89.91	\$67.00

Note. The allocated Peak and Base futures prices create a MWh-weighted implied Off-peak strip price of \$49.0008. No adjustment of the final (i.e. Q4 08) Peak futures price by an increment of \$0.01/MWh could improve the accuracy of allocated prices and is therefore not required in this example.

### 3. Base Strip Example – NZ Electricity

On 1st October 2008 a Benmore Base Strip (EFZ9) trades at a price of \$55.15

1. The base futures allocation prices will be allocated as follows:
- a. Strip MWh = EEH9 MWh + EEM9 MWh + EEU9 MWh + EEZ9 MWh = 8,760;
- b. Strip price using ODSP = (Sum of: Base futures price x Base futures MWh) ÷ Base Strip MWh = (\$59.40 x 2160 + \$50.34 x 2184 + \$73.49 x 2208 + \$36.80 x 2208) ÷ 8,760 = \$55.00
- c. Strip Trade price = \$55.15

2. Adjust each base futures price proportionally to achieve the target implied strip price:

Base price adjustment factor = (Strip Price - Strip price using ODSP) ÷ Strip price using ODSP

$$= (\$55.15 - \$55.00) \div 55$$

$$= 0.2727\%$$

Quarter	ODSP Base Futures price 30 <sup>th</sup> Sep 08	Adjustment Factor - 0.2727%	Allocated Base Futures Price (Preliminary)	Allocated Base Futures Price (Final)
Q109	\$59.40	$X (1 + 0.2727\%) =$	\$59.56	\$59.56
Q209	\$50.34	$X (1 + 0.2727\%) =$	\$50.48	\$50.48
Q309	\$73.49	$X (1 + 0.2727\%) =$	\$73.69	\$73.69
Q409	\$36.80	$X (1 + 0.2727\%) =$	\$36.90	\$36.90

#### 4. Gas Strip Example – Victorian Gas

On 1st October 2008 a Victorian Gas Strip (GYZ9) trades at a price of \$4.10

1. The gas futures allocation prices will be allocated as follows:
  - a. Strip GJ = GXH9 GJ + GXM9 GJ + GXU9 GJ + GXZ9 GJ = GXH9 days x 100 + GXM9 days x 100 + GXU9 days x 100 + GXZ9 days x 100 = 36,500 GJ;
  - b. Strip price using ODSP = (Sum of: Base futures price x Base futures GJ) ÷ Base Strip GJ. = (\$4.06 x 9000 + \$4.05 x 9100 + \$4.08 x 9200 + \$4.12 x 9200) ÷ 36,500 = \$4.08
  - c. Strip Trade price = \$4.10

2. Adjust each Gas futures price proportionally to achieve the target implied strip price:

Gas price adjustment factor = (Strip Price - Strip price using ODSP) ÷ Strip price using ODSP

$$= (\$4.10 - \$4.08) \div 4.08$$

$$= 0.4902\%$$

Quarter	ODSP Gas Futures price 30 <sup>th</sup> Sep 08	Adjustment Factor - 0.4902%	Allocated Gas Futures Price (Preliminary)	Allocated Gas Futures Price (Final)
Q109	\$4.06	$X (1 + 0.4902\%) =$	\$4.08	\$4.08
Q209	\$4.05	$X (1 + 0.4902\%) =$	\$4.07	\$4.07
Q309	\$4.08	$X (1 + 0.4902\%) =$	\$4.10	\$4.10
Q409	\$4.12	$X (1 + 0.4902\%) =$	\$4.14	\$4.15

#### Notes.

An adjustment of the final (i.e. Q4 09) futures price by a \$0.01/GJ improves the accuracy of allocated strip price, hence the final allocated price for Q4 09 is \$4.15.

Amended 09/05/11

In addition, for the purposes of Rule [4820], the Exchange has prescribed the following Derivatives Market Contracts and conditions for the Block Trade Facility:

CONTRACTS	FIXED PRICE TENDER ELIGIBLE CONTRACTS SPECIFIED BELOW																														
<b>APPLICABLE CONTRACTS</b>	<p>Eligible Derivatives Market Contracts for the limited purpose of the ASX 24 Fixed Price Tender are as follows:</p> <table border="1" data-bbox="406 398 1232 1357"> <tr> <td style="background-color: #d9e1f2;">Grain Contract</td> <td style="background-color: #d9e1f2;">Wool Contract</td> </tr> <tr> <td style="background-color: #808080;">NSW Wheat</td> <td style="background-color: #808080;">Fine Wool</td> </tr> <tr> <td>January 2012</td> <td>April 2012</td> </tr> <tr> <td>March 2012</td> <td>June 2012</td> </tr> <tr> <td>January 2013</td> <td style="background-color: #808080;">Greasy Wool</td> </tr> <tr> <td>December 2011 250.00 Put</td> <td>December 2011</td> </tr> <tr> <td style="background-color: #808080;">WA Wheat</td> <td>February 2012</td> </tr> <tr> <td>January 2012</td> <td>June 2012</td> </tr> <tr> <td>March 2012</td> <td>August 2012</td> </tr> <tr> <td style="background-color: #808080;">EA Feed Barley</td> <td>October 2012</td> </tr> <tr> <td>January 2012</td> <td>December 2012</td> </tr> <tr> <td>March 2012</td> <td></td> </tr> <tr> <td style="background-color: #808080;">Australian Sorghum</td> <td></td> </tr> <tr> <td>March 2012</td> <td></td> </tr> <tr> <td>May 2012</td> <td></td> </tr> </table> <p>To be eligible to use the Block Trade Facility, a Trading Participant must comply with the Fixed Price Tender Rules set out below. Clauses 1 through 18 of these Procedures above do not apply to the Fixed Price Tender. The Strip Allocation Process also does not apply to the Fixed Price Tender.</p>	Grain Contract	Wool Contract	NSW Wheat	Fine Wool	January 2012	April 2012	March 2012	June 2012	January 2013	Greasy Wool	December 2011 250.00 Put	December 2011	WA Wheat	February 2012	January 2012	June 2012	March 2012	August 2012	EA Feed Barley	October 2012	January 2012	December 2012	March 2012		Australian Sorghum		March 2012		May 2012	
Grain Contract	Wool Contract																														
NSW Wheat	Fine Wool																														
January 2012	April 2012																														
March 2012	June 2012																														
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WA Wheat	February 2012																														
January 2012	June 2012																														
March 2012	August 2012																														
EA Feed Barley	October 2012																														
January 2012	December 2012																														
March 2012																															
Australian Sorghum																															
March 2012																															
May 2012																															
<b>MINIMUM THRESHOLD</b>	1 lot																														

## FIXED PRICE TENDER RULES

### Tender match process

1. The Tender match process is a process for entering into certain Derivative Market Contracts at a fixed price through the matching of Tenders provided to the Exchange under these Rules ("**Tender Match Process**").
2. For the purposes of the Tender Match Process:
  - a. **ASX Clear (Futures)** means ASX Clear (Futures) Pty Limited.

- b. **Clearing Participant** means the Clearing Participant whose Clearing Mnemonic is set out in the Tender.
- c. **Eligible Contract** means each of the following Derivative Market Contracts:

Eligible Contracts	
NSW Wheat	Greasy Wool
December 2011 250.00 Put	December 2011
January 2012	February 2012
March 2012	June 2012
January 2013	August 2012
	October 2012
	December 2012
WA Wheat	Fine Wool
January 2012	April 2012
March 2012	June 2012
Eastern Australia Feed Barley	Australian Sorghum
January 2012	March 2012
March 2012	May 2012

- d. **Fixed Price**, in respect of an Eligible Contract, means the Fixed Price at which Tenders are to be submitted for that Eligible Contract, as announced by the Exchange prior to the commencement of the Tender Period.
- e. **Tender** means an irrevocable offer to enter into a Derivative Market Contract or Contracts in respect of an Eligible Contract at the Fixed Price on the terms set out in these Rules.
- f. **Tender Date** means 10 November 2011.
- g. **Tender Close** means 6.00pm AEDT on the Tender Date.
- h. **Tender Open** means 4.45pm AEDT on the Tender Date.
- i. **Tender Period** means the period commencing at the Tender Open and ending at the Tender Close.
- j. **Tenderer** means a Trading Participant who submits a Tender which is accepted by the Exchange.
- k. Capitalised terms not defined in these Tender Rules have the same meaning as in the ASX 24 Operating Rules.

## Tender submission

3. Tenders may only be submitted by ASX 24 Trading Participants. They may be submitted on their own behalf or on behalf of clients.
4. Tenders must be given to Clearing and Settlement Operations (on behalf of the Exchange) by either:
  - a. fax to +612 9256 0456; or
  - b. email to [asxclearfutures@asx.com.au](mailto:asxclearfutures@asx.com.au),and must be received by Clearing and Settlement Operations during the Tender Period.
5. Tenders provided to the Exchange must be:
  - a. in the form set out in Attachment A;
  - b. complete, including setting out each of the following details:
    - i. whether the tender is submitted by the Trading Participant on its own behalf or on behalf of a Client;
    - ii. where submitted by the Trading Participant on its own behalf, the Clearing Account Reference;
    - iii. where submitted on behalf of a Client, the Client's full name and Clearing Account Reference;
    - iv. the Trading Participant's Mnemonic
    - v. the Clearing Participant's Mnemonic;
    - vi. The clearing omnibus account (House Clearing Account or Client Clearing Account) to which any Derivative Market Contracts allocated to the Tenderer in accordance with these Rules will be Designated in the Clearing System;
    - vii. which Eligible Contract(s) the Tender relates to;
    - viii. the number (which must be a whole number) of the Eligible Contracts to be bought or sold (as the case may be);
    - ix. contact email address for the Trading Participant and contact email address for the Clearing Participant.
  - c. legible; and
  - d. signed by:
    - i. the Trading Participant by a person notified to the Exchange by the Trading Participant under ASX 24 Operating Rule [6510]; and
    - ii. the Clearing Participant by an authorised signatory notified to the Approved Clearing Facility by the Clearing Participant.
6. Separate Tenders must be provided for each Client (when submitting a Tender on behalf of a Client) or for itself (when submitting a Tender on its own behalf).
7. A Tender constitutes an irrevocable offer by a Trading Participant to enter into Derivative Market Contracts to buy or sell (as specified in the Tender) the number of Eligible Contracts set out in the Tender or such lesser number of Eligible Contracts as may be allocated to the Trading Participant by the Exchange in accordance with these Rules.
8. A Tender constitutes an irrevocable undertaking by the Clearing Participant to be bound by and perform all Clearing Obligations in respect of any Derivative Market Contracts allocated to the Tenderer in accordance with these Rules.

9. Once submitted to the Exchange, a Tender (and any acknowledgement, agreement or authority given under it) is irrevocable and is not able to be withdrawn or amended by the Trading Participant (or its Client) or the Clearing Participant.
10. Trading Participants should note that any trade allocated to the Trading Participant in response to a Tender will be a Block Trade under, and for the purposes of, the ASX 24 Operating Rules. Accordingly, under Rule 3.4.4 of the ASIC Market Integrity Rules (ASX 24 Market) 2010, before submitting a Tender to the Exchange on behalf of a Client the Trading Participant must be authorised in writing by the Client to execute a Block Trade (either specifically or generally) and must have notified the Client that:
  - a. the price quoted for the Block Trade Order (in this case, the Fixed Price for an Eligible Contract) may or may not be the prevailing market price;
  - b. the price at which the Block Trade is executed (in this case, the Fixed Price) will not be used in establishing the price of a Contract when it is settled in accordance with ASX 24 Operating Rules or the ASX Clear (Futures) Operating Rules;
  - c. Block Trades resulting from the Tender Match Process shall have no impact on the Trading Platform market data;
  - d. Block Trades will be separately reported to the Market.
11. A Trading Participant is responsible for the accuracy of the details included in a Tender submitted to the Exchange.
12. For the avoidance of doubt, a Trading Participant is not required to disclose a Tender to other Trading Participants.

#### **Acceptance of Tenders**

13. The Exchange is not bound to accept any Tenders which do not conform to these Rules.
14. ASX's decision as to whether a Tender provided to the Exchange conforms to these Rules is final and binding on the relevant Trading Participant and all other parties to the Tender Match Process.
15. The Exchange reserves the right to refuse to accept a Tender if it considers that the Tender has been submitted with the intent (or that it may have the effect) of manipulating the outcome of the Tender Match Process.
16. Subject to clause 15, all conforming Tenders accepted by the Exchange will be treated equally in accordance with these Rules.
17. The Exchange will not disclose to any Trading Participant any Tender provided to it by another Trading Participant under the Tender Match Process, other than:
  - a. as necessary subsequent to the Tender Close to notify Trading Participants of the Derivative Market Contracts which they have been allocated under clause 23 and to register those Derivative Market Contracts with the Approved Clearing Facility; or
  - b. as otherwise permitted under ASX 24 Operating Rules [6720] to [6724].

#### **Matching of Tenders**

18. Tenders submitted under the Tender Match Process will only be matched:
  - a. following the Tender Close; and
  - b. with other Tenders submitted under the Tender Match Process.
19. For each Eligible Contract, the Exchange will determine the total number of Eligible Contracts for which it has received and accepted Tenders to buy and sell that

Eligible Contract (“bought Eligible Contracts” and “sold Eligible Contracts” respectively). If:

- a. the number of bought Eligible Contracts equals the number of sold Eligible Contracts, that will be the number of Derivative Market Contracts to be entered into in respect of that Eligible Contract and the Exchange will allocate those Derivative Market Contracts to the Tenderers in accordance with clause 23 below.
  - b. the number of bought Eligible Contracts exceeds the number of sold Eligible Contracts, the number of Derivative Market Contracts to be entered into in respect of that Eligible Contract will be the number of sold Eligible Contracts and each Tender to buy Eligible Contracts will (subject to the rounding process in clauses 20 - 22 below) be scaled back on a pro-rata basis before the allocations referred to in clause 23 are made.
  - c. the number of bought Eligible Contracts is less the number of sold Eligible Contracts, the number of Derivative Market Contracts to be entered into in respect of that Eligible Contract will be the number of bought Eligible Contracts and each Tender to sell Eligible Contracts will (subject to the rounding process in clauses 20 - 22 below) be scaled back on a pro-rata basis before the allocations referred to in clause 23 are made.
20. Subject to clauses 21 and 22, if a scaling back under clause 19 results in a Tender being for a fractional amount of an Eligible Contract, the Exchange will round it to the nearest whole number (with an amount of 0.5 being rounded up).
21. Subject to clause 22, if the result of a scaling back under clause 19 and rounding under clause 20 is that the number of scaled back and rounded bought or sold Eligible Contracts (as the case may be) differs from the number of Derivative Market Contracts to be entered into in respect of that Eligible Contract, the rounding will be adjusted to ensure that the two amounts match, as follows:
- a. Where the number of scaled back and rounded bought or sold Eligible Contracts (as the case may be) is higher than the number of Derivative Market Contracts to be entered into, the lowest fractions rounded up will instead be rounded down in sequence until the matching is achieved; or
  - b. Where the number of scaled back and rounded bought or sold Eligible Contracts (as the case may be) is lower than the number of Derivative Market Contracts to be entered into, the highest fractions rounded down will instead be rounded up in sequence until the matching is achieved.

If there are two or more Tenders for which a scaling back under clause 19 resulted in such Tenders being for equal fractional amounts of an Eligible Contract and thus would be equally subject to a rounding up or rounding down (as the case may be) under the process set out in this clause 21 (“**Equivalent Fraction Tenders**”), however such a rounding up or rounding down under this clause 21 for each Equivalent Fraction Tender would result in the number of scaled back and rounded bought or sold Eligible Contracts (as the case may be) to be:

- a. higher than the number of Derivative Market Contracts to be entered into in respect of that Eligible Contract (where prior to the process under this clause 21 such number of scaled back and rounded bought or sold Eligible Contracts (as the case may be) was lower than the number of Derivative Market Contracts to be entered into in respect of that Eligible Contract); or
- b. lower than the number of Derivative Market Contracts to be entered into in respect of that Eligible Contract (where prior to the process under this clause 21 such number of scaled back and rounded bought or sold Eligible Contracts (as the case may be) was higher than the number of Derivative Market Contracts to be entered into in respect of that Eligible Contract),

the Exchange will at random choose one or more of the Equivalent Fraction Tenders to be rounded up or rounded down (as the case may be) in accordance with this clause 21, to the exclusion of the other Equivalent Fraction Tender(s), so that the number of scaled back and rounded bought or sold Eligible Contracts (as the case may be) matches the number of Derivative Market Contracts to be entered into in respect of that Eligible Contract.

22. If the Exchange reasonably believes that a Trading Participant (or its Client) has split or divided its Tenders in an attempt to obtain an advantage by reference to the rounding provided for in clauses 20 and 21, then the Exchange reserves the right to alter the allocation of Derivative Market Contracts to such Tenders so as to allocate only the Derivative Market Contracts that would have been received but for the splitting or division.
23. Once the number of Derivative Market Contracts to be entered into in respect of an Eligible Contract has been determined by the Exchange in accordance with clause 19 and (if needed) the scale back and rounding process in clauses 20 - 22 has been completed, the Exchange or ASX Clear (Futures) (as the case may be) will:
  - a. allocate the relevant number of Derivative Market Contracts between the participating Tenderers in accordance with their Tenders, as adjusted in accordance with the scale back and rounding process in clauses 20 - 22, in such manner as it deems appropriate to achieve the matching contemplated by these Rules;
  - b. notify the Tenderers of their allocation by email;
  - c. notify Clearing Participants of allocations to Tenderers in respect of Tenders for which they are the Clearing Participant, by email;
  - d. as agent for each Tenderer and Clearing Participant, submit each Derivative Market Contract allocated to the Tenderer to, and arrange for it to be accepted for registration by, the Approved Clearing Facility in accordance with the ASX Clear (Futures) Operating Rules;
  - e. record such trade in the Clearing System in the name of the Clearing Participant; and
  - f. designate such trade in the Clearing System to a House Clearing Account or Client Clearing Account in accordance with the clearing omnibus account identified in the Tender and record the clearing account reference identified in the Tender.

For the purposes of the ASX 24 Operating Rules and ASX Clear (Futures) Operating Rules, an allocation of a Derivative Market Contract between Trading Participant(s) under this clause is:

- a. a Block Trade which is taken to be reported to the Exchange under the ASX 24 Operating Rules, and therefore gives rise to a Market Transaction; and
  - b. deemed to be presentation of such trade to the Approved Clearing Facility for registration, and consent to such registration, by the Clearing Participant.
24. For the avoidance of doubt, a Tenderer cannot be allocated more than the number of Eligible Contracts stated in its Tender.
  25. Any failure by the Exchange to give, or by a Tenderer or Clearing Participant to receive, the notification referred to in clause 23.b or 23.c does not affect the validity or enforceability of any Derivative Market Contracts allocated to that Tenderer pursuant to the Tender Match Process or registered by the Approved Clearing Facility against the Clearing Participant in the Clearing System or the exercise by the Exchange or the Approved Clearing Facility of any powers under these Rules.

26. Each Trading Participant who submits a Tender and the Clearing Participant set out in the Tender shall be taken to have irrevocably authorised the Exchange and ASX Clear (Futures) to do all of the things they are required or permitted to do under these Rules.

### **Miscellaneous**

27. The Exchange reserves the right to cancel the Tender Match Process in respect of any Eligible Contract if it considers that the Tender Match Process is not fair or has been manipulated by a Trading Participant participating in it.
28. For the avoidance of doubt:
- a. nothing in these Rules, prohibits or limits the exercise by the Exchange or ASX Clear (Futures) of any of its powers under ASX 24 Operating Rules [3100] to [3140] or Rule 81 of the ASX Clear (Futures) Operating Rules in connection with the Trade Match Process, including to suspend the operation of the Trade Match Process generally or in relation to a particular Eligible Contract.
  - b. the indemnities and disclaimers in ASX 24 Operating Rules [6800] to [6804] and Rule 94 of the ASX Clear (Futures) Operating Rules apply to the performance or non-performance by the Exchange or ASX Clear (Futures) of any functions under the Tender Match Process, including without limitation, the exercise by the Exchange or ASX Clear (Futures) of its powers as set out in these Rules, and the supply or failure to supply any services by the Exchange in connection with such process.
29. To the extent that there is any dispute as to the operation of these Rules, the Exchange's or ASX Clear (Futures)' (as the case may be) determination as to such dispute shall be final and binding on all parties.

Introduced 10/11/11



AUSTRALIAN SECURITIES EXCHANGE

## Tender ASX24 Grain & Wool Contracts

10 November 2011

TO: **ASX 24** Fax No.: (612) 9256 0456 Email: asxclearfutures@asx.com.au

FROM: [ ] ("Trading Participant")

<b>Trading Mnemonic</b>		<b>Clearing Mnemonic</b>		<b>Clearing Omnibus Account</b>	
<b>Client Name</b>				<b>Clearing Account Ref</b>	

This Tender is submitted by the Trading Participant on [its own behalf] / [behalf of its Client] (*delete whichever is inapplicable*)

Grain Contract	Sell Volume	Buy Volume
<b>NSW Wheat</b>		
January 2012		
March 2012		
January 2013		
December 2011 250.00 Put		
<b>WA Wheat</b>		
January 2012		
March 2012		
<b>EA Feed Barley</b>		
January 2012		
March 2012		
<b>Australian Sorghum</b>		
March 2012		
May 2012		

Wool Contract	Sell Volume	Buy Volume
<b>Fine Wool</b>		
April 2012		
June 2012		
<b>Greasy Wool</b>		
December 2011		
February 2012		
June 2012		
August 2012		
October 2012		
December 2012		

**IMPORTANT:**

This Tender is made on the terms and conditions set out in the Fixed Price Tender Rules. By executing this form you:

- acknowledge having read the terms and conditions set out in the Fixed Price Tender Rules;
- agree to be bound by the Fixed Price Tender Rules in respect of this Tender, including without limitation:
  - in respect of the Trading Participant, to enter into Derivative Market Contracts that may be allocated to you by the Exchange;
  - in respect of the Clearing Participant, to be bound by and perform all Clearing Obligations in respect of such Derivative Market Contracts that may be allocated to the Trading Participant by the Exchange; and
- agree that the Exchange and ASX Clear (Futures) may perform the functions and exercise the powers set out in the Fixed Price Tender Rules, including without limitation as your agent pursuant to clause 23c of the Fixed Price Tender Rules.

Trading Participant	Contact Name	Contact Number	Contact Email
<b>Authorised Signatory</b>			

Clearing Participant	Contact Name	Contact Number	Contact Email
<b>Authorised Signatory</b>			

## **SECTION 5 MONITORING CONDUCT AND ENFORCING COMPLIANCE**

### **INFORMATION, MONITORING AND INVESTIGATION**

#### **Self Reporting**

##### Procedure 5000

For the purposes of Rule [5000] the circumstances are as follows:

- (a) the Trading Participant becomes aware that it has breached any of the Rules and that breach is significant;
- (b) the Trading Participant is also a Clearing Participant and any circumstance exists which constitutes an event of default under the operating rules of an Approved Clearing Facility;
- (c) the Trading Participant or any of its Employees is the subject of any regulatory or disciplinary action by any exchange, market operator, clearing and settlement facility, the Commission or any other regulatory authority (or if the Trading Participant becomes aware that any Clearing Participant through which it clears Market Transactions or any of the Clearing Participant's Employees is the subject of any action of that type);
- (d) the Trading Participant commences legal proceedings against, or becomes aware that legal proceedings have been commenced against it by, another Trading Participant, a Clearing Participant, the Commission or other regulatory authority or a client in connection with their role as a Trading Participant, and those proceedings may affect the operations of the Exchange or the interpretation of the Rules; or
- (e) the Trading Participant becomes aware or has reasonable grounds for suspecting the existence of any other event or circumstance which adversely affects or may adversely affect its financial position or solvency or its ability to comply with the Rules;
- (f) NTA falls below the specified level.

For the purposes of determining whether a breach is significant for the purposes of paragraph (a), a Trading Participant must have regard to the following:

- (g) the number or frequency of similar breaches;
- (h) the impact of the breach on the Trading Participant's ability to comply with any other Rule or Procedure or to conduct its business operations as a Trading Participant;
- (i) the extent to which the breach indicates that a Trading Participant's arrangements to ensure compliance with the Rules and Procedures is inadequate;
- (j) the actual or potential financial loss to the Trading Participant, arising from the breach; and
- (k) any other matters specified by the Exchange from time to time.

Note: Trading Participants should also refer to Procedure 1400(e) for further matters required to be notified to the Exchange as part of ongoing general requirements.

#### **Provision of Independent Expert report or Certification**

##### Procedure 5020

At this time there is nothing prescribed.

## **SANCTIONS**

### **Actions for Breach of Operational Requirements**

#### Procedure 5120

At this time there is nothing prescribed.

## **SECTION 6 GENERAL RULES**

### **Waiver**

#### Procedure 6033

For the purposes of Rule [6033]:

- (a) the register will set out:
  - (i) the date that the relief takes effect;
  - (ii) the person or class of person relieved from the obligation;
  - (iii) the provision to which the relief applies;
  - (iv) brief reasons for the relief; and
  - (v) any conditions that apply to the relief.
- (b) a copy of the information set out in (a) above will be made available on [asx.com.au](http://asx.com.au).

### **Foreign Trading Participants and other Market Participants with Overseas Activity**

#### Procedure 6400

For the purposes of Rule [6400] the requirements are as follows:

- (a) provide prior written notification to the Exchange including details of the proposed Overseas Activity;
- (b) obtain all necessary regulatory approvals from any relevant governmental agency or regulatory authority in Australia or elsewhere in respect of the Overseas Activity and provide a copy of those regulatory approvals to the Exchange;
- (c) comply with the directions of the Exchange and any relevant governmental agency or regulatory authority in Australia concerning the supervision of the Overseas Activity; and
- (d) not engage in Overseas Activity of a type which would result in the Exchange becoming subject to the jurisdiction of any relevant government agency or authority outside Australia without the prior written consent of the Exchange.

Note: This Procedure applies to those Participants who are incorporated and resident in Australia and subsequently locate aspects of their activity overseas. For Participants who are wholly outside Australia see the application process at Rule [1002].

### **Authorised Signatories**

#### Procedure 6510

For the purposes of Rule [6510] the Trading Participant must submit a list to Market Control which specifies the title, function and contact details of each of the persons authorised by the Trading Participant to sign documentation and to deal with trading issues (including requesting cancellations of trades or agreeing to requests for trade cancellations), in connection with the operation of its business as a Market Participant.

### **Notification, Notice and service of documents**

#### Procedure 6901

For the purposes of Rule [6901], unless otherwise specified in correspondence with a Trading Participant, documents addressed to the Exchange should be addressed to the person holding the following position:

## General Manager – Trading Operations and Markets

ASX Limited  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000  
Telephone: 1300 655 560  
Facsimile: 02 9235 1857

### **Notice to the Exchange:**

Notice to the Exchange may be given by:

1. Delivering it personally to the person specified above or otherwise specified in correspondence with the Trading Participant;
2. Leaving it at or by sending it by courier or post to the address specified above or otherwise specified in correspondence with the Trading Participant;
3. Sending it by facsimile to the facsimile number specified above or otherwise specified in correspondence with the Trading Participant;
4. Updating the Trading Participant's corporate details on asxonline where applicable, unless otherwise directed by the Exchange;
5. Submitting it via the web-based system interface known as ASX Compliance Monitor ("ACM") where applicable, unless otherwise directed by the Exchange; or
6. Specific email by any method which identifies an Exchange department or an Exchange employee's name or title as addressee and no notice of non-delivery has been received.

### **Notice by the Exchange:**

The Exchange may give notice to any person, firm or corporation by any of the following methods:

1. Delivering it to the recipient personally;
2. Leaving it at or by sending it by courier or post to the address of the recipient last notified to the Exchange;
3. Sending it by facsimile to the recipient's facsimile number last notified to the Exchange;
4. A circular or bulletin addressed to a class of persons and delivered or communicated by any means permitted under this Procedure;
5. Specific email by any method which identifies a person or person's title as addressee and no notice of non-delivery has been received;
6. Broadcast email by any method which identifies the addressee and which, having regard to all the relevant circumstances at the time, was as reliable as appropriate for the purposes for which the information was communicated; or
7. Sending it via the web-based system known as ACM.

### **Procedure 6902**

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.

Nothing in Rule [6902] or the Procedures prevents documents being sent or given to, or served on, a person in any other manner required or permitted by law.

For the purpose of Rule [6902] the time and manner in which a notice may be given is as follows:

Notice by:

1. Post is taken to be given on the second Business Day after the document is put in the post, in a stamped envelope or other covering addressed to the recipient;
2. Courier is taken to be given at the time of delivery to the address referred to in Procedure 6901;
3. Facsimile is taken to be given when the sender's facsimile machine indicates a successful transmission to the facsimile number referred to in Procedure 6901;
4. Email, under Procedure 6901 is taken to be given 2 hours after the time the email enters the recipient's information system, unless a response to the contrary is received (e.g. an out of office notification); and
5. The web-based system known as ACM is taken to be given at the time which that system records the transmission.

For the purposes of the Rules, a notice given in accordance with Procedure 6901 to a person is received by that person at the time it is taken to be given to that person under this Procedure 6902.

## **SECTION 7 DEFINITIONS**

### Procedure 7100

#### **Approved Clearing Facility**

The Approved Clearing Facility is ASX Clear (Futures) Pty Limited

#### **Open Interface Device**

The means by which Trading Participants access a Trading Platform and which enables a Trading Participant to submit Trading Messages. It is known as an AOEI for the Exchange.

#### **Clearing Guarantee**

The guarantee in the form set out in the Procedures from a Guarantor Clearing Participant.

## SECTION 8 TRANSITIONAL PROVISIONS

### Financial Statements

#### Procedure 8510

For the purposes of Rule [8510] the time for delivery and format of the financial statements are as follows unless otherwise specified by the Exchange:

1. Net Tangible Assets Return

FORMAT: Statement by Directors to support Return;  
Statement of Net Tangible Assets;  
Statement of Net Liquid Assets;  
Statement of Secured Creditors; and  
Statement of Client Funds.

WHEN DUE: Return as at: 31 January - Due 28 February  
28 February - Due 31 March  
31 March - Due 30 April  
30 April - Due 31 May  
31 May - Due 30 June  
30 Jun - Due 31 July  
31 July - Due 31 August  
31 August - Due 30 September  
30 September - Due 31 October  
31 October - Due 30 November  
30 November - Due 31 December  
31 December - Due 31 January

Or last Business Day before due date if it falls on a day which is not a Business Day.

EXTENSIONS: Extensions may be granted provided that a request, in writing, is made prior to the due date detailed above. The request for an extension of time must include:

- the reason extension is required; and
- the time (date) required to lodge the return.

NOTE: Participants are referred to Rule 5161 for the consequences of failing to maintain the minimum level of NTA.

2. Annual Audit Certificate

FORMAT: The prescribed forms are to be provided within three months of its financial year end.

- Annual Audited NTA Return submitted using the Return Lodgement and Monitoring system;
- Electronic copy of the Trading Participant's statutory accounts, including directors declaration and audit report as required under the laws of the Trading Participant's home jurisdiction; and

- Scanned copy of the signed Directors Declaration in the form set out in Appendix 8510(a).
- Scanned copy of Annual Audit Certificate in the form set out in Appendix 8510(b).

For all of the above forms the following applies:

SEND TO: Manager, Capital Monitoring  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

to be emailed to [sfereturns@asx.com.au](mailto:sfereturns@asx.com.au)

EXTENSIONS: Extensions may be granted provided that a request, in writing, is made prior to the due date detailed above. The request for an extension of time must include:

- the reason extension is required; and
- the time (date) required to lodge the return.

NOTE: Participants are referred to Rule [5161] for the consequences of failing to maintain the minimum level of NTA.

### 3. Net Tangible Assets Below The Minimum Level Required

If a Participant becomes aware that its Net Tangible Assets have fallen below the minimum level required it must immediately notify the Exchange as follows:

FORMAT: Letter

WHEN DUE: Immediately

SEND TO: Manager, Capital Monitoring  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

to be emailed to [sfereturns@asx.com.au](mailto:sfereturns@asx.com.au)

COMMENTS: A detailed financial statement must be lodged with the Exchange within 24 hours of such notification.

### 4. Net Tangible Assets Less Than 150 per cent of the Minimum Level Required

or

Net Tangible Assets has Decreased by More than 20 per cent Since the Last Net Tangible Asset Return Provided to the Exchange

If either of the above occurs, the Participant must notify the Exchange as follows:

FORMAT: Letter

WHEN DUE: Within five (5) business days

SEND TO: Manager, Capital Monitoring  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

to be emailed to [sfereturns@asx.com.au](mailto:sfereturns@asx.com.au)

EXTENSIONS: Not Applicable

COMMENTS: The Participant shall also provide the Exchange with such statements of its financial position as the Exchange may require, at such time or times as the Exchange may direct.

## **Margins and Right of Close Out**

### Procedure 8600

For the purposes of Rule [8601] the following applies:

#### 1 Initial Margin (Deposit) and Variation Margin

There are two types of margins namely initial margins (which sometimes are called “deposits”) and variation margins. In order to protect the financial security of both the Trading Participant and Approved Clearing Facility until variation margins are paid, each Client in the market is required to put up an initial margin in order to trade. Contract initial margins are governed by the minimum set by the Approved Clearing Facility or the Exchange or both and vary from time to time according to the volatility of the market in question. This means that an initial margin may change after a position has been opened, requiring a further payment (or refund on request) at that time. They are carefully calculated to cover the maximum expected movement in the market from one day to the next. It should be noted that a Trading Participant is entitled to call (which means a demand for payment – in this case from a Client) a higher initial margin than the minimum set in order to protect its personal obligation incurred when dealing on behalf of a Client. Liability for initial margin occurs at the time of the trade regardless of whether a call for payment is made or not.

Section 991F(2) of the Corporations Act 2001 (Cth) prohibits a broker from supplying credit to an employee (or a person associated with an employee) for the purpose of acquiring a financial product.

#### 2 Liability for Initial Margins

The liability for initial margins from Clients arises upon execution of any instruction on behalf of Clients. The minimum initial margin to be called is set by the Approved Clearing Facility. Regular bulletins are issued advising Trading Participants of changes in initial margin levels. Initial margin requirements must be satisfied by cash unless the Trading Participant has agreed to accept and has received cover by way of approved securities. A list of approved securities is contained below. It should be noted that where a Trading Participant wishes to accept another form of security, application for approval must be made to the Exchange.

#### 3 Payment Of Initial Margins

All payments or lodgement of cover must be made within twenty-four (24) hours of the request for lodgement of cover or the call for payment. Where a Client is located overseas then lodgement of cover or payment of a call must be made within 48 hours. A Trading Participant is not permitted to provide credit or cover to a Client. However a Trading Participant may exercise a reasonable discretion in accordance with Rule 8601(g)(iii) to not Close Out Open Positions held on account of the Client where the Client is in default by failing to pay a call. What is reasonable in this regard will be determined by the Exchange on a case by case basis, having regard to factors such as:

- the expertise and financial status of the Client;
- any genuine attempts by the Client to meet the call within the time prescribed;
- whether relevant actions or omissions of third parties resulted in the Client failing to pay the call;

#### 4 Liability for Variation Margins

Liability for debit variation margins arises at the time the variation margin comes into existence and irrespective of the time when any call is made. Calls for variation margins must be satisfied by payment (as with initial margins) unless the Trading Participant has agreed to accept and has received cover by way of approved securities.

#### 5 Payment Of Variation Margins

The Exchange has determined all payments or lodgement of cover must be made within twenty-four (24) hours if the Client is domestically domiciled and forty-eight (48) hours if the Client is internationally domiciled, of the request for lodgement of cover or the call for payment. Variation margins must be called when the Client has a net debit variation margin position of \$1000. However, where the amount of such a call is less than \$1000, the making of such a call is at the discretion of the Trading Participant.

#### 6 Procedures

A Trading Participant must ensure that it has procedures in place to demonstrate the initial margin and variation margin calls are being made as soon as possible after the execution of the Client's instructions. Such procedures may include the use of a "Margin Action Book", appropriate diary notations or appropriate notations on the Daily Account Summary (or equivalent). A Margin Action Book (sample attached) is a means of centralising procedures. It is recommended that each Trading Participant maintain such accounting records that detail the following:

- Client name;
- amount of call required;
- time and date Client contacted;
- Client response; and
- date funds received.

#### 7 Non-Receipt of Margins and Closing Out Positions

Rule [8601](g)(i) obliges Trading Participants to close out all or any existing futures positions in any market held by Trading Participants on account of a Client without further notice if the Client is in default by failing to pay a Call.

If a Client does not pay a margin, the broker is entitled to close out the Client's position and deduct the resulting realised loss from the initial margin.

The Exchange expects that Trading Participants will close out a Client's positions as soon as there is ANY doubt, to a reasonable person, that the funds will not arrive from the Client. This is subject to any reasonable discretion exercised by the Trading Participant in accordance with Rule 8601(g)(iii) as referred to above.

#### 8 Self-Reporting Margin Breaches

Trading Participants are required to self report breaches of the Exchange's margin rules when a margin call has not been met by a Client and the Trading Participant has not closed out the Client's positions. The breach must be self-reported to ASX Compliance as soon as any doubt arises that the funds will not arrive from the Client. Circumstances which the Exchange considers might reasonably cause such doubt to arise include, but are not limited to, where the Client cannot be contacted, where no evidence is forthcoming from the Client as to the payment status or instructions, and where there is a pattern of previous behaviour.

Participants are required to maintain a register of all incidents of non-receipt of margins. This register must contain the following details:

- Name of the Client.

- Amount of the call.
- Time and date of the initial call and any subsequent calls.
- Details of escalation and other relevant steps taken by the Participant.
- Details of whether the Participant closed out the Client's positions and, if not, the reasons why the Participant has not done so, having regard to Operating Rule [8601](g)(iii) as referred to above.
- Date and amount of funds received or details of action taken by the Client.

This register must be made available to ASX Compliance staff on demand. ASX Compliance will conduct spot checks of Participants' registers.

## 9 Approved Securities

The following is the list of securities referred to in the Operating Rules. In relation to each of the securities listed, the Participant must have and be able to demonstrate direct control over and authority to liquidate the Approved Security:

- (a) A bank letter of credit or guarantee in favour of the Participant issued in documentary form by a bank (provided that the bank is not the Client) or such other guarantee as may be approved by the Exchange.

A reference to a bank in this Procedure is a reference to an "Authorised Deposit-Taking Institution (ADI)" as authorised by the Australian Prudential Regulation Authority (APRA). (A list of authorised banks, which is subject to regular update by APRA, can be found at [www.apra.gov.au/adi/adilist.cfm](http://www.apra.gov.au/adi/adilist.cfm)). A reference to a bank also includes a foreign bank that has sufficient credit rating.

- (b) A letter of credit or guarantee in favour of the Participant issued by the New South Wales Treasury Corporation, the Queensland Treasury Corporation and the Tasmanian Public Finance Corporation.

- (c) Not more than seventy-five percent (75%) of the market value of Australian shares, or 70% of the market value of New Zealand shares, or such other percentage of the market value of the shares as may be prescribed by the Exchange.

For the purpose of this Procedure, Australian shares are shares listed on an Australian stock exchange approved pursuant to the Corporations Act 2001 (Cth) and are shares in one or more of the top one hundred listed Australian companies measured by market capitalisation at the time the Cover was lodged. New Zealand shares are shares in one or more of the top ten listed New Zealand companies measured by market capitalisation at the time the Cover was lodged.

- (d) Australian Government Securities will be accepted as follows. Valuation is dependent on residual maturity with the following haircuts:

over 1 year: 10 per cent of market value

under 1 year: 5 per cent of market value

- (e) Foreign Government Securities will be accepted as follows. Valuation is dependent on residual maturity with the following haircuts:

Under 12 months maturity: 10 per cent of market value

A Foreign Government Security for the purpose of this Procedure is a security where:

- (i) a Trading Participant is trading on a foreign Financial Market and the security is approved by that foreign Financial Market;

- (ii) the security is acceptable as Cover by a Futures Broker of that country;
  - (iii) that country is prescribed by the Business Conduct Committee; and
  - (iv) the country has a Standard & Poor's long-term and short-term credit rating for sovereigns of AAA and A-1 respectively.
- (f) Not more than ninety-five percent (95%) of the market value of bills of exchange accepted or endorsed by a bank (provided the bank is not the Client).
  - (g) Not more than ninety-five percent (95%) of the market value of Negotiable Certificates of Deposit issued by a bank (provided the bank is not the Client).
  - (h) Such other security or credit facility and on such terms as may be approved by the Exchange from time to time.

#### 10. Credit Lines

The Exchange will only allow credit lines in the case of a Trading Participant which is a bank within the meaning of the Banking Act, and where:

- (a) the monies are lent by a separate credit division of the bank;
- (b) such monies are lent in accordance with normal credit policy of the bank, and Exchange staff have access to the relevant approval by the credit division;
- (c) the facility is used to pay obligations for initial and variation margins and that such obligations are met by actual payment into the Clients' segregated account of the Trading Participant through a direct call on the facility.

No approval will be given for any facility which involves the waiver of initial or variation margin requirements for any period.

The Exchange is also aware of arrangements where a related entity of the Trading Participant provides credit to Clients of the Trading Participant to meet initial and variation margins. The Exchange finds this situation acceptable on the basis that the credit is provided by a related entity whose core business activity is the provision of credit to Clients and also that the related entity is not a subsidiary of the Participant.

**Sample Form 1 – Margin Action Book**

DATE: \_\_\_\_\_

CLIENT: \_\_\_\_\_

AMOUNT OF CALL: \$ \_\_\_\_\_

DETAILS OF CALL: – Initial Margin \_\_\_\_\_

– Variation Margin \_\_\_\_\_

\_\_\_\_\_ \$ \_\_\_\_\_

TIME CLIENT CONTACTED: \_\_\_\_\_

NAME IF CLIENT REPRESENTATIVE: \_\_\_\_\_

CLIENT RESPONSE: \_\_\_\_\_

DATE FUNDS RECEIVED: \_\_\_\_\_

SIGNED (PARTICIPANT REPRESENTATIVE)

SIGNED (AUTHORISED PARTICIPANT PERSONNEL)

**Sample Form 2 – Margin Action Book**

CLIENT NAME	INITIAL MARGIN	VARIATION MARGIN	G/L BALANCE	AMOUNT OF CALL	TIME CLIENT CONTACTED	CLIENT RESPONSE	DATE MONIES RECEIVED

**End of Document.**