



**ASIC**

Australian Securities & Investments Commission

# **ASIC/ASX 24 Market Integrity Rules**

July 2010

### About ASIC market integrity rules

The *Corporations Amendment (Financial Market Supervision) Act 2010* provides for a new type of rule called the market integrity rules. These rules are made by the Australian Securities and Investments Commission (ASIC) and apply to market operators, market participants, other prescribed entities and financial products traded on the ASX 24 (formerly Sydney Futures Exchange (SFE)) market.

ASIC is responsible for supervising compliance with these rules.

Our approach in making market integrity rules has been to not change the substance of the pre-existing obligations that apply to ASX 24 market participants at this time.

We intend to review the market integrity rules and will consult on future amendments.

### Document history

This document is referenced as Market Integrity Rules 2 *ASIC/ASX 24 Market Integrity Rules* (MIR 2) on the ASIC website.

This version was issued on 8 July 2010 and is based on legislation and regulations as at 8 July 2010.

### Disclaimer

This document is based on ASIC market integrity rules as approved in principle by the Minister on 8 July 2010. We anticipate that the Minister will approve these rules on commencement of the transfer of market supervision legislation (i.e. on 1 August 2010). These rules would be made by ASIC on that same day.

On 1 April 2010, the ASX Group announced that it intends that the SFE market be renamed the ASX 24 market in the future. In this document the SFE market is referred to as the ASX 24 market. We also note that the ASX Group proposes to make a number of changes to the names of companies within its group. To the extent necessary, this document reflects the proposed new names of companies within the ASX Group. We note that the name changes proposed by the ASX Group have not yet been formally adopted and are subject to a number of regulatory applications. If the proposed names are not formally adopted, we will amend this document to reflect the current names at the time of publication.

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# Chapter 1: Introduction

## 1.1 Preliminary

### 1.1.1 Enabling legislation

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

### 1.1.2 Title

This instrument is *ASIC Market Integrity Rules (ASX 24 Market) 2010*.

### 1.1.3 Commencement

This instrument commences on the later of:

- (a) the day the instrument is registered under the *Legislative Instruments Act 2003*; and
- (b) the commencement of Schedule 1 to the *Corporations Amendment (Financial Market Supervision) Act 2010*.

Note: An instrument is registered when it is recorded on the Federal Register of Legislative Instruments (FRLI) in electronic form: see *Legislative Instruments Act 2003*, s 4 (definition of register). The FRLI may be accessed at <http://www.frli.gov.au/>.

### 1.1.4 Scope of these Rules

These Rules apply to:

- (a) the activities or conduct of the Market;
- (b) the activities or conduct of persons in relation to the Market;
- (c) the activities or conduct of persons in relation to Financial Products traded on the Market.

Note: There is no penalty for this Rule.

### 1.1.5 Entities that must comply with these Rules

The following entities must comply with these Rules:

- (a) the Market Operator;
- (b) Market Participants; and
- (c) Other Regulated Entities;

as specified in each Rule.

Note: There is no penalty for this Rule.

### 1.1.6 Conduct by officers, employees or agents

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

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

is deemed to have been engaged in by the person.

Note: There is no penalty for this Rule.

### 1.1.7 State of mind of a person

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

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

Note: There is no penalty for this Rule.

## 1.2 Waiver

### 1.2.1 Waiver of Rules and procedures

(1) Subject to Rule 1.2.3, ASIC may relieve any person or class of persons from the obligation to comply with a provision of these Rules, either generally or in a particular case or category, and either unconditionally or subject to such conditions as ASIC thinks fit.

(2) If any conditions on a waiver given under subrule (1) are imposed, all of the conditions must be complied with for the waiver to be effective.

(3) ASIC may withdraw, in writing, a waiver given under subrule (1) at any time.

(4) Any request by a person for a waiver under subrule (1) must be in writing.

(5) Any waiver given under subrule (1), and any conditions imposed on that waiver, must be in writing.

(6) ASIC may publish notice of a waiver given under subrule (1).

Note: There is no penalty for this Rule.

## 1.2.2 Compliance with conditions

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

*Maximum penalty: \$1,000,000*

## 1.2.3 Period during which relief applies

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

Note: There is no penalty for this Rule.

## 1.2.4 Register

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

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

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

Note: There is no penalty for this Rule.

## 1.3 Notice, notification and service of documents

### 1.3.1 Market participant to have email

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

### 1.3.2 Methods of giving notice in writing

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

- (a) delivering it to the recipient personally;
- (b) leaving it at or by sending it by courier or post to the address of the recipient last notified to ASIC;
- (c) sending it by facsimile to the recipient's facsimile number last notified to ASIC;
- (d) a circular or bulletin addressed to a class of persons and delivered or communicated by any means permitted under this Rule;

- (e) specific email by any method which identifies a person or person's title as addressee and no notice of non-delivery has been received;
- (f) broadcast email by any method which identifies the addressee and which, having regard to all the relevant circumstances at the time, was as reliable as appropriate for the purposes for which the information was communicated.

Note: There is no penalty for this Rule.

## 1.4. Interpretation

### 1.4.1 References to time

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

Note: There is no penalty for this Rule.

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

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

Note: There is no penalty for this Rule.

### 1.4.3 Definitions

“**Acquire**” has the meaning given by section 9 of the Corporations Act.

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

“**Approved Securities**” means those securities described as approved securities by the Market Operator under the Market Operating Rules.

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

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

“**Australian Financial Services Licence**” means a licence granted under section 913B of the Corporations Act.

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

“**Block Trade Facility**” means the facility provided by the Market Operator for Trading Contracts and referred to in the Market Operating Rules as the Block Trade Facility.

“**Block Trade Order**” means an Order in a Contract prescribed by the Market Operator which must be executed via the Block Trade Facility.

“**Business Day**” has the meaning given by section 9 of the Corporations Act.

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

“**Clearing Participant**” means a person admitted as a participant under the Clearing Rules.

“**Clearing Rules**” means operating rules:

- (a) as the term is defined in section 761A of the Corporations Act; and
- (b) made by ASX Clear.

“**Client**” means in relation to a Market Participant, any person, partnership or Corporation on behalf of whom the Market Participant enters, Acquires or Disposes of a Futures Contract or Option Contract, or on whose behalf the Market Participant proposes to enter, Acquire or Dispose of a Futures Contract or Option Contract or from whom the Market Participant accepts instructions to enter, Acquire or Dispose of Futures Contracts or Option Contracts.

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

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

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

“**Contract**” means a contract entered, Acquired or Disposed of on the Market or capable of being entered, Acquired, or Disposed of on the Market.

“**Corporation**” has the meaning given by section 9 of the Corporations Act.

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

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

“**Cover**” means cash and/or Approved Securities as determined by the Market Operator and held by a Market Participant against a Client’s liability from time to time.

“**Deal**”, “**Deal In**” or “**Dealing**” or cognate expressions has the meaning given by section 766C of the Corporations Act.

“**Director**” has the meaning given by section 9 of the Corporations Act

“**Dispose**” has the meaning given by Chapter 7 of the Corporations Act.

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

“**Error Trade**” means a Trade transacted in error.



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

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

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

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

but is not a firm Order to buy or sell.

**“Futures Contract”** means a Contract designated as a “Futures Contract” by the Market Operator in the Market Operating Rules.

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

**“House Trade”** means any Trade other than a Client Trade.

**“In Writing”** means written, typed, printed or lithographed, or partly one and partly another and including any other mode of representing or reproducing words in a visible form, including electronically produced, displayed and recorded matter.

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

**“Margin”** means Variation Margin.

**“Market”** means the market operated by the Market Operator under the Australian Market Licence (Sydney Futures Exchange Limited) 2002.

**“Market Operator”** means Australian Securities Exchange Limited (ACN 000 943 377).

**“Market Operating Rules”** means the Operating Rules of the Market.

**“Market Participant”** means a participant in the Market admitted under the Market Operating Rules.

**“Minimum Volume Threshold”** means the threshold determined by the Market Operator under the Market Operating Rules, being the minimum number of lots in respect of each Contract.

**“Month”** means calendar month.

**“Open Position”** An open position exists where the obligations under a Contract held by a party, which has not been closed out are yet to be performed and shall refer as the context requires either to an open position as defined by the Clearing Rules held by a Clearing

Participant or to such an open position which is held by a Market Participant on the instructions of a client, including open positions held, where applicable on markets other than the Market.

“**Operating Rules**” has the meaning given by section 761A of the Corporations Act.

“**Option or Option Contract**” means an Option over:

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

as listed by the Market Operator.

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

“**Order System**” means a software application, satisfactory to the Market Operator, for entering Orders into the Trading Platform through a Terminal.

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

“**Pre-Opening Phase**” has the meaning given by the Market Operating Rules.

“**Principal Trader**” has the meaning given by the Market Operating Rules.

“**Related Body Corporate**” has the meaning given by section 9 the Corporations Act.

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

“**Rules**” means these Market Integrity Rules.

“**Strategy Trade**” means a Trade designated by the Market Operator as a strategy trade under the Market Operating Rules.

“**Terminal**” means an automated Order entry interface through which an Order System routes Orders to the Trading Platform.

“**Trade**” and similar expressions means “trade” as defined in section 9 of the Corporations Act.

“**Trading Day**” means a day on which the Market is open for Trading.

“**Trading Participant**” has the meaning given by the Market Operating Rules.

“**Trading Platform**” means a facility made available by the Market Operator to Market Participants for the entry of Trading Messages, the matching of Orders, the advertisement of invitations to Trade and the reporting of transactions.

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

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

## Chapter 2: The Market Participants

### 2.1 Notification

A Market Participant shall notify ASIC as soon as practicable upon becoming aware that the Market Operator or a regulatory agency is investigating and/or has instituted proceedings against it.

*Maximum penalty: \$100,000*

### 2.2 Risk management

#### 2.2.1 Client limits and Client connections

##### (1) Client limits

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

- (a) set and document appropriate pre-determined Order and/or position limits on each of its Client Accounts, including a volume per Order limit, an aggregate loss limit and an aggregate net session limit, based on the Market Participant's analysis of Clients' financial resources or other relevant factors;
- (b) set and document maximum price change limits;
- (c) the limits determined in Rules 2.2.1(1)(a) and (b) must be input by a Market Participant's risk manager into Trading Platform account maintenance and will be established as preset accounts;
- (d) limit setting capability must exist in the Market Participant's Order System which reflects prudent account risk management and the Order System must have Order rejection capability where Orders are in excess of limit parameters set by the Market Participant;
- (e) the Market Participant may in its absolute discretion amend the pre-determined Order and/or position limit;
- (f) Orders in excess of the agreed pre-determined limits must be rejected by the Market Participant's Order System and may be rejected by the Trading Platform.

##### (2) Client connections

- (a) Any Market Participant who has permitted its Client to connect to a Terminal shall be responsible under these Rules for any Orders entered through the Terminal by the Client.
- (b) ASIC may at any time by notice to a Market Participant, require a Market Participant to terminate such connection either generally or in relation to a particular individual, Client, system or device or class of system or device.
- (c) As soon as a Market Participant receives notification under Rule 2.2.1(2)(b), it shall promptly take all steps necessary to terminate such connection.

### (3) Obligations prior to client connection

Prior to permitting any Client to connect to a Terminal the Market Participant shall:

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

*Maximum penalty: \$1,000,000*

## 2.2.2 Concentration of risk

(1) A Market Participant other than a Principal Trader must not permit any one Client to represent such a percentage of the Trading by the Market Participant as may prejudice or diminish the ability of the Market Participant to meet its obligations under these Rules and at law.

(2) For the purposes of Rule 2.2.2, "client" shall include all persons, partnerships and Corporations related to, associated with or affiliated with the Client or otherwise financially dependent upon the Client.

*Maximum penalty: \$100,000*

## 2.2.3 Prohibited employment

(1) A Market Participant shall not employ any person who has been a Market Participant (or a Director, partner, Employee or Representative of a Market Participant) if that person has to the knowledge of the first mentioned Market Participant taken part or been concerned in any failure to comply with:

- (a) the Rules, which failure has been found to have occurred by ASIC;
- (b) the Market Operating Rules, which failure has been found to have occurred by the Market Operator; or
- (c) the operating rules in force prior to the commencement of these Rules, which failure has been found to have occurred by the Market Operator prior to commencement of these Rules.

(2) For the purposes of Rule 2.2.3 the words “to employ” and cognate expressions shall include agreeing or arranging with a person for that person to act as the Market Participant’s Representative to advise or solicit instructions from other persons or to Trade, on the Market Participant’s behalf in relation to Dealings in Contracts.

*Maximum penalty: \$1,000,000*

## 2.2.4 Order records and accounting records

### (1) Client Orders

A Market Participant, other than a Principal Trader, must maintain internal records of instructions received from Clients and Trades executed for Clients for a period of not less than five (5) years from the date of the Trade, containing the following information:

- (a) the nature of the instructions received, including information about: the commodity, the name of the market, delivery Month, buy or sell, number of lots and price/limit;
- (b) the Client name/account number and Client ID;
- (c) the person who gave the instructions;
- (d) the time and date of receipt of the instructions, and the person who received the instructions;
- (e) the time and date of transmission of the instructions, and the person who transmitted the instructions; and
- (f) the time and date of execution of the instructions, and the person who executed the instructions.

### (2) Proprietary Orders

A Market Participant must maintain records of its Representatives’ Trading for a House Account for a period of not less than five (5) years from the date of a Trade, containing the following information:

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

### (3) Error Trades

A Market Participant must maintain a separate record of all Error Trades for a period of not less than five (5) years from the date of a Trade, containing the following information:

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

#### (4) Accounting records

- (a) A Market Participant must maintain such accounting records as correctly record and explain the transactions of the Market Participant and the financial position of the Market Participant.
- (b) In relation to Calls, a Market Participant must at all times maintain such accounting records as accurately indicate in respect of each Call for Initial or Variation Margin made upon Clients:
  - (i) the date and time at which such Call was received;
  - (ii) the amount of such Call;
  - (iii) the extent to which the Call was payable by reason of:
    - (A) Trading undertaken by the Market Participant on its own account or an account of a related corporation; and
    - (B) Trading undertaken by the Market Participant for Clients, so that the amount of any such Call is apportioned accordingly;
  - (iv) the extent to which the Call was met from:
    - (A) monies in the Clients' segregated account; and
    - (B) other sources (specifying those sources and the amount satisfied from each such source); and
  - (v) the date and time at which such Call was met.

*Maximum penalty: \$100,000*

### 2.2.5 Client documentation

(1) Subject to Rule 2.2.5(2), a Market Participant shall have in force, prior to the commencement of Trading for a Client, a duly signed agreement with that Client, containing minimum terms to the following effect:

- (a) Client to provide information

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

Trading, to the Market Participant and the Market Participant is authorised by the Client to provide the information and documentation to ASIC.

(b) Margins

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

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

(c) Tape recordings

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

(d) Right to refuse to Deal

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

(e) Termination and Closing Out

An acknowledgment that:

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

## (2) Exception

Rule 2.2.5(1) does not apply:

- (a) to a Principal Trader;
- (b) where the Client is another Market Participant, and the Market Operating Rules provide that an agreement containing the terms of Rule 2.2.5(1) is deemed to have been entered and come into effect immediately upon the Market Participant accepting the first instruction from the Client to enter a Contract; or
- (c) where the Market Participant is performing execution business only and has an agreement in place with the Client that incorporates the provisions set out in the International Uniform Brokerage Execution Services ("Give-Up") Agreement 2008 (both client and trader versions).

*Maximum penalty: \$100,000*

## 2.2.6 Clients' segregated account obligations

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

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

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

- (i) all money received by the Market Participant from its Client or by a person acting on behalf of its Client;



- (ii) interest on the amount from time to time standing to the credit of the account;
  - (iii) interest or other similar payments on an investment, and the proceeds of the realisation of an investment; and
  - (iv) any other money as required by the Rules or Market Operating Rules or the law to be paid by the Market Participant into a Clients' segregated account.
- (c) When money shall be paid into an account
- The money must be paid into a Clients' segregated account on the day it is received by the Market Participant, or on the next Business Day.
- (d) Permitted withdrawal
- Withdrawals from a Clients' segregated account made in any of the following circumstances are permissible:
- (i) paying Margins and the settling of Dealings;
  - (ii) making a payment to, or in accordance with the written direction of, a person entitled to the money;
  - (iii) defraying brokerage and other proper charges;
  - (iv) paying to the Market Participant money to which the Market Participant is entitled, whether at law or under the Rules or Market Operating Rules; and
  - (v) making a payment that is otherwise authorised by law.
- (e) Payment to another Australian Financial Services licensee
- (i) If payment referred to in Rule 2.2.6(e)(ii) is made by the Market Participant to the holder of an Australian Financial Services Licence, the Market Participant must ensure that Australian Financial Services licensee is notified, at the same time as the payment is made or as soon as practicable after, that the money:
    - (A) has been withdrawn from an account of the Market Participant maintained for Rule 2.2.6; and
    - (B) should be paid into an account of the Australian Financial Services licensee maintained for Rule 2.2.6.
  - (ii) If the Australian Financial Services licensee who receives the payment in Rule 2.2.6(e)(i) is also a Market Participant, it must, not later than the day after it receives the payment, pay the money received into an account maintained by it for Rule 2.2.6.
- (f) Requirement to deposit additional monies in Clients' segregated account
- (i) Where five (5) clear Business Days (inclusive of the day of the Call) after a Call has been made on a Client for Initial or Variation Margin in accordance with the Market Operating Rules, or such Call should have been made in accordance with the Market Operating Rules, the Call which was or should have been made has not been satisfied by payment of monies into a Clients' segregated account or lodgement of Cover, then the Market Participant must pay into the Clients' segregated account an amount of money not less than either:

- (A) the liability of the Client under such a Call; or
  - (B) the amount which the Market Participant would be obliged to Call the Client on the day after five (5) clear Business Days (inclusive of the day of the Call) has elapsed, whichever is the lesser.
- (ii) Subject to Rule 2.2.6(f) such monies may only be withdrawn in accordance with Rule 2.2.6(d) and only after such monies have been received by the Market Participant.
  - (iii) The Market Participant must pay into the Clients' segregated account after five (5) clear Business Days, any amount (which has not been met by the Client), which arises as a result of debit balances of a Client resulting from realised losses or otherwise.
- (g) Prohibited agreements

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

- (h) Permissible investments

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

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

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

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

- (E) the fee (if any) that the Market Participant proposes to charge for the investment; and
- (ii) such investment shall be readily realisable and no less than fifty per cent (50%) of monies invested shall be on twenty-four (24) hour call.
- (j) Separation of Market Participants' Trading liabilities from Clients' Trading liabilities  
No Market Participant shall use a Clients' segregated account to meet any Initial or Variation Margin liabilities which relate to Trading by that Market Participant on its own behalf or on behalf of a related corporation.
- (k) Accounting records for withdrawals  
A Market Participant shall at all times maintain such accounting records as accurately indicate each withdrawal from a Clients' segregated account.
- (l) Definition of Client  
For the purposes of Rule 2.2.6, "Client" shall exclude a Related Body Corporate or a division of the Market Participant.
- (m) Property
  - (i) For the purposes of Rule 2.2.6(n) "property" includes credit facilities and securities.
  - (ii) On the receipt of property, a Market Participant must:
    - (A) deposit the property in safe custody on or before the next Business Day after the property is received or deposited;
    - (B) create and maintain the following records:
      - (I) date property received/deposited in safe custody; and
      - (II) particulars of the property so deposited.
  - (iii) A Market Participant must keep Client property segregated from the Market Participant's own property and Market Participants must be able to liquidate Client property as soon as practicable when required.
  - (iv) A Market Participant must not use property held in safe custody to satisfy a Market Participant's debt.

*Maximum penalty: \$1,000,000*

## **2.2.7 Mandatory recording of information by Market Participants**

- (1) Recording by Market Participant
  - (a) Each Market Participant dealing with Clients must record, via telephone lines and/or other electronic device, at its own expense, all conversations with Clients and other parties relating to Client instructions.

- (b) Each Market Participant must ensure that internal desks transmit all Orders to the futures desks in such a way that instructions are recorded via a telephone line or other electronic device.
- (c) Should circumstances arise where a Client has placed instructions in a manner where there is no electronic or other record, the Market Participant must ensure that the Client's instructions are recorded in some manner.
- (d) Recordings and records maintained under Rule 2.2.7 must be retained for a minimum three (3) Month period.
- (e) Where the Representative of the Market Participant having the relevant conversation is doing so from outside Australia, under an arrangement whereby the Market Participant arranges for other Representatives of the global group to take Orders on behalf of the Market Participant during certain hours each Trading Day ("rolling the book"), the Market Participant must maintain recordings and records for the period which is customary for regulated intermediaries conducting similar Trades in that jurisdiction to retain such records.
- (f) Market Participants must ensure that all equipment used to record electronic devices is functional at all times.
- (g) For the purposes of Rule 2.2.7 in respect of a Market Participant which is a Corporation, a "Client" shall include a Related Body Corporate or a division of the Market Participant—which is separate from the Market Participant's futures division.

*Maximum penalty: \$100,000*

## Chapter 3: Trading principles

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

#### 3.1.1 Expressions of Interest

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

(2) For the purposes of Rule 3.1.1(1), in respect of a Market Participant which is a Corporation, a “Client” shall include a Related Body Corporate or a division of the Market Participant—which is separate from the Market Participant’s futures division.

*Maximum penalty: \$100,000*

#### 3.1.2 Market manipulation and misleading acts or practices regarding price

(1) A Market Participant must not engage in price manipulation of a Contract.

(2) A Market Participant must not engage in any misleading act or practice regarding the price of a Contract.

(3) For the purposes of Rule 3.1.2 “manipulation and misleading acts or practices regarding the price of a Contract” is conduct including any artificial attempts to raise, lower or maintain the Contract price or to give a false impression of active Trading, any attempt to artificially influence the closing price, any attempt to affect a settlement price by artificial Trading on the Market, or buying and selling into the Market with the sole intent of making volume appear more than it really is.

*Maximum penalty: \$1,000,000*

#### 3.1.3 Entering Orders without an intent to Trade

(1) A Market Participant must not enter Orders where there does not exist an intent to Trade.

(2) For the purposes of Rule 3.1.2, circumstances which indicate that that there does not exist an intent to Trade include:

- (a) Orders which are entered at price limits substantially higher or lower than the previous settlement price of the specific Contract, or alternatively, entered with unusually large volume levels; or
- (b) placement, modification and cancellation of Orders during the Pre-Opening Phase, which are entered with intent to affect the opening price of any Futures or Options Contract.

*Maximum penalty: \$1,000,000*

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

(1) Subject to Rules 3.1.4(3), 3.3.1(1) and 3.4.1(b), a Market Participant must transmit Orders to the Trading Platform as soon as they are received.

(2) Rule 3.1.4(1) applies to Orders that can, in accordance with Client instructions, be immediately transmitted to the Trading Platform and include “limit” and “market” Orders.

(3) Exceptions to Rule 3.1.4(1) are:

- (a) Orders that cannot be transmitted to the Trading Platform such as “market on close”, “stop loss” or “market if touched”;
- (b) “at best” Orders, provided these Orders are transmitted to the Trading Platform at such time as the Market Participant forms the view that the best price may be achieved; and
- (c) Orders where Client instructions preclude immediate transmission unless those instructions would cause the Market Participant to breach these Rules.

*Maximum penalty: \$100,000*

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

(1) Subject to Rules 3.1.5(2), 3.3.1(1) and 3.4.1(b) a Market Participant must:

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

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

*Maximum penalty: \$1,000,000*

### 3.1.6 Aggregation of Orders

(1) Subject to Rules 3.3.1(1) and 3.4.1(d), a Market Participant must not aggregate Orders for entry into the Trading Platform unless permitted under Rules 3.1.6(2).

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

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

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

*Maximum penalty: \$1,000,000*

### **3.1.7 Disclosure**

(1) Subject to Rules 3.3.1(1)(b) and 3.4.1(c), a Market Participant must not disclose any information about Orders unless where otherwise permitted or required under these Rules or the law or exempted under Rule 3.1.7(2).

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

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

(4) For the purposes of Rule 3.1.7, “Order” is an instruction to Deal or Trade on behalf of a Client or an intention to deal or Trade by a party dealing proprietary business.

*Maximum penalty: \$1,000,000*

### **3.1.8 Withholding Orders**

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

*Maximum penalty: \$1,000,000*

### **3.1.9 Withdrawing Orders**

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

*Maximum penalty: \$100,000*

### **3.1.10 Pre-arrangement**

(1) Subject to Rules 3.1.10(2), 3.3.1(1)(b) and 3.4.1(a), a Market Participant must not arrange the details of a potential Trade between two or more parties unless Market

Participants have been made generally aware of all relevant details of the potential Trade, or unless specifically permitted otherwise under these Rules.

(2) A Market Participant is not prevented from arranging the details of a potential Trade under Rule 3.1.10(1) where Orders being aggregated under Rule 3.1.6.

*Maximum penalty: \$100,000*

### 3.1.11 Trading to the exclusion of others

A Market Participant must not execute or attempt to execute Trades with the intent to exclude other Market Participants or their Representatives.

*Maximum penalty: \$100,000*

### 3.1.12 Wash Trades

(1) Subject to Rule 3.1.12(2), a Market Participant must not allow Trades to occur such that both sides of the Trade are on behalf of the same account (a “wash Trade”).

(2) Rule 3.1.12(1) does not prohibit:

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

(3) Subject to Rules 3.1.12 (4) and (5), a Market Participant must report to ASIC all breaches of Rule 3.1.12(1) in the following circumstances:

- (a) Where a wash Trade:
  - (i) is of 50 lots or more in volume;
  - (ii) is not or does not appear to be inadvertent; and
  - (iii) where a wash Trade does not relate to the following Market Contracts:
    - (A) 30 Day Interbank Cash Rate futures
    - (B) 90 Day Bank Accepted Bills futures
    - (C) 3 Year Commonwealth Treasury Bond futures
    - (D) 10 year Commonwealth Treasury Bond futures
    - (E) SPI 200 Index futures; or
  - (iv) where a Market Participant’s Client with direct market access has executed a wash Trade and the Client intended to cross the Trade.



- (b) Where a Market Participant breaches Rule 3.1.12(1):
- (i) A Market Participant must maintain a register in respect of any wash Trade executed under their mnemonic, recording details of breaches of Rule 3.1.12(1) that were not reported to ASIC under Rule 3.1.12(3) (a “wash Trade register”).
  - (ii) Information to be maintained in the wash Trade register includes:
    - (A) time and date of Trade execution;
    - (B) deal number and full Order details;
    - (C) an explanation as to why/how the Trade occurred; and
    - (D) details of any subsequent action taken by the Market Participant.

(4) A Market Participant is not required to report a wash Trade to ASIC where a Client with direct market access has inadvertently executed a wash Trade and the Market Participant has processes in place to review, and reviews in accordance with those processes, the actions of the Client to ensure the Trade was inadvertent and subsequently records the details required by Rule 3.1.12(3)(b) on its wash Trade register.

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

*Maximum penalty: \$100,000*

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

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

(2) For the purposes of Rule 3.1.13, a “Client” of a Market Participant which is a Corporation shall include a Related Body Corporate or a division of the Market Participant which is separate from that Market Participant’s futures division.

*Maximum penalty: \$100,000*

### 3.1.14 Personal account Trading

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

(2) For the purpose of Rule 3.1.14, a person has Traded for that person's account if that person Trades for any entity, person or account:

- (a) in which that person has a beneficial interest, including a Market Participant's House Account in which the person has a financial interest; or
- (b) in which that person might by exercise of some discretion have a beneficial interest, including a Market Participant's House Account in which the person has, or may have, a financial interest; or
- (c) over which that person exercises any control (other than an account of the Market Participant of which the person is a Director, partner or Employee where such control is exercised in that capacity); or
- (d) which is a Corporation in whose shares that person has a "Relevant Interest" as that term is defined by the Corporations Act; or
- (e) which is that person's relative or a relative's account in which that person has a financial interest.

(3) For the purposes of Rule 3.1.14:

- (a) a "Client" of a Market Participant which is a Corporation shall include a Related Body Corporate or a division of the Market Participant which is separate from the Market Participant's futures division;
- (b) "a person having a financial interest in an account" includes any benefit which that person may enjoy as the result of the operation of that account, or Trading under that account; and
- (c) a "relative" of a person refers to spouse, parents, son, daughter, brother, sister, grandparents, grandchildren, aunts and uncles.

*Maximum penalty: \$100,000*

### 3.1.15 Dual Trading prohibition

(1) A Market Participant's Representative shall not initiate a Trade for any Market Participant's House Account in a Contract, where that Representative is holding or is likely to hold the Market Participant's Client Orders to Trade, or for any reason is likely to have knowledge or information of the Market Participant's Client Orders to Trade, in the same or similar commodity unless permitted under Rule 3.1.15(3).

(2) Conflict management

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

(3) A Market Participant which executes a Trade to cover an Error Trade is not in breach of Rule 3.1.15(1).

(4) In Rule 3.1.15:

- (a) “Client” includes a Related Body Corporate or a division of the Market Participant which is separate from that Market Participant’s futures division.
- (b) “House Account” means an account operated by a Market Participant for principal Dealing only. It excludes Dealings by the Market Participant on behalf of a Corporation related to the Market Participant or another division within that Market Participant’s Corporation which is separate from its futures division.
- (c) “initiate” means that the Employee originates an Order to Trade in a Futures or Options Contract.
- (d) “similar commodity” includes, without limitation:
  - (i) in the case of an interest rates based Contract, all other interest rate based Contracts and,
  - (ii) in the case of an SPI contract, individual share futures Contracts.

*Maximum penalty: \$1,000,000*

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

(1) Subject to Rule 3.1.16(3) a Market Participant and its Representative shall allocate Trades to Clients in the sequence in which the Orders are received.

(2) For the purposes of Rule 3.1.16 “a Client” of a Market Participant which is a Corporation shall include a Related Body Corporate or a division of the Market Participant which is separate from that Market Participant’s futures division.

(3) A Market Participant may allocate out of sequence where:

- (a) Orders are aggregated under Rule 3.1.6 and:
- (b) the Market Participant uses either of the following pro-rata methods:
  - (i) volume weighted average method; or
  - (ii) percentage basis;
- (c) the Market Participant has advised, In Writing, each Client whose Orders may be allocated out of sequence under this Rule, nominating the pro-rata method selected under Rule 3.1.16(3)(b), and
- (d) the Market Participant has retained a record of the advice sent to the Client under Rule 3.1.16(3)(c) while the Client remains a Client of the Market Participant and for a period of five (5) years after that Client ceases to be a Client of the Market Participant.

(4) A Market Participant must notify ASIC In Writing prior to adopting or changing its policy of allocating Orders on one of the pro rata methods set out in Rule 3.1.16(3)(b).

*Maximum penalty: \$100,000*

### 3.1.17 Post-allocation prohibition

(1) A Market Participant must not offer and/or allocate Trades to a Client unless those Trades have been obtained under instructions previously obtained from that Client.

(2) For the purposes of Rule 3.1.17 a “Client” of a Market Participant which is a Corporation shall include a Related Body Corporate or a division of the Market Participant which is separate from that Market Participant’s futures division.

*Maximum penalty: \$1,000,000*

## 3.2 Strategy Trading

(1) A Market Participant must maintain a record of all Strategy Trades, for a period of five (5) years.

(2) Market Participants must allocate each leg of a Strategy Trade to the same account.

*Maximum penalty: \$100,000*

## 3.3 Pre-negotiated business orders

### 3.3.1 Pre-negotiated business

(1) Where a Market Participant receives an instruction from a Client which can be executed as pre-negotiated business, the Market Participant may:

- (a) withhold transmission of the instructions in order to solicit Orders from Clients and other Market Participants;
- (b) disclose details of Clients’ instructions; and
- (c) aggregate Orders received from Clients in satisfaction or part satisfaction of the originating Client Order.

(2) For the purposes of Rule 3.3.1(1) “pre-negotiated business” refers to Orders involving Contracts which have been:

- (a) permitted to be pre-negotiated in the Market Operating Rules; and
- (b) are in numbers of Contracts greater than or equal to the number designated by the Market Operator.

Note: There is no penalty for this Rule

### 3.3.2 Client authorisation

Before entering a pre-negotiated business Trade on behalf of a Client under Rule 3.3.1, a Market Participant must be authorised In Writing by the Client to do so either specifically or

generally. The authorisation must state that the Client authorises Orders to be pre-negotiated on the Client's behalf.

*Maximum penalty: \$100,000*

### 3.3.3 Definition of Client

(1) For the purpose of Part 3.3 in respect of any Market Participant that is a Corporation, a "Client" shall include a Related Body Corporate or a division of the Market Participant which is separate from the Market Participant's futures division.

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

Note: There is no penalty for this Rule.

## 3.4 Trading principles for Block Trades

### 3.4.1 Participant entitlements

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

- (a) solicit counterparties to the Block Trade Order amongst other Market 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.

Note: There is no penalty for this Rule.

### 3.4.2 Prohibitions

Market Participants cannot aggregate separate Orders in order to meet Minimum Volume Thresholds.

Note: There is no penalty for this Rule.

### 3.4.3 Unfilled Block Trade Orders

(1) Subject to Rule 3.4.3(2), where counterparties have been solicited under Rule 3.4.1(a) and the Block Trade Order remains unfilled, then the Block Trade Order may revert to an Order.

(2) The Orders solicited from counterparties referred to in Rule 3.4.3(1) must not be entered into the Trading Platform unless a period of 60 seconds has elapsed from the entry of the originating Block Trade Order.

Note: There is no penalty for this Rule.

### 3.4.4 Client authorisation

Before executing a Block Trade Order on behalf of a Client a Market Participant must be authorised In Writing by the Client to do so either specifically or generally and such authorisation shall include an acknowledgment by the Client that:

- (a) the price quoted for the Block Trade Order may or may not be the prevailing market price;
- (b) the price at which the Block Trade is executed will not be used in establishing the price of a Contract when it is settled in accordance with the Market Operating Rules;
- (c) Block Trades shall have no impact on the Trading Platform market data; and
- (d) Block Trades will be separately reported to the Market.

*Maximum penalty: \$100,000*

## 3.5 Trading principles for Exchange For Physical transactions

### 3.5.1 Prohibitions

No Exchange For Physical transaction may be effected:

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

*Maximum penalty: \$100,000*

### 3.5.2 Evidence of physical transaction

(1) Subject to Rule 3.5.2(2) where either a Market Participant or its Client is a party to an Exchange For Physical transaction, the Market Participant must ensure that evidence of the physical transaction, as set out in the Market Operating Rules, is obtained by the Market Participant.

(2) The requirements under Rule 3.5.2(1) can alternately be met by undertaking the following procedures:

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

*Maximum penalty: \$100,000*

## Chapter 4: The Market Operator

### 4.1 Provision of surveillance and supervision data by the Market Operator

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

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

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

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

(2) Format requirements

The data required by Rule 4.1.1(1) must be in such format as ASIC notifies the Market Operator in accordance with Rule 4.1.2.

### (3) Delivery requirements

The data required by Rule 4.1.1(1) must be delivered by the Market Operator to ASIC or its nominated service provider in a manner and/or to a location notified by ASIC to the Market Operator in accordance with Rule 4.1.2.

*Maximum penalty: \$1,000,000*

## 4.1.2 Notification

A notification by ASIC to the Market Operator of:

- (a) a service provider nominated under Rule 4.1.1(1);
- (b) additional data items or fields under Rule 4.1.1(1)(g)(vi);
- (c) format under Rule 4.1.2; or
- (d) a manner and/or location of delivery under Rule 4.1.1(3);

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

Note: There is no penalty for this Rule

## 4.2 Provision of information about Market Participants

The Market Operator must maintain the information specified below about each Market Participant and advise ASIC in writing of any changes which are made to the information (including any changes resulting from the admission of new Market Participants) within 2 Business Days of the change being made:

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

*Maximum penalty: \$100,000*



## Appendix: Comparison of SFE Operating Rules and ASIC/ASX 24 Market Integrity Rules

**Table 1: Composition of ASIC/ASX 24 Market Integrity Rules (MIRs)**

ASIC/ASX 24 MIR	SFE Operating Rule/Procedure/Appendices to Procedure	Explanation of any differences
Ch 1 Introduction	N/A	<i>[Chapter heading]</i>
Pt 1.1 Preliminary	N/A	<i>[Part heading]</i>
1.1.1 Enabling legislation	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.1.2 Title	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.1.3 Commencement	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.1.4 Scope of these Rules	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.1.5 Entities that must comply with these Rules	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.1.6 Conduct by officers, employees or agents	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.1.7 State of mind of a person	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.2 Waiver	N/A	<i>[Part heading]</i>
1.2.1 Waiver of rules and procedures	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.2.2 Compliance with conditions	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.2.3 Period during which relief applies	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.2.4 Register	N/A	New MIR based on the equivalent ASIC/ASX MIR

ASIC/ASX 24 MIR	SFE Operating Rule/Procedure/Appendices to Procedure	Explanation of any differences
Pt 1.3 Notice, notification and service of documents	N/A	New MIR based on the equivalent ASIC/ASX MIR
Pt 1.4 Interpretation	N/A	<i>[Part heading]</i>
1.4.1 References to time	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.4.2 Words and expressions defined in the Corporations Act	N/A	New MIR based on the equivalent ASIC/ASX MIR
1.4.3 Definitions	7.1 Definitions	ASIC has adopted a number of definitions from this SFE Operating Rule, with drafting amendments.  There are new definitions for "Corporations Regulations", "Market Operator", "Order", "Other Regulated Entities" and "Principal Trader".
Ch 2 The Market Participants	Section 2 The Participants	<i>[Chapter heading]</i>
Pt 2.1 Notification	2.2.10 (c) Compliance with operating rules and notification of breaches	Pt 2.1 of the Market Integrity Rules derives from SFE subrule 2.2.10 (c). Notifications regarding the investigation and/or institution of proceedings by the Market Operator or a regulatory agency must now be provided to ASIC.
Pt 2.2 Risk management	2.2 Full participants	<i>[Part heading]</i>
2.2.1 Client limits and client connections	2.2.13 (a) Prudent risk management Procedure 2.2.13 Position limits	ASIC has adopted this SFE Operating Rule, except the provisions on position limits, which remain with the market operator, as a Market Integrity Rule, with drafting amendments. ASIC may at any time by notice to a Market Participant, require a Market Participant to terminate client connections either generally or in relation to a particular individual, Client, system or device or class of system or device.
2.2.2 Concentration of risk	2.2.20 Concentration of risk	Drafting amendments only.

ASIC/ASX 24 MIR	SFE Operating Rule/Procedure/Appendices to Procedure	Explanation of any differences
2.2.3 Prohibited employment	2.2.22 Prohibited employment	Changes have been made so that the failures to comply contemplated by this rule relate to both the MIRs and the new ASX 24 Operating Rules. Drafting amendments.
2.2.4 Order records and accounting records	2.2.23 Order records and accounting records	Changes made to fit ASIC drafting requirements. Elements of procedure 2.2.23 incorporated into the Rule.
2.2.5 Client documentation	2.2.25 Client documentation Procedure 2.2.25 Client documentation	Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument. Subrule (a)(i), (a)(iii), (a)(iv), (a)(vi) and (a)(vii) not taken.
2.2.6 Client's segregated account obligations	2.2.26 Clients' segregated account obligations Procedure 2.2.26 Clients' segregated accounts	Changes made to incorporate elements of procedure 2.2.26 (incorporated as subrules (a)(iii), (a)(iv) and (n)). Drafting amendments.
2.2.7 Mandatory recording of information by market participants	2.2.28 Mandatory recording of information by the exchange and its participants  Procedure 2.2.28 Mandatory recording of information by the exchange and its participants	Changes made to incorporate elements of procedure 2.2.28. SFE Operating Rule 2.2.28(b) has not been adopted.
Ch 3 Trading principles	Chapter 3 Trading principles	<i>[Chapter heading]</i>
Pt 3.1 Trading principles for orders entered on the trading platform	SFE 3.1 Trading principles for orders entered on the trading platform	<i>[Part heading]</i>
3.1.1 Expressions of interest	3.1.1 (d) Expressions of interest Procedure 3.1.1 Expressions of interest	Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument
3.1.2 Market manipulation and misleading acts or practices regarding price	3.1.4 Market manipulation Procedure 3.1.4 Market manipulation 3.1.5 Misleading acts or practices regarding	The SFE Operating Rules on market manipulation (3.1.4) and on misleading acts or practices regarding price (3.1.5) have been merged to form Market Integrity Rule 3.1.2. Changes made to fit ASIC drafting requirements and to ensure the rule operates as a

ASIC/ASX 24 MIR	SFE Operating Rule/Procedure/Appendices to Procedure	Explanation of any differences
	price Procedure 3.1.5 Misleading acts or practices regarding price	legislative instrument. Elements of procedures 3.1.4 and 3.1.5 incorporated into the Rule.
3.1.3 Entering orders without an intent to trade	3.1.6 Entering orders without an intent to trade Procedure 3.1.6 Entering orders without intent to trade	Elements of procedure 3.1.6 incorporated into the Rule. Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument
3.1.4 Orders to be transmitted as soon as received	3.1.7 Orders to be transmitted as soon as received Procedure 3.1.7 Orders to be transmitted as soon as received	Elements of procedure 3.1.7 incorporated into the Rule. Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument
3.1.5 Orders to be transmitted and executed in the sequence received	3.1.8 Orders to be transmitted and executed in the sequence received Procedure 3.1.8 Orders to be transmitted and executed in the sequence received	Elements of procedure 3.1.8 incorporated into the Rule. Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument
3.1.6 Aggregation of orders	3.1.9 Aggregation of orders Procedure 3.1.9 Aggregation of orders	Elements of procedure 3.1.9 incorporated into the Rule. Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument
3.1.7 Disclosure	3.1.10 Disclosure Procedure 3.1.10 Disclosure	Elements of procedure 3.1.10 incorporated into the Rule. Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument
3.1.8 Withholding orders	3.1.11 Withholding orders Procedure 3.1.11 Withholding orders	Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument
3.1.9 Withdrawing orders	3.1.12 Withdrawing orders Procedure 3.1.12 Withdrawing orders	Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument

ASIC/ASX 24 MIR	SFE Operating Rule/Procedure/Appendices to Procedure	Explanation of any differences
3.1.10 Pre-arrangement	3.1.13 Pre- arrangement Procedure 3.1.13 Pre- arrangement	Elements of procedure 3.1.13 incorporated into the Rule. Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument
3.1.11 Trading to the exclusion of others	3.1.14 Trading to the exclusion of others Procedure 3.1.14 Trading to the exclusion of others	Drafting amendments only.
3.1.12 Wash trades	3.1.15 Wash trades Procedure 3.1.15 Wash trades	Elements of procedure 3.1.15 incorporated into the Rule. Reporting of wash trades must be made to ASIC in accordance with rule 3.1.15 (3), subject to the exemptions in rule 3.1.12 (4) and (5).
3.1.13 Acting in accordance with client instructions and client's best interests	3.1.16 Acting in accordance with client instructions and client's best interests	Drafting amendments only.
3.1.14 Personal account trading	3.1.17 Personal account trading Procedure 3.1.17 Personal account trading	Determination of what constitutes a relative has been incorporated into the rules from procedure 3.1.17. Otherwise, drafting amendments only.
3.1.15 Dual trading prohibition	3.1.18 Dual trading prohibition Procedure 3.1.18 Dual trading prohibition	Elements of procedure 3.1.18 incorporated into the Rule (the heading "Chinese Walls" replaced with "Conflict Management"). Definitions of "House Account", "initiate" and "similar commodity" have also been incorporated from the procedure. Other changes made to fit ASIC drafting requirements. Subrule (b) not taken.
3.1.16 Trades to be allocated in sequence of order receipt	3.1.19 Trades to be allocated in sequence of order receipt	Elements of procedure 3.1.13 incorporated into the Rule. Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument. A Market Participant must notify ASIC in writing prior to adopting or changing its policy of allocating Orders on one of the pro rata methods.

ASIC/ASX 24 MIR	SFE Operating Rule/Procedure/Appendices to Procedure	Explanation of any differences
3.1.17 Post-allocation prohibition	3.1.20 Post-allocation prohibition	Drafting amendments only.
Pt 3.2 Strategy trading	SFE 3.2 Strategy trading 3.2.2 Strategy trades Procedure 3.2 Strategy trading	Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument. Subrule (c) not taken.
Pt 3.3 Pre-negotiated business orders	SFE 3.3 Pre-negotiated business orders	<i>[Part heading]</i>
3.3.1 Pre-negotiated business	3.3.3 Participant entitlements 3.3.2 Exchange to prescribe contracts Procedure 3.3 Pre negotiated business orders	Drafting amendments only.
3.3.2 Client authorisation	3.3.8 Client authorisation Procedure 3.3 Pre negotiated business orders	Drafting amendments only.
3.3.3 Definition of client	3.3.9 Definition of client Procedure 3.3 Pre Negotiated business orders	Drafting amendments only.
Pt 3.4 Trading principles for block trades	SFE 3.4 Trading principles for block trades	<i>[Part heading]</i>
3.4.1 Participant entitlements	3.4.3 Participant entitlements Procedure 3.4 Block trading	Drafting amendments only.
3.4.2 Prohibitions	3.4.4 Prohibitions Procedure 3.4 Block trading	Drafting amendments only. Subrule (b) not taken.
3.4.3 Unfilled block trade orders	3.4.5 Unfilled block trade orders Procedure 3.4 Block trading	Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument

ASIC/ASX 24 MIR	SFE Operating Rule/Procedure/Appendices to Procedure	Explanation of any differences
3.4.4 Client authorisation	3.4.9 Client authorisation Procedure 3.4 Block trading	Drafting amendments only.
Pt 3.5 Trading principles for exchange for physical transactions	SFE 3.5 Trading principles for exchange for physical transactions	<i>[Part heading]</i>
3.5.1 Prohibitions	3.5.2 Prohibitions Procedure 3.5 Exchange for physical	Drafting amendments only. Subrule (c) not taken.
3.5.2 Evidence of physical transaction	3.5.9 Evidence of physical transaction Procedure 3.5 Exchange for physical	Changes made to fit ASIC drafting requirements and to ensure the rule operates as a legislative instrument. Subrule (b) not taken.
Ch 4 The market operator	N/A	<i>[Chapter heading]</i>
Pt 4.1 Provision of surveillance and supervision data by the market operator	N/A	This is a new rule.
4.1.1 Data provision to assist surveillance of activities and conduct on the market	N/A	This is a new rule.
4.1.2 Notification	N/A	This is a new rule.
Pt 4.2 Provision of information about market participants	2.2.10 Compliance with operating rules and notification of breaches	This rule is modelled on requirements for market participants but substantially redrafted to apply to market operators.

**Table 2: Tracing SFE Operating Rules to ASIC/ASX 24 Market Integrity Rules**

SFE Operating Rule	ASIC/ASX 24 MIR
2.2.10 (c) Compliance with operating rules and notification of breaches	Pt 2.1 Notification Pt 4.2 Provision of information about market participants
2.2 Full participants 2.2.13 (a) Prudent risk management	Pt 2.2 Risk management
2.2.20 Concentration of risk	2.2.2 Concentration of risk
2.2.22 Prohibited employment	2.2.3 Prohibited employment
2.2.23 Order records and accounting records	2.2.4 Order records and accounting records
2.2.25 Client documentation	2.2.5 Client documentation
2.2.26 Clients' segregated account obligations	2.2.6 Client's segregated account obligations
2.2.28 Mandatory recording of information by the exchange and its participants	2.2.7 Mandatory recording of information by market participants
3.1 Trading principles for orders entered on the trading platform	Pt 3.1 Trading principles for orders entered on the trading platform
3.1.1 (d) Expressions of interest	3.1.1 Expressions of interest
3.1.4 Market manipulation	3.1.2 Market manipulation and misleading acts or practices regarding price
3.1.5 Misleading acts of practices regarding price	3.1.2 Market manipulation and misleading acts or practices regarding price
3.1.6 Entering orders without an intent to trade	3.1.3 Entering orders without an intent to trade
3.1.7 Orders to be transmitted as soon as received	3.1.4 Orders to be transmitted as soon as received
3.1.8 Orders to be transmitted and executed in the sequence received	3.1.5 Orders to be transmitted and executed in the sequence received



SFE Operating Rule	ASIC/ASX 24 MIR
3.1.9 Aggregation of orders	3.1.6 Aggregation of orders
3.1.10 Disclosure	3.1.7 Disclosure
3.1.11 Withholding orders	3.1.8 Withholding orders
3.1.12 Withdrawing orders	3.1.9 Withdrawing orders
3.1.13 Pre- arrangement	3.1.10 Pre-arrangement
3.1.14 Trading to the exclusion of others	3.1.11 Trading to the exclusion of others
3.1.15 Wash trades	3.1.12 Wash trades
3.1.16 Acting in accordance with client instructions and client's best interests	3.1.13 Acting in accordance with client instructions and client's best interests
3.1.17 Personal account trading	3.1.14 Personal account trading
3.1.18 Dual trading prohibition	3.1.15 Dual trading prohibition
3.1.19 Trades to be allocated in sequence of order receipt	3.1.16 Trades to be allocated in sequence of order receipt
3.1.20 Post-allocation prohibition	3.1.17 Post-allocation prohibition
3.2.2 Strategy trades	Pt 3.2 Strategy trading
3.3 Pre-negotiated business orders	Pt 3.3 Pre-negotiated business orders
3.3.3 Participant entitlements	3.3.1 Pre-negotiated business
3.3.2 Exchange to prescribe contracts	3.3.1 Pre-negotiated business
3.3.8 Client authorisation	3.3.2 Client authorisation

SFE Operating Rule	ASIC/ASX 24 MIR
3.3.9 Definition of client	3.3.3 Definition of client
3.4 Trading principles for block trades	Pt 3.4 Trading principles for block trades
3.4.3 Participant entitlements	3.4.1 Participant entitlements
3.4.4 Prohibitions	3.4.2 Prohibitions
3.4.5 Unfilled block trade orders	3.4.3 Unfilled block trade orders
3.4.9 Client authorisation	3.4.4 Client authorisation
3.5 Trading principles for exchange for physical transactions	Pt 3.5 Trading principles for exchange for physical transactions
3.5.2 Prohibitions	3.5.1 Prohibitions
3.5.9 Evidence of physical transaction	3.5.2 Evidence of physical transaction
7.1 Definitions	1.4.3 Definitions

**Table 3: Tracing SFE Procedures to ASIC/ASX 24 Market Integrity Rules**

SFE Procedure	ASIC/ASX 24 MIR
Procedure 2.2.13 Position limits	2.2.1 Client limits and client connections
Procedure 2.2.25 Client documentation	2.2.5 Client documentation
Procedure 2.2.26 Clients' segregated accounts	2.2.6 Client's segregated account obligations
Procedure 2.2.28 Mandatory recording of information by the exchange and its participants	2.2.7 Mandatory recording of information by market participants
Procedure 3.1.1 Expressions of interest	3.1.1 Expressions of interest
3.1.4 Market manipulation	3.1.2 Market manipulation and misleading acts or practices regarding price
Procedure 3.1.5 Misleading acts or practices regarding price	3.1.2 Market manipulation and misleading acts or practices regarding price
Procedure 3.1.6 Entering orders without intent to trade	3.1.3 Entering orders without an intent to trade
Procedure 3.1.7 Orders to be transmitted as soon as received	3.1.4 Orders to be transmitted as soon as received
Procedure 3.1.8 Orders to be transmitted and executed in the sequence received	3.1.5 Orders to be transmitted and executed in the sequence received
Procedure 3.1.9 Aggregation of orders	3.1.6 Aggregation of orders
Procedure 3.1.10 Disclosure	3.1.7 Disclosure
Procedure 3.1.11 Withholding orders	3.1.8 Withholding orders
Procedure 3.1.12 Withdrawing orders	3.1.9 Withdrawing orders
Procedure 3.1.13 Pre- arrangement	3.1.10 Pre-arrangement
Procedure 3.1.14 Trading to the exclusion of others	3.1.11 Trading to the exclusion of others

SFE Procedure	ASIC/ASX 24 MIR
Procedure 3.1.15 Wash trades	3.1.12 Wash trades
Procedure 3.1.17 Personal account trading	3.1.14 Personal account trading
Procedure 3.1.18 Dual trading prohibition	3.1.15 Dual trading prohibition
Procedure 3.2 Strategy trading	Pt 3.2 Strategy trading
Procedure 3.3 Pre negotiated business orders	Pt 3.3 Pre-negotiated business orders 3.3.1 Pre-negotiated business 3.3.2 Client authorisation 3.3.3 Definition of client
Procedure 3.4 Block trading	3.4.1 Participant entitlements 3.4.2 Prohibitions 3.4.3 Unfilled block trade orders 3.4.4 Client authorisation
Procedure 3.5 Exchange for physical	3.5.1 Prohibitions 3.5.2 Evidence of physical transaction