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Introduction

Chi-X Australia Pty Ltd (Chi-X) operates a licensed financial market in Australia for the execution of transactions in financial products. These rules are the operating rules of Chi-X for the purposes of the Corporations Act. These rules are binding on Chi-X and all participants. The rules should be read in conjunction with the Market Integrity Rules (Equity Market Structure), the Market Integrity Rules (Chi-X Market), the procedures and the Corporations Act.
1 INTERPRETATION AND APPLICATION OF RULES

1.1 Definitions

In these rules, the following words have the following meanings, unless the context requires otherwise.

Alternative central counterparty  An alternative clearing and settlement facility to the designated central counterparty, in respect of which Chi-X has given consent under rule 6.3.

ASIC  The Australian Securities and Investments Commission.

ASX  ASX Limited ABN 98 008 624 691 or the market for financial products operated by ASX Limited (as applicable).

Board  The board of directors of Chi-X.

Business Day  A day on which the Chi-X market is open and any other day notified by Chi-X to participants.

Chi-X  Chi-X Australia Pty Limited ACN 129 584 667.

Chi-X Market  The market for specified classes of financial products operated by Chi-X.

Claim  A claim made in accordance with rule 11 in relation to a loss.

Clearing Participant  An entity which is a clearing participant or clearing member of a designated central counterparty/alternative central counterparty and is authorised to clear relevant transactions under the rules of the designated central counterparty/alternative central counterparty.

Clearing Rules  The operating rules of the designated central counterparty or an alternative central counterparty (as applicable).

Client  The customer of a participant.

Control and Controller  As defined in the Corporations Act.

Corporations Act  The Corporations Act 2001 (Cth), as amended from time to time, including any regulations made thereunder.

Designated central counterparty  A clearing facility approved by Chi-X for the purposes of this definition and set out in the procedures.

Dispute  Has the meaning given in rule 5.5(a).

Employee  In relation to a participant means a director, employee, officer, agent, representative, consultant or adviser of that participant, or an independent contractor who acts for or by arrangement with a participant.

Financial product  As defined in the Corporations Act.

Fund  The compensation fund described in rule 11.

GST Law  Means the same as "GST Law" means in the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Listing Market  The market on which Chi-X determines a financial product has its primary listing, which unless determined otherwise, is the primary market operated by ASX.

Loss  Has the meaning given in rule 11.7.
Match, matching
The electronic matching on the Chi-X market of buy and sell orders submitted to the Chi-X market.

Market Integrity Rules (Chi-X Market)
The Market Integrity Rules (Chi-X Market) made by ASIC.

Market Integrity Rules (Equity Market Structure)
The Market Integrity Rules (Equity Market Structure) made by ASIC.

Order
An electronic message submitted to the Chi-X market to buy or sell a financial product.

Off market transaction
A transaction executed (a) other than by a match and (b) in compliance with the Market Integrity Rules (Equity Market Structure).

Participant
An entity admitted as a participant of Chi-X under these rules and whose admission has not been terminated or whose resignation has not taken effect.

Procedures
The procedures made by Chi-X under rule 1.7.

Related Body Corporate
As defined in the Corporations Act.

Relevant Transaction
A transaction in respect of financial products that arises upon the matching of orders on the Chi-X market or which is reported as an off-market transaction to Chi-X under these rules.

Retail Client
As defined in the Corporations Act.

Review Committee
The committee established to review and decide on a particular matter in accordance with these rules and the procedures.

RCTI
A Recipient Created Tax Invoice as described in rule 13.5

Rules
These rules.

Trading Notice
A notice issued by Chi-X on its website.

1.2 Rules of interpretation

(a) Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting these rules, except where the context makes it clear that a rule is not intended to apply.

(b) A reference to:

(i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;

(ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;

(iii) a party to this document or to any other document or agreement includes a successor in title, permitted substitute or a permitted assign of that party;

(iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
(v) anything (including a right, obligation or concept) includes each part of it.

(c) A singular word includes the plural, and vice versa.

(d) A word which suggests one gender includes the other genders.

(e) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.

(f) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.

(g) A reference to time, is to the time in Sydney, Australia.

(h) If a party to this document is made up of more than one person, or a term is used in this document to refer to more than one party, then unless otherwise specified in this document:

(i) an obligation of those persons is joint and several;

(ii) a right of those persons is held by each of them severally; and

(iii) any other reference to that party or term is a reference to each of those persons separately, so that (for example) a representation, warranty or undertaking relates to each of them separately.

(i) A rule is not to be interpreted against the interests of Chi-X merely because Chi-X prepared these rules or because Chi-X relies on a provision of these rules to protect itself.

(j) Terms defined in the GST Law have the same meaning in clause concerning GST unless the context otherwise requires.

1.3 Application and effect of these rules

(a) These rules have effect as a binding contract under seal between Chi-X and each participant, and between each participant and each other participant, under which:

(i) each participant agrees to observe and to engage in the conduct required by the rules; and

(ii) Chi-X agrees to observe and to engage in the conduct required by the rules.

(b) These rules should be read in conjunction with the procedures, the Corporations Act, the Market Integrity Rules (Chi-X Market) and the Market Integrity Rules (Equity Market Structure). To the extent of any inconsistency between these rules and the procedures, the terms of these rules will prevail. To the extent of any inconsistency between these rules and the Corporations Act, the Market Integrity Rules (Equity Market Structure) and/or the Market Integrity Rules (Chi-X Market), these rules should be read down and interpreted in a manner that is consistent with the Corporations Act, the Market Integrity Rules (Equity Market Structure) and the Market Integrity Rules (Chi-X Market).
1.4 Changes to the rules
(a) The rules may only be added to, amended or deleted by Chi-X. Unless otherwise provided in this rule any new rule or variation shall be effective from the date determined by Chi-X. Chi-X shall cause all new rules and variations to be made publicly available. Failure to give such notice will not invalidate a new rule or vary or delay its operation.
(b) The conduct of a participant will, unless otherwise specified, be governed by and subject to the rules and procedures in force at the time of the conduct.

1.5 Waiver of the rules
Chi-X may waive the obligation of one or more participants to comply with these rules and the procedures. Chi-X may impose conditions on any waiver which must be satisfied by any participant relying on the waiver. Chi-X will keep a register of waivers granted under this rule and make the register available for inspection.

1.6 Reviews
(a) A decision by Chi-X or any delegate of Chi-X under these rules may only be reviewed in accordance with these rules and the procedures.
(b) A review conducted by the Review Committee pursuant to these rules must be conducted in accordance with the procedures.

1.7 Procedures
(a) Chi-X may approve written procedures relating to the operation of these rules, the Chi-X market and the conduct of participants.
(b) If a rule requires compliance with the procedures then failure to comply with the procedures as required is a contravention of that rule.
(c) The procedures do not form part of the rules other than as outlined in 1.7(b).
(d) Chi-X may change the procedures and will give notice before those changes take effect.

1.8 Governing law and jurisdiction
These rules will be interpreted in accordance with and governed by the laws applying in the state of New South Wales, Australia, or as applicable the laws of Australia. Chi-X and each participant shall irrevocably and unconditionally submit to the non-exclusive jurisdiction of the courts of New South Wales and irrevocably and unconditionally waive any immunity from, or any objection to, any action in the courts exercising any jurisdiction in New South Wales.
2 PARTICIPATION

2.1 Applications for participation

An applicant for participation must:

(a) accurately complete and sign the relevant Chi-X participant application form and provide any information required to be annexed to the Chi-X participant application form; and

(b) provide any other additional information as required by Chi-X in connection with the application.

2.2 Participation criteria

For an applicant to be eligible for admission as a participant:

(a) the applicant must be a corporation;

(b) the applicant must, subject to rule 2.4, hold an appropriate Australian financial services licence;

(c) the applicant must satisfy Chi-X that it has adequate internal procedures and controls and adequate execution and order management systems in place by providing Chi-X with:

(i) a document setting out the relevant entity’s proposed management structure and allocation of responsibilities;

(ii) resumes for each person who is a responsible executive of the entity under the Market Integrity Rules (Chi-X Market);

(iii) the applicant must provide to Chi-X copies of the written certifications it has provided to and received from ASIC under the Market Integrity Rules (Chi-X Market) in respect of the applicant’s automated order processing; and

(iv) any other information Chi-X may require for this purpose;

(d) Chi-X must have no reason to believe that the applicant is not, or those of its employees that are involved in management are not, of good fame and character;

(e) the applicant must have in place clearing and settlement arrangements for relevant transactions which comply with rules 6 and 7;

(f) the applicant must satisfy general technical and systems requirements determined by Chi-X.

2.3 Guidance

The procedures may contain guidance on how an applicant may satisfy those requirements in rule 2.2 that are similar or connected to requirements in the Market Integrity Rules (Chi-X Market).

2.4 Exception to the requirement to hold a licence

An applicant is not required to hold an Australian financial services licence if that licence is not required by ASIC in respect of the applicant’s activities as a participant. An applicant
that does not hold an Australian financial services licence must satisfy any additional requirements for participation that are specified in the procedures.

2.5 Approval of participant

(a) Chi-X participation shall become effective on such date and at such time as Chi-X may specify upon satisfactory fulfilment of the requirements of rules 2.1 and 2.2 and is at the full discretion of Chi-X.

(b) Where Chi-X admits an applicant as a participant, it may at that time (or at any later time) impose any conditions on the admission (or continued admission) of the participant which Chi-X considers appropriate.

2.6 Resignation

(a) A participant must provide Chi-X with at least three calendar months written notice of its proposed resignation.

(b) Chi-X may, in its absolute discretion, refuse to accept a notice of resignation in the event that Chi-X considers there is an outstanding matter concerning the participant that is subject to an ongoing investigation or ongoing enforcement action.

(c) A participant that has provided notice of its resignation or whose resignation has taken effect, must continue to observe and comply with the rules including, without limitation, rules 1, 3.2, 3.3, 4.5, 8, 9, 10, 11, 12, 13 and this rule.

(d) A participant that has provided notice of its resignation or whose resignation has taken effect, will remain responsible and liable under these rules for its acts and omissions and those of its employees during the period of participation.

2.7 Unique Identifiers

(a) Chi-X will allocate one unique identifier to each:

(i) participant;

(ii) logical connection used by the participant to access the Chi-X market.

(b) A participant must allocate a unique identifier to each device which can be connected to the logical connection used by the participant to access the Chi-X market.
3 ONGOING COMPLIANCE

3.1 Continuing obligations

(a) A participant must at all times comply with the rules, the procedures and any guidance notes, guides, trading notices, technical specifications, directions, decisions, requirements and conditions of Chi-X.

(b) A participant must at all times continue to satisfy all requirements under rule 2.2.

(c) A participant must notify Chi-X of details of changes to items set out in the procedures by the times set out in the procedures.

(d) A participant must, in relation to its activities as a participant, comply with Chapter 7 of the Corporations Act, any regulations made under Chapter 7 of the Corporations Act, and the conditions of its Australian financial services licence.

(e) A participant must comply with the Market Integrity Rules (Chi-X Market) and the Market Integrity Rules (Equity Market Structure).

(f) A participant must ensure that the information it submits to Chi-X is not false or misleading.

(g) A participant must ensure that an employee responsible for submitting orders by or on behalf of the participant to the Chi-X market is sufficiently trained and has adequate experience, knowledge and competency.

(h) A participant must at all times have one or more persons, identified to Chi-X, who are competent to advise the participant on the application of these rules.

3.2 Record keeping

A participant must make each record required to be kept under the Corporations Act, including Regulations made thereunder, the Market Integrity Rules (Chi-X Market), the Market Integrity Rules (Equity Market Structure) and the procedures in relation to its dealings on the Chi-X market. The records must comply with the requirements of the Corporations Act, the Market Integrity Rules (Chi-X Market), the Market Integrity Rules (Equity Market Structure) and the procedures, as applicable. These records must be kept for at least the period required by the Corporations Act and be capable of being produced for inspection by Chi-X on demand and in legible form.

3.3 Responsible for actions of employees

A participant is responsible for the acts and omissions of any employee in relation to its conduct as a participant.

3.4 Notification

A participant must inform Chi-X immediately if:

(a) it becomes subject to external administration within the meaning of the Corporations Act or if a person involved in the management of the participant becomes bankrupt;

(b) any event occurs that may make a material adverse change to the financial position of the participant;
(c) any legal, regulatory or disciplinary action is taken, that could reasonably be expected to impact on the participant's ability to comply with its obligations as a participant (whether under these rules or otherwise); 

(d) a participant's overseas activities may have a material adverse impact on its ability to meet its obligations under these rules; or 

(e) it becomes aware that it or an employee has breached any of the rules, the Market Integrity Rules (Equity Market Structure), the Market Integrity Rules (Chi-X Market) or Chapter 7 of the Corporations Act and that breach is significant.
4 TRADING

4.1 Access to Chi-X market

A participant is responsible for all obligations and liabilities arising from the entry, amendment, deletion and execution of all electronic messages, including orders, submitted to the Chi-X market by or on behalf of the participant.

4.2 Hours of operation

Chi-X will determine and set out in the procedures the times during which the Chi-X market will be open. A participant may only submit, amend, or delete orders from the Chi-X market during those times.

4.3 Trade reporting

A participant may report to the Chi-X market an off market transaction that has not already been reported to another licensed market. The report must comply with the procedures.

4.4 Classes of financial products

The classes of financial products that may be traded on the Chi-X market are:

(a) securities (within the meaning of section 761A of the Corporations Act);

(b) the financial products described in sections 764A(1)(b) and 764A(1)(ba) of the Corporations Act

The procedures contain a further description of the specific financial products falling within these classes that are able to be traded on the Chi-X market.

4.5 Orders and matching

(a) A participant may submit the following order types to the Chi-X market:

(i) limit orders;

(ii) pegged orders that are referenced to a source specified in the procedures.

(b) An order submitted to the Chi-X Market:

(i) must have the mandatory attributes specified in the procedures; and

(ii) may have the optional attributes specified in the procedures.

(c) All orders entered into the Chi-X market:

(i) are firm and available for execution, subject to rule 4.6;

(ii) will be matched based on price/visibility/time priority, subject to the exceptions set out in the procedures;

(iii) must otherwise comply with the procedures.

(d) If a client places an order with a participant and expressly or implicitly instructs the participant to only use the Chi-X market in relation to the order, then the
participant must make a record of this and retain the record for seven years and produce it to Chi-X upon request.

(e) Chi-X may impose restrictions and limits in relation to the entry of orders or the execution of relevant transactions.

(f) The matching of buy and sell orders in the Chi-X market results in a contract between the participants responsible for the entry of those orders for the acquisition and sale of the relevant financial products at the price and volume that has been matched, subject to these rules and the procedures.

4.6 Purging of orders

An order in the Chi-X Market that is unmatched at the close of trading will automatically be cancelled by Chi-X in accordance with the procedures.

4.7 Order routing

(a) A participant may provide, or arrange for the provision of, an automatic order routing facility or direct market access to a client which enables the client to submit orders to the Chi-X market.

(b) A participant that submits orders to the Chi-X market, or who provides, or arranges for the provision of facilities under paragraph (a), shall, at all times, have adequate order management systems, procedures and controls in place to prevent the entry of erroneous orders to the Chi-X market.

(c) A participant is responsible for all orders submitted by the participant, including those submitted by a client to whom the participant provides, or arranges for the provision of, facilities under paragraph (a).

4.8 Short sale reporting

Where a participant is required to provide information to Chi-X under Division 5B of the Corporations Act or the Market Integrity Rules (Equity Market Structure) in respect of sell orders or relevant transactions involving a sale by the participant, the participant must provide the information to Chi-X in accordance with the Corporations Act and the Market Integrity Rules (Equity Market Structure) and in the form and by the time specified in the procedures.
5 FAIR AND ORDERLY MARKET

5.1 Chi-X orderly markets powers

Chi-X may take any action it considers necessary to ensure that the Chi-X market is fair, orderly and transparent, including:

(a) rejecting one or more orders or other electronic messages submitted to Chi-X or entered into the Chi-X market;
(b) suspending or halting trading in all or part of the Chi-X market;
(c) cancelling or amending any relevant transaction;
(d) directing any participant to take, or not to take, specified action in connection with the Chi-X market;
(e) modifying, restricting or suspending access by one or more participants to all or part of the Chi-X market;
(f) requesting a designated central counterparty or alternative central counterparty to exercise its powers.

5.2 Review of a decision under Rule 5.1(e)

If within 5 business days following the receipt by a participant of a notice of a decision by Chi-X under rule 5.1(e) to modify or restrict a participant’s access to the market, the participant notifies Chi-X that it objects to that decision, the participant may at that time request Chi-X to establish a Review Committee to review the subject matter of the Chi-X determination. Chi-X must establish a Review Committee to review the decision that is the subject of the participant request.

5.3 Suspension of access to or trading on the Chi-X market

Chi-X may suspend access to or cease trading on the Chi-X market if:

(a) Chi-X determines a systems or communications problem has occurred or is likely to occur which may result in disorderly trading conditions on the Chi-X market;
(b) a specific financial product is the subject of a suspension or trading halt on the listing market; or
(c) Chi-X, in its absolute discretion, considers it appropriate to do so.

5.4 Suspensions and trading halts

(a) A participant must not submit or amend orders in the Chi-X market in respect of a specific financial product which is the subject of a suspension or trading halt on the listing market.
(b) A participant may cancel orders in the Chi-X market in respect of a specific financial product which is the subject of a suspension or trading halt on the listing market.
(c) This rule 5.4 does not apply if Chi-X notifies participants that the Chi-X market continues to operate even though the trading on the listing market has been suspended or halted.
5.5 Market-related disputes

(a) A participant may notify Chi-X of any market-related dispute (dispute) between the participant and another participant arising in relation to any of the rules.

(b) Chi-X will consider a dispute as soon as reasonably practicable following the referral by a participant.

(c) In considering a dispute, Chi-X may make any enquiries relevant to the dispute, seek information from the relevant participants and determine how the dispute will be considered.

(d) Chi-X may decide to take any action (or refrain from taking action) and give any directions it considers appropriate in relation to the dispute including:

(i) cancelling the relevant transaction;
(ii) varying the relevant transaction;
(iii) re-instating an order which gave rise to the disputed relevant transaction under paragraph (i);
(iv) giving directions to the participant(s) who are a party to the disputed relevant transaction; and
(v) requesting a designated central counterparty (or alternative central counterparty) to act or refrain from acting under their clearing rules, for example to give effect to Chi-X’s actions under this rule.

(e) Chi-X will notify each participant involved in the dispute, of the action, if any, it proposes to take.

(f) The exercise by Chi-X of its powers under rule 5.5 (d) is final and binding on the participant(s) involved unless a participant involved in the dispute notifies Chi-X by the time specified in the procedures that it wishes to have the exercise of the powers reviewed under rule 5.6.

(g) Subject to rule 5.6, participants must comply with any request made, or directions given, by Chi-X under this rule 5.5.

5.6 Review of dispute

(a) If a participant notifies Chi-X, by the time specified in the procedures, that it wishes to have the exercise of the powers in rule 5.5(d) reviewed then Chi-X must refer the dispute to a Review Committee as soon as reasonably practicable.

(b) The Chairman of the Review Committee established pursuant to rule 5.6(a) will convene a meeting as soon as reasonably practicable to consider the dispute.

(c) A person must not sit as a member of the Review Committee considering a dispute if the Chairman of the Review Committee determines that the member has a conflict of interest which precludes their participation.

(d) Chi-X and each participant involved in the dispute will be given the opportunity to make a submission in relation to the dispute and the decision of Chi-X under rule 5.5.
(e) The Review Committee will make a decision and may take any action or give any direction available to Chi-X under rule 5.5(d), or confirm the decision of Chi-X under rule 5.5.

(f) The Review Committee’s decision is final and binding.

5.7 Error trades and clearly erroneous trades

(a) A participant may submit to Chi-X a request to amend or cancel an error trade. Such a request will be dealt with in accordance with the procedures.

In this rule an “error trade” is a relevant transaction arising from an error in an order submitted by a participant, or other error by a participant which relates to the relevant transaction. Examples of an error trade include:

(i) a relevant transaction which arises because, when submitting an order or off-market transaction to Chi-X, the participant made a mistake as to the identity of the financial product, the price or volume involved, the status of buy or sell, the basis of quotation or the order type; and

(ii) an order or a relevant transaction affected by a failure of Chi-X’s systems or processes.

(b) Chi-X may amend or cancel a clearly erroneous trade in accordance with the procedures.

In this rule a “clearly erroneous trade” is a relevant transaction which Chi-X considers may be an error trade (as defined in paragraph (a)), for example because the transaction was effected at a price substantially away from, or inconsistent with, the prevailing market price for the relevant financial product at the time of execution.

5.8 Other powers

Nothing in this rule 5 precludes Chi-X from taking any other action which it is permitted to take under the rules and the procedures in connection with the dispute including, without limitation, the taking of disciplinary action under rule 9.
6 CLEARING ARRANGEMENTS

6.1 Clearing

A participant that is a party to a relevant transaction authorises Chi-X to deliver that relevant transaction for clearing to the designated central counterparty or an alternate central counterparty.

6.2 Appointment and use of central counterparties

(a) Chi-X will appoint the designated central counterparty and may appoint one or more alternate central counterparties. Each appointment will be recorded in the procedures and may be conditional.

(b) Relevant transactions will be delivered for clearing and settlement to the designated central counterparty unless a participant has notified Chi-X under rule 6.7(a) that the relevant transactions to which it is a party should be delivered to an alternate central counterparty.

6.3 Third party clearing

(a) A participant that is not a clearing participant may have an agreement in place with one or more clearing participants pursuant to which the relevant transactions to which the participant is a party will be cleared.

(b) A participant must:

(i) notify Chi-X, in accordance with the procedures, of the identity of each clearing participant with which it has a clearing agreement under this rule 6.3.

(ii) provide Chi-X with a copy of any agreement between the participant and a clearing participant immediately that it is entered;

(iii) notify Chi-X of any amendment to an agreement between the participant and a clearing participant no later than two business days before the amendment takes effect.

6.4 Participant obligations

(a) A participant must:

(i) not enter orders into the Chi-X Market unless it is a clearing participant, or has a clearing agreement under rule 6.3, in respect of any resulting relevant transactions;

(ii) not report an off market transaction to the Chi-X Market under rule 4.3 unless it is a clearing participant, or has a clearing agreement under rule 6.3, in respect of that transaction;

(iii) notify Chi-X immediately of any suspension, termination or restriction of the participant’s arrangements for clearing relevant transactions;

(iv) comply with any direction from Chi-X in relation to clearing.

(b) Each participant acknowledges that the clearing of a relevant transaction will be subject to, and governed by, the clearing rules of the designated central
counterparty or alternate central counterparty which accepts the relevant transaction for clearing.

6.5 Rejected Transactions

Chi-X may cancel a relevant transaction that is rejected by the designated central counterparty or alternate central counterparty, in which case the relevant transaction will be deemed to have not been executed.

6.6 Action to ensure adequate clearing arrangements

Chi-X may take any action it considers necessary to ensure there are adequate arrangements for the clearing of relevant transactions including, without limitation suspending, restricting or terminating a participant’s participation in or access to the Chi-X market.

6.7 Alternate central counterparty

(a) A participant must notify Chi-X, in accordance with the procedures, if the relevant transactions to which the participant is a party should be delivered to an alternate central counterparty.

(b) A participant may notify Chi-X that it intends to use a licensed clearing and settlement facility that has not yet been appointed under rule 6.2 but must not use that facility to clear relevant transactions unless that facility has been appointed the designated central counterparty or an alternate central counterparty under rule 6.2.
7 SETTLEMENT & CORPORATE ACTIONS

7.1 Obligation to settle

(a) A participant must satisfy Chi-X that it has in place and will maintain adequate arrangements for the settling of all relevant transactions entered into by the participant.

(b) The settlement date for all relevant transactions is the third business day following the day the relevant transaction was created, or such other time as determined in accordance with the procedures. At settlement, the seller of the financial products the subject of the relevant transaction must deliver the financial products free of any charge or encumbrance and the buyer must pay the price for the financial products purchased.

(c) Chi-X may postpone or extend a settlement period for relevant transactions in some or all financial products on a given day, indefinitely or for a specified period.

7.2 Corporate actions

(a) A participant shall treat a financial product as being ‘ex’ a benefit from the time that financial product is marked ‘ex’ that benefit on the listing market.

(b) Chi-X will take no responsibility for marking a financial product as ‘ex’ or ‘cum’ a benefit on the Chi-X market.

(c) The responsibility for accurately pricing a financial product undergoing a corporate action is solely with the participant.
8 MONITORING & INVESTIGATION

8.1 Monitoring compliance and investigation

(a) Chi-X will monitor the Chi-X market and execution of relevant transactions for the purpose of ensuring a fair, orderly and transparent market.

(b) Chi-X will monitor compliance by a participant with the rules, and may at any time investigate the activities of a participant.

(c) Where Chi-X has reason to suspect that a participant or the employee of a participant has committed, is committing or is about to commit a significant breach of the Corporations Act, the Market Integrity Rules (Equity Market Structure) or the Market Integrity Rules (Chi-X Market), it may refer the matter to ASIC.

(d) Chi-X may require a participant to meet the reasonable costs of Chi-X in connection with any investigation by Chi-X under these rules.

8.2 Information

(a) As part of any investigation Chi-X may require a participant to provide any information, document or record relating to the participant's activities in connection with the Chi-X market or the performance by the participant of its obligations under the rules.

(b) Chi-X may also require the immediate production of documents, relevant to trading by the participant, that are in the participant's possession, custody, power or control.

(c) Chi-X may require the immediate provision by a participant of accurate information about its transactions in a format, electronic or otherwise, as specified by Chi-X.

(d) Chi-X may require a participant to permit Chi-X to access its premises in order to inspect any records or information required by Chi-X as part of any investigation.

(e) Chi-X may give any direction to a participant, in relation to an investigation by Chi-X under these rules, which Chi-X considers is reasonably necessary to preserve the integrity of an investigation by Chi-X or is otherwise appropriate having regard to the obligations of Chi-X as the holder of an Australian Market Licence.

8.3 Independent Report by a Qualified Person

Chi-X may require a participant to provide, at the participant's cost, a report from an independent and appropriately qualified person in relation to the compliance by the participant with these rules, and any other matter which in the opinion of Chi-X is appropriate to assist Chi-X in the discharge of its functions and responsibilities under these rules. Chi-X will notify the participant of the scope of the report and the time by which it must be provided.

8.4 Costs

The participant is responsible for any costs it incurs in connection with any investigation conducted by Chi-X under these rules.
9 DISCIPLINARY ACTIONS, SANCTIONS AND OTHER POWERS

9.1 Disciplinary action

(a) If Chi-X determines in its discretion that a participant has contravened the rules Chi-X may, by notice to the participant, impose one or more sanctions set out in rule 9.3 without conducting formal disciplinary proceedings. The determination of Chi-X under this rule 9.1(a) is binding on the participant, subject to rule 9.1(b).

(b) If within 5 business days following the receipt by a participant of a notice under rule 9.1(a) the participant notifies Chi-X that it objects to the determination of Chi-X, the participant may at that time request Chi-X to establish a Review Committee to review the Chi-X determination.

(c) Chi-X must establish a Review Committee to review a determination that is the subject of a request by a participant under rule 9.1(b).

(d) Chi-X may refer an alleged contravention of the rules to a Review Committee without making a determination under rule 9.1(a).

(e) The Review Committee will publish reasons in writing for its decision.

(f) A decision of the Review Committee is binding on the participant and Chi-X.

9.2 Agreed outcomes

(a) Chi-X may, by agreement with a participant, impose a sanction of the kind described in rule 9.3 in relation to a contravention of these rules or an alleged contravention of these rules.

(b) If a Review Committee is established under rule 9.1, Chi-X and the participant may submit a proposed agreed outcome to the Review Committee for its consideration. A Review Committee is not bound to accept the agreed outcome proposed.

9.3 Sanctions

Chi-X and any Review Committee established under this rule 9 may impose or utilise one or more of the following sanctions in relation to a contravention of the rules:

(a) a written warning;

(b) the suspension or restriction of access to the Chi-X market;

(c) a public statement identifying the participant and outlining the rule contravention;

(d) termination of participation on any conditions that are appropriate, including as to the continued application of these rules to the participant;

(e) a fine up to a maximum amount specified in the procedures;

(f) disgorgement of any profit arising from the contravention of the rules;

(g) an order to pay the reasonable costs of Chi-X and any Review Committee;

(h) obtain an undertaking by a participant to complete an education and/or compliance program; and

(i) any other sanction set out in the procedures.
9.4 Register of decisions

Chi-X will keep a register of decisions under this rule 9, which will be available for inspection.

9.5 Other default powers

If Chi-X considers that circumstances exist which have or may have a material adverse effect on:

(a) the capacity of the participant to meet its obligations to Chi-X, the designated central counterparty, an alternative central counterparty, relevant settlement facility or one or more other participants;

(b) the financial position of Chi-X, the designated central counterparty, an alternative central counterparty, relevant settlement facility; or

(c) the Chi-X market or the listing market,

(d) Chi-X may immediately after giving written notice to the participant of its intention to rely on this rule 9, take any action it considers appropriate to protect Chi-X, the designated central counterparty, an alternative central counterparty, a relevant settlement facility or other participants including without limitation, suspending, restricting or terminating the participant’s participation or access to the Chi-X market.

9.6 Review of certain action taken under rule 9.5

If within five business days following the receipt by a participant of a decision by Chi-X under rule 9.5 to restrict, suspend or terminate a participant’s access to the Chi-X market, the participant notifies Chi-X that it objects to that decision, the participant may at that time request Chi-X to establish a Review Committee to review the Chi-X determination. Chi-X must establish a Review Committee to review the decision that is the subject of the participant request.
10 SUPERVISION OF A PARTICIPANT BY ASIC

10.1 Application

This rule 10 applies to a participant that:

(a) is a related body corporate of Chi-X; or

(b) conducts, or participates in a business in competition with a business conducted by Chi-X or a related body corporate of Chi-X and requests ASIC to make decisions and take action in relation to the matters in rule 10.2.

10.2 Supervision of a participant by ASIC

ASIC, instead of Chi-X, will make the decisions and take action under these rules (or require Chi-X to take action on ASIC’s behalf) in respect of a participant to which this rule applies where the decision or action is one of the following matters, or matters related to such matters:

(a) an application to become a participant in the Chi-X market;

(b) the expulsion and suspension of a participant from the Chi-X market;

(c) the disciplining of a participant;

(d) compliance by a participant with the rules, procedures, Corporations Act, the Market Integrity Rules (Equity Market Structure) or the Market Integrity Rules (Chi-X Market), including:

(i) the method of determining whether a participant has complied with the rules, procedures, Corporations Act, the Market Integrity Rules (Equity Market Structure) and the Market Integrity Rules (Chi-X Market); and

(ii) any action (including the imposition of a fine or penalty) to be taken in respect of any contravention of these rules, procedures, Corporations Act, the Market Integrity Rules (Equity Market Structure) and Market Integrity Rules (Chi-X Market).

10.3 Application of relevant rules

For the purposes of rule 10.2, in the case of any decision or action concerning a participant to which this rule applies, a reference in any relevant rule or procedure to Chi-X shall be construed as a reference to ASIC.
11 COMPENSATION ARRANGEMENTS

11.1 Introduction

(a) The Corporations Act requires Chi-X to have in place approved compensation arrangements for the protection of retail clients of participants in certain circumstances.

(b) Chi-X has established a fund to assist in meeting the requirement to compensate clients of participants. The fund operates under Division 3 of Part 7.5 of the Corporations Act.

(c) This rule 11 sets out how the fund will be established, operated and administered, details of the kinds of losses covered by the fund, how clients can make a claim on the fund, and various other matters.

11.2 Establishment of the fund

(a) Chi-X will contribute an initial amount of $200,000 into the fund before Chi-X commences operation.

(b) Chi-X will also obtain and maintain an insurance policy with coverage at a level determined by Chi-X to cover potential claims (subject to the limits in rule 11.11(d)).

11.3 General administration of the fund

(a) Chi-X will be responsible for the administration of the fund.

(b) The money in the fund must be held in accordance with the requirements of the Corporations Act. Chi-X may invest money in the fund in accordance with the requirements of the Corporations Act, including by appointing a person to invest on Chi-X's behalf.

(c) Chi-X may pay out of the fund:

(i) costs and expenses incurred in relation to the administration of the fund, including in relation to claims;

(ii) insurance premiums in relation to the insurance policy referred to in rule 11.2(b); and

(iii) any other amounts permitted by the Corporations Act.

(d) Chi-X will appoint a compliance officer to monitor compliance with this rule 11 and report breaches of this rule 11 to the board.

(e) Chi-X will delegate to one or more independent persons (which may include an independent director of the Board) responsibility for:

(i) monitoring the adequacy of the fund;

(ii) monitoring compliance of Chi-X with the Corporations Act in respect of the fund; and

(iii) reporting to the board on the need for, or desirability of, changes to the fund.
(iv) Chi-X will give the independent person or persons such assistance as they reasonably require in this regard.

(f) Chi-X must keep financial records in relation to the fund in accordance with the Corporations Act.

11.4 Audit

(a) Chi-X must appoint an auditor to audit the accounts of the fund in accordance with the Corporations Act.

(b) Chi-X must, within 14 days after receiving an auditor's report, lodge with ASIC a copy of the report and a copy of the fund's financial statements.

11.5 Levies

(a) Chi-X may at any time raise a levy on one or more participants if it determines that such a levy is necessary to ensure that adequate funds are held by the fund.

(b) The maximum amount which may be levied in any 12 month period in relation to a single participant is $20,000.

(c) Participants must pay any levy raised under this rule 11.5 within the period and in the manner specified by Chi-X.

(d) Chi-X will comply with the relevant provisions of the Corporations Act in relation to the imposition of any levy under this rule 11.5.

11.6 Excess money in the fund

(a) If the amount of money in the fund together with the amount of cover provided by the insurance arrangements referred to in rule (b) at any time exceeds the minimum amount of cover required by the conditions to Chi-X's licence, Chi-X may pay the amount of the excess into a designated financial industry development account.

(b) Chi-X must only apply money deposited into a financial industry development account in accordance with the requirements of the Corporations Act.

11.7 Losses covered

A loss is a loss covered by the fund if it is not excluded by rule 11.8 and:

(a) a client gave money or other property, or authority over property, to a participant (or an entity which was previously a participant and which the client reasonably believed was a participant);

(b) the money or other property, or the authority, was given to the participant in connection with effecting a transaction, or proposed transaction, through the Chi-X market;

(c) the effecting of the transaction in paragraph (b) through the Chi-X market constitutes or would constitute the provision of a financial service to the client as a retail client; and

(d) the client suffers a loss because of the defalcation or fraudulent misuse of the money, other property, or the authority given by the client (as applicable), by the participant.
For the avoidance of doubt a **claim** relating to an alleged **loss** caused by defalcation or fraudulent misuse may be allowed even if the person against whom the defalcation or misuse is alleged has not been convicted or prosecuted, or the evidence on which the **claim** is allowed would not be sufficient to establish the guilt of that person on a criminal trial in respect of the defalcation or criminal misuse.

### 11.8 Excluded losses

A loss is not covered by the **fund** if:

(a) the loss is also connected (for the purposes of section 888A of the **Corporations Act**) with another financial market to which Division 4 of Part 7.5 of the **Corporations Act** (the National Guarantee Fund provisions) applies and;

(i) the person suffering the loss did not (expressly or impliedly) instruct the relevant **participant** to use a particular financial market; and

(ii) it is not reasonably apparent from the usual business practice of the **participant** which financial market the **participant** would use when acting for the **client**; or

(b) the loss is connected to a transaction which could have been effected otherwise than through a financial market and:

(i) the person suffering the loss did not (expressly or impliedly) instruct the **participant** to effect the transactions through a financial market; and

(ii) it is not reasonably apparent from the usual business practice of the **participant** that the transaction would be effected through a financial market.

### 11.9 Making a Claim

(a) A **client** who has suffered a **loss** may make a claim on the **fund** by completing the claim form available on the Chi-X website at www.chi-x.com.au.

(b) A **client** may only make one **claim** in respect of a particular **loss**.

(c) A **claim** must be made within six months of the latter of the **claim** arising and the **client** becoming aware of its ability to make a **claim**.

(d) Chi-X may require a **client** making a **claim** to pay money, or transfer other property, in support of a **claim**.

(e) Chi-X may, by notice, require a person to deliver to it documents or copies of documents (including documents of or evidencing title to financial products), statements of evidence or other information that Chi-X considers will assist it in determining a **claim**.

(f) Chi-X may disallow a **claim** if the person making the **claim** fails to comply with rule (e).

### 11.10 Determination of Claims

(a) Chi-X, or a delegate of Chi-X, may determine a **claim**.
Chi-X must determine a claim within a reasonable time of receipt and notify a client of the outcome of a determination in relation to a claim within 10 business days of its determination.

A claim may be dismissed, allowed in full, or allowed in part (including, without limitation, in a case where Chi-X considers that the conduct of the person making the claim contributed to the relevant loss).

Without limiting anything else in this rule 11.10, a claim may be disallowed if a person making a claim refuses to exercise any available right of set off.

11.11 Amount and payment of compensation

(a) If Chi-X determines a claim in favour of the person making the claim (whether in part or in full), Chi-X must determine the amount of compensation to be paid.

(b) Subject to paragraphs (c) and (d), the amount of compensation to be paid in respect of a loss is to be not less than the sum of:

(i) The actual pecuniary loss suffered by the client, calculated by reference to the market value of any relevant assets or liabilities as at the date on which the loss was suffered;

(ii) The client's reasonable costs of, and disbursements incidental to, the making and proof of the claim; and

(iii) Interest on the amounts set out in paragraphs (i) at a rate of 5% per annum for the period from the day the loss was suffered until the day when compensation is paid in respect of that loss (or that part of the loss).

(c) The amount of compensation payable in respect of a loss may be reduced by the amount of any set off available to the relevant client.

(d) The maximum amount of compensation payable in respect of a claim is $100,000, and the maximum amount of compensation payable in respect of all claims referable to a particular event or circumstance is $1,000,000.

(e) If the fund is insufficient to meet all claims, claims will be reduced on a pro rata basis or in such other manner as Chi-X considers appropriate.

(f) Compensation in relation to a claim may be paid in any manner Chi-X deems appropriate, including but not limited to lump sums or instalments.

(g) If the fund makes a payment in relation to a claim, Chi-X may recover from the participant or participants who caused the relevant loss the costs or expenses incurred by Chi-X in determining the claim and the amount of any payments in relation to the claim. Each participant indemnifies and must keep indemnified Chi-X in relation to any such amounts.

(h) If a claim is allowed, the fund must make the relevant payment in relation to the Claim within 28 days of the determination under rule 11.10.

11.12 Disclosure

A participant must provide the compensation disclosure contained in the procedures to a retail client before it accepts, from that client, an order for execution on the Chi-X market.
11.13  Termination and winding up of compensation arrangements

(a) If Chi-X is no longer required to have compensation arrangements in place, and elects to cease to do so, it must put in place transitional arrangements in relation to claims which may arise after the date that Chi-X ceases to have compensation arrangements in place.

(b) The transitional arrangements under paragraph (a) must remain in place for a period of one year after the date on which Chi-X ceases to have compensation arrangements in place.

(c) The compensation arrangements under paragraph (a) may consist of an undertaking by Chi-X to pay any valid claim which arose before the date on which Chi-X ceased to have compensation arrangements in place.
12 CHI-X LIABILITY

12.1 Limitation of liability

Subject to rule 12.2, Chi-X is not liable to a participant or a participant's clients for any direct, indirect or consequential loss, damage or expense (including legal costs) arising in any way in relation to:

(a) the supply of services, goods or products relating to the Chi-X market including, without limitation, any services, goods or products relating to relevant transactions, trading information or documentation concerning a participant or clients;

(b) any negligent conduct or omission of Chi-X including, without limitation, any systems malfunctions or failure, programming error, error inputting data or any other error, in relation to a computer or otherwise, in connection with the supply by Chi-X of any services, goods or products;

(c) any implied conditions and warranties, including those implied by statute, general law or custom, in relation to the supply of services, goods or products by Chi-X;

(d) the operation, enforcement or implementation of these rules, including without limitation any act or omission to ensure the Chi-X Market is fair, orderly and transparent;

(e) the exercise of any decision making power by Chi-X under these rules or by any designated central counterparty, alternative central counterparty or relevant settlement facility under their respective rules or arrangements.

12.2 Certain liability not excluded

Chi-X does not exclude under this rule 12 any liability arising from conditions and warranties implied by or contained in statute, general law or custom where the exclusion or limitation of that liability would contravene any statute (including the Trade Practices Act 1974) or cause any part of this rule 12 to be void.

12.3 Limitation of liability

The liability of Chi-X under any condition or warranty in rule 12.2 may be limited at the discretion of Chi-X to:

(a) in the case of services, the supply of the relevant services again or payment of the cost of having the relevant services supplied again;

(b) in the case of goods and products, the repair or replacement of those goods and/or products or the payment of the cost of having the goods and/or products repaired or replaced.

12.4 Extension of liability exclusions and limitations to others

To the extent permitted by law, each exclusion and limitation in this rule 12 extends to every related body corporate of Chi-X and every officer, employee, agent, contractor, delegate, person acting for or on behalf of Chi-X or related body corporate as if a reference to Chi-X included a reference to each of them. The benefit of any limitation or exclusion under this rule 12 in favour of any person other than Chi-X under this rule 12 is held by Chi-X for the benefit of those other persons and Chi-X may enforce that benefit on their behalf.
13 GENERAL

13.1 Confidentiality

Chi-X will take all reasonable measures to protect from unauthorised use or disclosure information provided to it in confidence by or on behalf of a participant. The circumstances in which Chi-X is authorised to disclose or use such information will include the following:

(a) disclosure to any government agency, regulatory authority, exchange, market operator or clearing and settlement facility;
(b) where disclosure is required under any law or any order of any court or tribunal, authority or regulatory body;
(c) disclosure of information generally available to and known by the public;
(d) for the purposes of monitoring compliance with, or the enforcement of, the rules or the determination of those matters including, without limitation, under rule 9;
(e) where disclosure is required to enable Chi-X to fulfil its licence obligations or supply the goods, services and products it has been engaged to supply.

13.2 Complaints

Chi-X will manage all complaints against it or its employees in accordance with its complaints policy and procedure which can be accessed at www.chi-x.com.au.

13.3 Fees and charges

(a) A participant must pay to Chi-X all applicable subscriptions, charges, fees and any other costs due in accordance with these rules or pursuant to any agreement signed with Chi-X. Any such subscription, charge, fee or other cost may be amended by Chi-X.

(b) If a participant does not pay any fees or other charges payable under rule 13.3(a) within one month from the date of any valid invoice, the outstanding amount will be subject to interest at the rate specified in the procedures and Chi-X may take other steps specified in the procedures.

13.4 GST & other Taxes

(a) Participants are liable for all stamp duty and other taxes or duties that may arise in respect of any relevant transaction, services provided by Chi-X under these rules. Participants will indemnify Chi-X against liability for any taxes or duties so arising under this rule and Chi-X may set off any such taxes against any monies owed by Chi-X to the participant.

(b) All subscriptions, charges, fees and any other costs due in accordance with these rules, the procedures or in any agreement signed by Chi-X are stated exclusive of GST.

(c) If GST is or will be payable on a supply made by Chi-X or a participant under or in connection with these rules or the procedures:

(i) the consideration otherwise provided for that supply is increased by the amount of that GST; and
(ii) the recipient must make payment of the increase as and when the consideration otherwise provided for, or relevant part of it, must be paid or provided, subject to the issue of a tax invoice (except where rule 13.5 applies).

(d) The right of a participant to recover any amount of GST from Chi-X is subject to:

(i) the participant first providing evidence satisfactory to Chi-X that it is registered for GST; and

(ii) except where rule 13.5 applies, the participant issuing the relevant tax invoice or adjustment note to the recipient within 4 years of the participant’s liability to that GST arising.

13.5 Recipient Created Tax Invoices

(a) For supplies made under rule 13.4(c) for which GST is payable by a participant, Chi-X will, if and while it meets the requirements of the GST Law to do so, issue Recipient Created Tax Invoices (RCTIs).

(b) Chi-X and the participants acknowledge that, pursuant to rule 1.3(a) and section 793B of the Corporations Act, this rule 13.5 constitutes a written agreement to issue RCTIs between Chi-X, as the entity issuing the RCTI, and the participant on whose behalf it is issued.

(c) A participant on whose behalf a RCTI is issued warrants to Chi-X that it is registered for GST and will notify Chi-X if it ceases to be registered. The participant indemnifies Chi-X against any loss resulting from the participant not being registered for GST.

(d) Chi-X warrants that it is registered for GST and will notify the participant if it ceases to be registered.

(e) A participant will not issue a tax invoice or adjustment note for supplies that it makes to Chi-X in respect of which Chi-X will issue a RCTI.

13.6 Foreign Participants

(a) If a participant provides evidence satisfactory to Chi-X that:

(i) it is a non-resident of Australia and will not be in Australia in relation to any supply which Chi-X makes to it;

(ii) it acquires the supplies from Chi-X in carrying on an enterprise but it is not registered or required to be registered for GST;

(iii) the supply by Chi-X to the participant is not otherwise subject to GST; and

(iv) it will only make supplies to Chi-X which are not connected with Australia;

Chi-X will treat its supplies to the participant as GST-free, and the participant will treat its supplies to Chi-X as not subject to GST.

(b) A participant to which this rule applies, indemnifies Chi-X against any loss suffered by Chi-X as a result of relying on information provided by the participant.
13.7 Notifications

(a) All notifications under these rules by a participant shall be made as soon as is reasonably practicable and in accordance with the procedures. Where a notification is initially made verbally or via electronic mail, there may be a requirement for the notice to be confirmed in writing.

(c) For the purposes of any rule that requires or permits a document to be given to a person, whether the expression "serve", "give" or "send" or any other expression is used, the document may be given, and will be taken to have been received, at the time and in the manner set out in the procedures.

(d) A participant must have and maintain an operating e-mail system for the purposes of receiving notices under these rules.

If Chi-X must give notice under these rules to some or all participants, accidental omission by Chi-X to give notice to one or more participants does not affect the validity or enforceability of any resolution, decision, proceeding or act in connection with which the notice is required.