

Date: Thursday 29th September, 2011

Reference number: 0015/11

Subject: Functionality to prevent Wash Trades

We have received a number of enquiries concerning FIX tag <8174>, *NoSelfTrade*, in our trading interface specification. To assist participants and vendors make use of this feature we provide the following details.

Overview

This functionality enables participants to prevent self-trades or unintentional crosses. It is an optional feature that is controlled by the trading participant. Orders from the same participant that have the same value in the "NoSelfTrade key" are prevented from matching. As such the No Self Trade key can be used to prevent trades from occurring where there would be no change in beneficial ownership - i.e. a wash trade.

Detailed Description

- The NoSelf Trade key <FIX 8174> is in the current trading system release and is available from launch. The NoSelfTrade key is a 10 digit numeric key.
- The functionality allows a participant to set the value of the NoSelfTrade key against each order. Where two orders from the same participant ID have matching NoSelfTrade keys, the resting order will remain in the order book and the incoming aggressive order will be cancelled back to the participant with an order cancel acknowledgement message stating "No Self Trade".
- The feature is supported on all order types and attributes, including hidden orders.
- To use this feature a participant will need to:
 - Set a value for the NoSelfTrade key on both the buy and sell orders;
 - If the value of the NoSelfTrade key is the same on both the buy and sell orders and the two orders are from the same participant ID then the system will prevent the two orders from matching.
- If a participant sends an order with the NoSelfTrade key populated, then subsequently sends a cancel /replace message without the NoSelfTrade key, the NoSelfTrade key from the original order will be removed. The removal of the NoSelfTrade key in this way does not affect the time priority of the original order.

Example

To provide a practical example, we take the following order book, with an incoming aggressive sell order from broker XXX for 1000 shares @ 10:00 with NoSelfTrade key of [111111]:

```
AA    Bid 200 @ 10:00
BB    Bid 200 @ 10:00
XXX   Bid 100 @ 10:00 [111111]
CC    Bid 200 @ 10:00
DD    Bid 500 @ 10:00
```

The aggressive order trades with broker AA for 200 shares and with broker BB for 200 shares. The system then detects a matching NoSelfTrade key on the bid from broker XXX and cancels the residual amount of 600 shares offered back to XXX.

After the order is cancelled, the order book will appear as follows:

```
XXX   Bid 100 @ 10:00 [111111]
CC    Bid 200 @ 10:00
DD    Bid 500 @ 10:00
```

If you have any further queries concerning this feature please contact us.

Kind regards,

Chi-X Australia

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