



## Market Operations Notice

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Friday 19th April 2013

Reference Number: 0012/13

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**Subject: Upcoming changes to NBBOX and Hidden Orders to meet new Market Integrity Rule requirements**

This notice outlines changes to Chi-X's NBBOX validation and Hidden Orders that are required to address amendments to ASIC's Market Integrity Rules (**MIRs**), which take effect from **Monday 27 May 2013**.

Rule 4.2.3 of the amended MIRs changes the *At or Within the Spread* exception to pre-trade transparency to an exception based on *Trades with Price Improvement* ("**Price Improvement Rule**"). In practical terms this rule requires Chi-X hidden orders to provide meaningful price improvement and for the validation of NBBOX trade reports to be changed.

### **NBBOX**

Chi-X is modifying the ASIC required validation on NBBOX trades to cater for the Price Improvement Rule.

### **HIDDEN ORDERS**

The Price Improvement Rule will require hidden orders to provide meaningful price improvement, which is a minimum of one tick inside the NBBO or half a tick where the NBBO spread is one tick wide.

As a result, Chi-X is implementing the following changes to its range of hidden orders:

<b>Order</b>	<b>Change</b>	<b>Effective Date</b>
Hidden Limit Order	Discontinued.	27 May 2013
Peg Offset	Discontinued.	27 May 2013
Primary Peg Order	A buy order will peg to the national best bid plus one tick. A sell order will peg to the national best offer less one tick. If the spread of the NBBO is one tick, the primary peg order will peg to the Mid-Point.	TBC
Market Peg Order	A buy order will peg to the national best offer less one tick. A sell order will peg to the national best bid plus one tick. If the spread of the NBBO is one tick, the market peg order will peg to the Mid-Point.	TBC

Please note there will be no changes to the Mid-Point order.

These changes may, once they are finalised, result in amendment to the Chi-X Technical Specification. Any such changes will be notified to participants by Technical Notice.

### **Additional Changes**

In addition to the above, Chi-X confirms that Block Trades reported to it will be validated in accordance with the 3 new value tiers specified in the MIRs with effect from start of trading on 27 May 2013.

The above changes are expected to be available in the participant test environment in early May (exact date to be confirmed) for participant testing.

If you have any queries concerning this notice please contact Market Operations.

Market Operations

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