



Operating Rules: Procedures

Version 1.3

2 July 2012

Contents

Section 1	INTERPRETATION & APPLICATION OF THE RULES P1.1: Definitions P1.2: Rules of Interpretation P1.3: Waivers P1.6: Reviews P1.7: Procedures
Section 2	PARTICIPATION P2.3: Guidance P2.4: Additional requirements for applicants that do not hold an AFSL
Section 3	ONGOING COMPLIANCE P3.1: Changes to particulars P3.2: Record keeping
Section 4	TRADING P4.2: Hours of operation P4.3: Trade Reporting P4.4: Classes of financial products P4.5: Orders and matching P4.6: Purging of orders P4.8: Short sale reporting
Section 5	FAIR AND ORDERLY MARKET P5.1: Chi-X orderly markets powers P5.4: Market-related disputes P5.5: Review of a decision under rule 5.4(d) P5.6: Error trades and clearly erroneous trades P5.7: Other powers
Section 6	CLEARING ARRANGEMENTS P6.2: Appointment and use of central counterparties P6.3: Third party clearing P6.7: Alternative central counterparty
Section 7	SETTLEMENT & CORPORATE ACTIONS P7.1: Obligation to settle
Section 8	MONITORING AND INVESTIGATION P8.1: Monitoring compliance and investigation P8.2: Information P8.3: Independent report by a qualified person
Section 9	DISCIPLINARY ACTION, SANCTIONS & OTHER POWERS P9.1: Disciplinary action P9.3: Disciplinary sanctions P9.4: Register of Decisions
Section 11	COMPENSATION ARRANGEMENTS P11.11: Disclosure by participants to retail clients
Section 13	GENERAL P13.3: Fees and charges P13.4: GST & other taxes P13.7: Notifications

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

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

P1.2: Rules of Interpretation

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

P1.5: Waivers

- 1.1 For the sake of clarity, failure to comply with the terms and conditions of any waiver will render a **participant** liable to action for contravention of the **rule** in respect of which the waiver was granted. Failure to comply with any conditions attached to a waiver may also amount to a breach of **rule 1.5** but if the **rule** in respect of which the waiver is granted is not breached then it is unlikely that action would be taken for contravention of any condition attached to the waiver.
- 1.2 A register will be maintained by **Chi-X** of each waiver granted under **rule 1.5** and which shall record:
- (a) The **rule** from which the waiver is granted;
 - (b) The **participant(s)** to whom the waiver has been granted;
 - (c) The basis on which the waiver was granted;
 - (d) The date on which the waiver takes effect;
 - (e) The terms and conditions of the waiver.
- 1.3 The register will be made available on the **Chi-X** web site.
- 1.4 **Chi-X** may, in its absolute discretion, keep confidential any or all aspects of a waiver that has been applied for and/or granted.

P1.6: Reviews**1. Requesting a Review**

1.1 A **participant** can only request a review of a decision if the **rules** state that the decision may be reviewed.

1.2 The following **rules** state that a **participant** may request a review of the decisions that are specified:

(a) **rule 5.2** states that a **participant** may request a review of a decision by **Chi-X** under **rule 5.1(e)** to modify or restrict a **participant's** access to the market in order to ensure a fair, orderly and transparent market;

(b) **rule 5.5** states that a **participant** may request a review of the exercise by **Chi-X** of the powers in **rule 5.4(d)** in respect of a market-related **dispute**;

(c) **rule 9.1(b)** states that a **participant** may request a review of disciplinary action taken by **Chi-X** under **rule 9.1(a)**;

(d) **rule 9.6** states that a **participant** may request a review of a decision by **Chi-X** under the default powers in **rule 9.5** to restrict, suspend or terminate a **participant's** access to the **Chi-X market**.

1.3 Notification of a request for a review must comply with **procedure 13.7** and be given to:

(a) **Chi-X Compliance** in the case of a notification of a request for a review made under **rules 5.2, 9.1(b)** or **9.6**;

(b) **Market Operations** in the case of a notification of a request for a review made under **rule 5.5(a)**.

1.4 Further **procedures** relating to reviews are also contained in:

(a) **procedure 5.5** in respect of the review of a decision relating to a market dispute;

(b) **procedure 9.1** in respect of the review of a decision relating to disciplinary action

2. Chi-X Response

2.1 **Chi-X** may respond to a request for a review by serving upon the **participant** and the Secretary of the **Review Committee** a statement in response setting out all material facts and attaching all relevant documents.

3. Review Process

3.1 **Chi-X** will appoint appropriately qualified persons to a panel from which the members of a **Review Committee** will, when required, be drawn. **Chi-X** will appoint an appropriately qualified person, who may be a member of **Chi-X** staff, to act as the Secretary of the **Review Committee**.

3.2 Upon receiving a request from a **participant** to review a decision, **Chi-X** will constitute a **Review Committee** consisting of three members drawn from the panel. These three persons will sit as the **Review Committee**. **Chi-X** will appoint one of the three members of the **Review Committee** as the Chairman. The Secretary of the **Review Committee** will provide copies of all documents served by the **participant** and **Chi-X** to each member of the **Review Committee**.

4. Formalities, recording and transcripts

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

5. Procedural fairness and conflicts of interest

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

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

6. Notification of decision

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

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

7. Register

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

8. Interim Measures

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

9. Review Outcomes

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

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

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

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

10. Review Fees

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

- (a) a review under **rule** 5.2 of a decision under **rule** 5.1(e) to restrict/modify a participant's access to the market for the purpose of maintaining a fair, orderly and transparent market - \$5,000.
- (b) a review under **rule** 5.5 of the exercise by **Chi-X** of the powers in **rule** 5.4(d) in respect of a market **dispute** - nil;
- (c) a review under **rule** 9.1(b) of disciplinary action taken by **Chi-X** under **rule** 9.1(a) - \$5,000;
- (d) a review under **rule** 9.6 of a decision by **Chi-X** under the default powers in **rule** 9.5 to restrict suspend or terminate a **participant's** access to the **Chi-X market** - \$5,000. :

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

P1.7: Procedures

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

Section 2: PARTICIPATION

P2.3 Guidance

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

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

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

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

Section 3: ONGOING COMPLIANCE

P3.1: Changes to particulars

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

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

P3.2: Record Keeping

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

Section 4: TRADING

P4.2: Hours of Operations

1. Trading phases

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

Phase	Time AEST	Supported Functions
Technical Connectivity	06:00	<ul style="list-style-type: none"> Commencement of technical connectivity to the Chi-X market. Participants may login to the Chi-X technical infrastructure.
Pre-Market	06:35 until 09:59	<ul style="list-style-type: none"> Participants may check connectivity and details concerning securities available for trading but will <u>not</u> be able to enter orders into the Chi-X market ; The Chi-X trading system will not match orders; Participants may report trades under the rules by the time specified in the Market Integrity Rules (Competition in Exchange Markets).
Continuous Trading	10:00 until 16:12	<ul style="list-style-type: none"> Participants may enter orders into the Chi-X market; Orders are matched in accordance with the rules; Trade reporting is supported in accordance with the rules.
Post-Trading Administration	16:13 until 18:55	<ul style="list-style-type: none"> Participants cannot enter or amend orders but may cancel orders; The Chi-X trading system does not match orders in this phase; Participants may report trades under the rules; All orders remaining in the Chi-X market at the end of this phase will automatically be cancelled.
Technical Connectivity Ends	19:00	<ul style="list-style-type: none"> All participant connections to Chi-X are closed. Intraday trade cancellations no longer possible.

P4.3: Trade Reporting

1. Reporting Requirements

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

2. Reporting Process

- 2.1 The executing **participant** (which is typically the seller under the **Market Integrity Rules (Competition in Exchange Markets)** but not in all cases) is to report the **relevant transaction** in accordance with and at the times specified in the **Market Integrity Rules (Competition in Exchange Markets)**.
- 2.2 Where the **off market transaction** is a large principal transaction, the participant may delay reporting to the **Chi-X market** in accordance with the **Market Integrity Rules (Competition in Exchange Markets)**.
- 2.3 Upon receipt of trade reports in respect of **off market transactions**, **Chi-X** will:
- (a) send an unsolicited trade confirmation message to the counterparty if the counterparty to the **off market transaction** is a **participant**; and
 - (b) publish details of the trade on its market data feed.

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

- 3.1 On each trade report submitted to the **Chi-X market**, **participants** must specify the details required in the **Chi-X** technical specifications, including one of the following pre-trade transparency exceptions under the **Market Integrity Rules (Competition in Exchange Markets)** that is relied upon for the **off market transaction**:
- (a) Block trade;
 - (b) Large portfolio trade;
 - (c) Trades at or within the spread;
 - (d) Permitted trades during the post-trading hours period;
 - (e) Permitted trades during pre-trading hours period; and
 - (f) Out of hours trades.
- 3.2 **Relevant transactions** executed:
- (a) during the Post-Trading Administration phase must, if reported to the **Chi-X market**, be reported immediately on the **business day** on which they are transacted; and

- (b) after the end of the Post-Trading Administration phase must, if reported to the **Chi-X market**, be reported by no later than the time specified in the **Market Integrity Rules (Competition in Exchange Markets)**.

4. Reporting of Foreign to Foreign transactions

- 4.1 This part of **procedure 4.3** applies to **securities** with foreign ownership limits, as specified in Schedule 1 of the ASX Settlement Operating Rules.
- 4.2 A foreign to foreign (FOR) transaction is one in which there is no increase in the foreign ownership of the relevant security. If reported as foreign to foreign, **Chi-X** will provide this information to the **designated central counterparty** so that settlement of the transaction can be effected in accordance with the ASX Settlement Operating Rules applicable to FOR financial products. In practical terms, this means that the transaction will be excluded from settlement so that ownership of the securities passes from one foreign owner to another foreign owner.
- 4.3 FOR trades may be submitted to **Chi-X** as a trade report using the appropriate identifier for FOR transactions details of which are set out in the technical specifications.

P 4.4: Classes of Financial Products

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

P4.5: Orders and matching

1. Pegged Orders

- 1.1 For the purposes of **rule 4.5(a)(ii)**, pegged orders on the **Chi-X market** will reference a national best bid and offer (NBBO). The NBBO has been mandated as a reference price by ASIC and may be the subject of guidance and/or other requirements issued by ASIC.

2. Order Attributes

- 2.1 **Orders** submitted to the **Chi-X market** must comply with the technical specifications. Those specifications provide an exhaustive list of mandatory attributes, which include:

- (a) security code;
- (b) price;
- (c) quantity;
- (d) buy or sell;
- (e) clearing participant.

2.2 **Orders** submitted to the **Chi-X market** must comply with the technical specifications. Those specifications provide an exhaustive list of optional attributes, which include:

- (a) undisclosed quantity;
- (b) iceberg;
- (c) hidden provided the order value is above \$0;
- (d) minimum executable quantity;
- (e) peg offset;
- (f) time in force, including:
 - (i) Immediate or cancel;
 - (ii) Fill or kill;
 - (iii) Good till time;
 - (iv) Day order.

3. **Execution Priority**

3.1 There are presently no exceptions to the matching priority specified in the **rules**.

P4.6: Purging of orders

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

P4.8: Short sale reporting

1.1 For the purposes of **rule 4.8**, **participants** must submit to an agent nominated by Chi-X the short sale information required by the **Corporations Act** in respect of **relevant transactions** it has executed on the **Chi-X Market** where the **relevant transaction**

involves a short sale or partial short sale. Information required to be submitted under this **procedure** must be submitted by no later than 9:00 AM:

- (a) if the sale occurs after the start of the trading day but before 7pm – on the next trading day after entering into an agreement to sell;
- (b) if the sale occurs after 7pm but before the start of the next trading day – on the second trading day after entering the agreement to sell.

1.2 Reports provided to the agent nominated by **Chi-X** may be submitted in the format specified by that agent and must contain the following information required by regulation 7.9.100 of the Corporations Regulations:

- ASX code;
- Company name;
- the total number of each financial product that will vest in the buyer under the arrangement.

1.3 **Chi-X** must not change the agent nominated by it to receive the short sale information required of **participants** under the **Corporations Act** without consulting with and providing reasonable notice to **participants** on the proposed change.

Section 5: FAIR & ORDERLY MARKET

P5.1 Chi-X orderly markets powers

1. Trading halts and suspensions

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

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

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

2. Disputes between participants and clients

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

3. Complaints by clients

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

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

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

4. Dispute resolution

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

P5.4: Market-related disputes

1. Identity of a counterparty

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

2. Time limits

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

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

1. Review of the non-exercise of powers

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

2. Making a Request

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

3. Review proceedings

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

3.2 The review proceedings may be conducted by telephone.

4. Procedure 1.6 applicable

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

P5.6: Error trades and clearly erroneous trades

1. Introduction

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

2. Error Transactions

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

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

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

3. Clearly Erroneous Transactions

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

potential cancellation or amendment of the **relevant transaction**, which comments must be provided by the time specified in the direction.

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

4. General

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

P5.7: Other Powers

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

Section 6: CLEARING ARRANGEMENTS

P6.2: Appointment and use of central counterparties

1. Delivery

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

2. Designated central counterparty

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

3. Alternative central counterparty

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

P6.3: Third party clearing

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

P6.7: Alternative central counterparty

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

Section 7: SETTLEMENT & CORPORATE ACTIONS

P7.1: Obligation to settle

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

Section 8: Monitoring and Investigation

P8.1: Monitoring compliance and investigation

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

P8.2: Information

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

P8.3: Independent report by a qualified person

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

Section 9: DISCIPLINARY ACTION, SANCTIONS & OTHER POWERS

9.1 Disciplinary action

1. Notices Issued under rule 9.1(a)

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

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

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

2. Reviews conducted under rule 9

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

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

3. Hearing date

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

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

4. Attendance at the hearing

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

5. Written submissions

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

6. Agreed outcomes

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

7. Formalities, recording and transcripts

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

8. Procedural fairness

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

9. Decision of the Review Committee

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

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

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

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

10. Determinations and sanctions

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

11. Notification of decision

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

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

12. Procedure 1.6 applicable

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

P 9.3 Disciplinary sanctions

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

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

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

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

P 9.4 Register of Decisions

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

Section 11: COMPENSATION ARRANGEMENTS

P11.11: Disclosure by participants

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

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

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

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

Section 13: GENERAL

P13.3: Fees and charges

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

P13.4: GST & other taxes

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

P13.7: Notifications

1. Written notice

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

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

Tel: +61 2 8078 1700

Email: operations-cxa@chi-x.com

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

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

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

Tel: +61 2 8078 1700
Email: compliance-cxa@chi-x.com

2. Notice to Chi-X

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

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

3. Notice by Chi-X

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

- (a) delivering it to the recipient personally;
- (b) leaving it at or by sending it by courier or post to the address of the recipient last notified to **Chi-X**;
- (c) a circular or bulletin addressed to a class of persons and delivered or communicated by any means permitted under this **procedure**;
- (d) specific email by method which identifies a person or person's title as addressee and no notice of non-delivery has been received; or

- (e) broadcast email by any method which identifies the addressee and which, having regard to all the relevant circumstances at the time, was as reliable as appropriate for the purpose for which the information was communicated.

4. Delivery of Notice

4.1 Notice by:

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

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