



## Consultation Paper 01/22

On a new service – **Cboe BIDS Australia** – that enables traders to find legitimate trading counterparties without prematurely revealing trading intentions.

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## Consultation

Cboe Australia is seeking feedback on the proposed establishment of a new service – **Cboe BIDS Australia** – under its existing market licence.

Submissions are due by 19 August 2022 and should be sent by email to: [au.compliance@cboe.com](mailto:au.compliance@cboe.com)

If you would like your submission, or any part of it, to be treated as confidential, please indicate this in your submission.

All submissions not marked confidential may be made publically available on Cboe Australia's website.

### Contacts

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# 1 An Introduction to Cboe BIDS Australia

Cboe BIDS Australia is a block and large-sized trading execution service that Cboe Australia proposes to offer under its existing Australian Market License. It allows buy-side and sell-side traders to anonymously trade large parcels of equities while minimising information leakage. Cboe BIDS Australia is designed to improve liquidity, deliver better outcomes for traders, and resolve existing inefficiencies that have impeded trading of large parcels of shares in Australia.

Key to Cboe BIDS Australia are **Conditional Messages**. These are messages submitted by traders that declare a non-firm interest to trade a symbol at a given size and price. Conditional Messages are considered indications of interest (**IOIs**) for regulatory purposes. Conditional Messages convert to a Firm Order when invited to do so by a matching contra<sup>1</sup> through a process called **Firm-up**.

Since invitations to Firm-up disclose contra trading interest, the Cboe BIDS Australia service includes measures to monitor the rate at which users Firm-up and take action against users that habitually fail to Firm-up (**Conditionals Compliance Mechanism**). In doing so, Cboe BIDS Australia will be the first trading execution service in Australia with built-in accountability systems for IOIs.

Another key element of Cboe BIDS Australia is Sponsored Access. Access to the Cboe BIDS Australia order book will be available to Cboe Australia Participants as well as eligible institutional buy-side firms (such as asset managers and superannuation funds) (**Sponsored Users**), provided that they have been approved by at least one Cboe Australia Participant to use Cboe BIDS Australia (**Sponsoring Participant**). Sponsored Users will be able to submit Conditional Messages directly to the Cboe BIDS Australia order book using either a direct FIX connection or BIDS Trader, a front-end interface that integrates into existing order management systems or execution management systems. This direct submission prevents premature leakage of the Sponsored User's trading intentions. At Firm-up, a Sponsored User must select a Sponsoring Participant to assign to the Firm Order. The Firm Order is then submitted to the Cboe BIDS Australia order book with the selected Sponsoring Participant's risk limits applied, and the Sponsoring Participant is responsible for that order under the Cboe Australia Operating Rules (**Operating Rules**) and ASIC Market Integrity Rules (**MIRs**). The trade is then executed and reported as an on-market trade. Cboe BIDS Australia allows Block Trades and Trades with Price Improvement (as defined in the MIRs).

Cboe BIDS Australia follows in the footsteps of similar BIDS implementations around the world. BIDS services have demonstrated a proven track record of reliable operations and strong trader support since their inception. BIDS services are the largest block trading venues in the US, the EU and the UK.

Subject to regulatory clearance, Cboe Australia intends to launch Cboe BIDS Australia in **February 2023**.

## 1.1 Who are BIDS?

Cboe Australia is partnering with BIDS to establish Cboe BIDS Australia.

BIDS Trading L.P. (**BIDS Trading**) is a US registered broker-dealer and the operator of the BIDS Alternative Trading System (**ATS**) in the US. BIDS Trading and certain of its affiliates (collectively, **BIDS**) own the technology solution that enables the BIDS ATS and will enable Cboe BIDS Australia. BIDS also provides technology to power the Cboe BIDS Canada and Cboe BIDS Europe services.

Cboe Australia and BIDS are part of the Cboe Global Markets, Inc. group of companies.

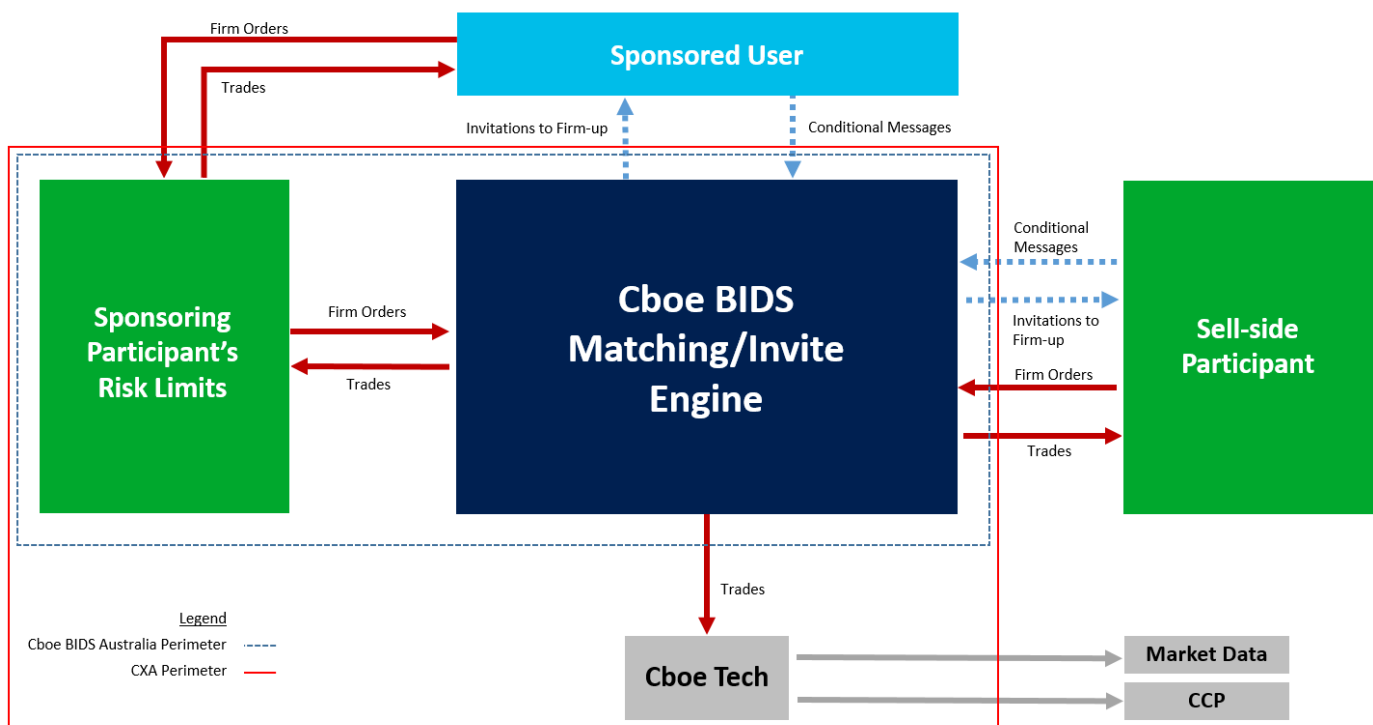
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<sup>1</sup> That contra could be another Conditional Message or a Firm Order.

## 1.2 Key Features of Cboe BIDS Australia

- ❖ Conditional Messages: IOIs with accountability – users that trade in a manner consistent with their Conditional Messages are rewarded. Users that do not are penalised.
- ❖ Minimal information leakage – the Cboe BIDS Australia model prevents a Sponsored User's Conditional Messages from being known by its Sponsoring Participant before any corresponding Firm Order has been submitted.
- ❖ Flexibility – buy-side clients can more effectively utilise their commission dollars to pay for the goods and services provided by their brokers. Brokers have access to a new stream of commission dollars from their existing clients.
- ❖ Impartiality – Cboe Australia is a regulated market and is obligated to treat its users fairly.

## 1.3 Cboe BIDS Australia Workflow



The workflow for Conditional Messages on Cboe BIDS Australia is simple and straightforward:

1. Users (buy-side Sponsored Users or sell-side Participants) submit Conditional Messages to Cboe BIDS Australia to identify potential matches
2. Once a match is identified, a message is sent to the parties indicating a match has occurred and invites them to Firm-up their Conditional Message into a Firm Order
3. If a sponsored user accepts an invitation to Firm-up, it must select a Sponsoring Participant whose risk limits will be applied against the Firm Order and is responsible for the Firm Order. Cboe BIDS Australia will validate that the Firm Order is within the Sponsoring Participant's risk limits and, if so, will allow the Firm Order to be accepted by the matching engine.
4. The resulting trade from the Firm Order is executed on-exchange at Cboe Australia. Cboe will notify the Sponsored User of the execution and will deliver a drop copy to the Sponsoring Participant.
5. The trade is reported, cleared, settled and published via the usual processes of the Cboe Australia market.

The diagram above provides an illustration of this process. Overlaid on this is the ability for Participants to directly submit Firm Orders to Cboe BIDS Australia. More detailed information about the Cboe BIDS Australia operational model and these interactions can be found at sections 3 and 5.1 of this paper.

## 2 The purpose of this Consultation Paper

The purpose of this consultation is to seek feedback on Cboe Australia's proposed model for Cboe BIDS Australia. Specific questions for respondents are set out in green boxes throughout the remainder of the paper. For convenience, there will also be a consolidated list of questions at section 5.3. Respondents are also invited to provide any general comments.

Cboe Australia would in particular welcome feedback on the proposed Operating Rule and Operating Rule: Procedures changes to accommodate Cboe BIDS Australia, as well as the form of the Conditionals Compliance Mechanism.

Submissions should be provided in the manner set out on page 1 of this paper.

### 2.1 Consultation Timetable

Cboe Australia will consider all submissions it receives in response to this consultation before finalising the proposed Operating Rule and Operating Rule: Procedures changes.

Subject to regulatory clearance, Cboe Australia aims have the amended Operating Rule and Operating Rule: Procedures in force on, or as soon as practicable after, **30 September 2022**.

Subject to regulatory clearance, Cboe Australia intends to launch Cboe BIDS Australia in **February 2023**.

**Question 2.1:** Are you supportive of the establishment of Cboe BIDS Australia?

## 3 An Overview of the Operational Model

### 3.1 Access

Access to the Cboe BIDS Australia order book will be available to Cboe Australia Participants as well as Sponsored Users. Further information specific to buy-side and sell-side access is set out below.

#### 3.1.1 Buy-Side

Sponsored Users (generally institutional buy-side firms such as asset managers and superannuation funds) are eligible to use Cboe BIDS Australia. They must be enabled to use Cboe BIDS Australia by Cboe Australia.

At a high level, the steps involved are:

1. requesting access to Cboe BIDS Australia
2. having in place a sponsorship arrangement with, and being approved by, a Sponsoring Participant<sup>2</sup>
3. completing the connectivity instructions of Cboe Australia
4. having risk limits set by their Sponsoring Participant(s)

Any Cboe Australia Participant may elect to become a Sponsoring Participant. To do so, the Participant must first sign a Sponsoring Participant Agreement with Cboe Australia. This agreement operates in conjunction with the Operating Rules and MIRs and will include several new contractual obligations that relate to sponsorship of Sponsored Users. These include:

1. an obligation, in connection with each trade that originates as a Conditional Message, to represent (and be responsible for) the resulting trade and, in particular, to provide that it is cleared and settled in the normal course for a trade on the Cboe Australia market.
2. an obligation that the Participant has entered into all requisite agreements with its prospective Sponsored User, has in place all required policies and procedures to establish proper relationship(s), account(s), and risk controls with or for each such prospective Sponsored User, and that all

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<sup>2</sup> It is possible for the sponsorship arrangement to be intermediated by an Introducing Broker. See section 3.1.1.1.

requirements pursuant the MIRs, and other applicable regulatory requirements are complied with at all times; and

3. an obligation to set up the appropriate pre-trade, automated risk controls on Cboe BIDS Australia for each Sponsored User and to take reasonable measures to monitor those risk controls (which includes monitoring risk control-related threshold alerts), and if necessary, adjusting those risk controls, in accordance with the Participant's obligations under the Operating Rules, MIRs, and any other applicable regulatory requirements.

The onus is on the Sponsoring Participant to make arrangements with Sponsored Users consistent with the Sponsoring Participant Agreement and its regulatory requirements, including ensuring that appropriate risk controls are in place. To assist with this, BIDS offers Sponsored Users, at no cost, the BIDS Trading Admin Client, a comprehensive monitoring and control tool, which includes a Sponsoring Participant having direct control over the automated filters and filter parameters in respect of a Sponsored User's use of Cboe BIDS Australia. Sponsoring Participants are not required to use the BIDS Trading Admin Client, and they may integrate these functionalities to their internal monitoring system through a FIX connection.

Similar to clients with a direct market access (DMA) arrangement, Sponsored Users are not Participants under the Operating Rules or the MIRs.

The Sponsored User is responsible for setting up BIDS Trader to submit Conditional Messages to Cboe BIDS Australia. BIDS Trader integrates with order management systems (OMS) and execution management systems (EMS), so Sponsored Users can access Cboe BIDS Australia in a familiar environment. In particular, BIDS Trader allows the Sponsored Users to submit, amend and cancel Conditional Messages and respond to invitations to Firm-up. BIDS Trader is provided directly by BIDS at no cost, and it is separate from the Cboe BIDS Australia service operated by Cboe Australia. Sponsored Users are not required to use BIDS Trader, and they also may access Cboe BIDS Australia directly through a FIX connection.

Cboe Australia will verify that Sponsored Users are authorised by a Sponsored Participant and have completed the necessary steps before granting them access to Cboe BIDS Australia.

#### **3.1.1.1 Introducing Broker**

In some cases, a Sponsored User's access to Cboe BIDS Australia will be intermediated by an Introducing Broker to enable an offshore Sponsored User to access the service. The Introducing Broker will be a broker based in the same offshore jurisdiction, and it will face off with the Sponsoring Participant.

For this to occur, the Introducing Broker must have made arrangements with a Sponsoring Participant for access to Cboe BIDS Australia to enable orders to be submitted to the service with the Sponsoring Participant so that trades are executed, cleared and settled in the ordinary course.

Subject to these requirements (which are set out in Sponsoring Participant Agreement), the relationship between the Introducing Broker and the Sponsoring Participant is a matter between the two parties. Cboe Australia's role in the process is limited to verifying that the Sponsoring Participant has approved the Introducing Broker for access to Cboe BIDS Australia.

#### **3.1.2 Sell-Side**

All Cboe Australia Participants are eligible to use Cboe BIDS Australia. They must simply request access to the Cboe BIDS Australia and complete the connectivity instructions of Cboe Australia. Sell-Side users may submit messages to Cboe BIDS Australia via their existing connections to Cboe Australia.

**Question 3.1:** Do you have any concerns regarding how users access Cboe BIDS Australia?

### **3.2 Messages, Matching and Trading**

Cboe BIDS Australia is a service for anonymously trading large parcels of equities. Cboe Australia does not make available Pre-Trade Information (as defined in the MIRs) in respect of orders received by Cboe BIDS

Australia. All listed securities and quoted exchange traded products currently tradeable on the Cboe market can be traded on Cboe BIDS Australia.

A Firm Order or Conditional Message may only enter Cboe BIDS Australia if it has a minimum notional value of 20,000 AUD and any partially-traded resting Firm Orders will be cancelled once they fall below this value. All trades on Cboe BIDS Australia will be Block Trades or Trades with Price Improvement. Furthermore, trades of block size or higher will execute at or within the NBBO and trades below block size will execute at the midpoint.

If a Firm Order or Conditional Message enters Cboe BIDS Australia and a contra Firm Order or Conditional Message matches based on the conditions below, then the user(s) that submitted the Conditional Message(s) will be invited to Firm-up their Conditional Message(s) into Firm Order(s)<sup>3</sup>.

An invitation to Firm-up will occur if all of the following conditions are met:

- ❖ The prices match or cross such that a permitted trade is possible
- ❖ The symbol is available for matching
- ❖ The notional value of the Conditional Message equals or exceeds 20,000 AUD
- ❖ The volume on the Conditional Message meets the minimum volume requirements of the contra and vice versa.

A single Conditional Message or Firm Order may invite more than one contra to Firm-up if the aggregate total of all the contras' volume is not more than that of the single Conditional Message or Firm Order.

An invitation to Firm-up is time limited. The time available to Firm up varies depending on whether the interaction is human-to-human, human-to-algo or algo-to-algo. The invitation to Firm-up is cancelled if the Firm-up is not completed within the relevant time limit.

A successful Firm-up results in the Conditional Messages being cancelled and replaced by Firm Orders.

Firm Orders submitted to Cboe BIDS Australia (whether initially submitted as an order or those submitted as a result of firming-up) are firm, available for execution and will be matched with other Firm Orders if all of the following conditions are met:

- ❖ The prices match or cross.
- ❖ The symbol is available for matching
- ❖ The notional value of the Firm Order equals or exceeds 20,000 AUD
- ❖ The volume on the Firm Order meets the minimum volume on the contra Firm order and vice versa,
- ❖ The resulting trade would be a Block Trade or a Trade with Price Improvement
- ❖ The resulting trade would execute at midpoint (if under block size) or at or within the NBBO (if block size or above)

Matched orders will execute on exchange and will be reported, cleared, settled and published in the usual manner of the Cboe Australia market.

Additional information about the matching and trading process, including invitation time limits, invitation and matching priority, and worked examples are contained in the Cboe BIDS Australia Service Description at section 5.1 of this paper.

**Question 3.2:** Do you have any concerns regarding messages, matching and trading on Cboe BIDS Australia?

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<sup>3</sup> If both sides are Firm Orders, then an invitation to Firm-up is unnecessary and the trade will execute without an invitation



### 3.3 Supervision

Cboe Australia will monitor all activity on Cboe BIDS Australia, in keeping with its regulatory obligations. The first key mechanism by which it will do this is the in-house real-time surveillance system of the Cboe market.

In addition, and in light of ASIC's guidance regarding IOIs in *Regulatory Guide 265: Guidance on ASIC market integrity rules for participants of securities markets*, Cboe Australia will maintain a Conditionals Compliance Mechanism to ensure that the use of Conditional Messages is consistent with a fair, orderly and transparent market. The mechanism, in particular, is designed to support Conditional Messages being backed by a genuine intention to trade and to minimise information leakage.

The form of the Conditionals Compliance Mechanism has not been settled and this is one of the key areas where we seek feedback from interested parties. We have set out three alternative models below for respondents to consider.

#### **Model 1**

Under Model 1, a user that receives X or more invitations to Firm-up a Conditional Message for a given security must ensure their completion rate for firm-ups remains above Y% for that security, failing which the user is suspended from receiving invitations for any new Conditional Messages that it enters for that security for the rest of that trading day.

The advantage of this approach is that is simple to understand and implement. However there may be risks that the system could be gamed by users – for example, as users know that they may fail to Firm-up up to (100-Y)% of the time without consequence.

Model 1 is most similar to how BIDS operates in Canada.

#### **Model 2**

Under Model 2, Cboe Australia will maintain scorecards for every user of the service. The scores are based on users' behaviour in responding to invitations to Firm-up. Users will be able to set filters to prevent their Conditional Messages from interacting with other users based on their scorecard.

##### *Scorecard*

A user's score is representative of their performance. Users who respond to invitations frequently, with the same terms of their Conditional Message, will have a high score. Users who consistently ignore invitations to Firm-up, or those that respond with terms less favourable than their Conditional Message will have a low score. A user's score will place them in a category, for example 'good', 'normal' and 'poor'.

##### *Filters*

Users have the ability set scorecard filters to help protect themselves from other users whose performance history suggests that they are less likely to trade in accordance with their stated intentions. For example, a user could set a filter such that their Conditional Messages would only interact with the Conditional Messages of users with the same or higher score category, or set a filter to prevent poor category users from receiving invitations in relation to their Conditional Messages (provided they are not in the poor category themselves).

The advantage of this approach is that it creates a self-policing environment where users' trading outcomes are directly tied to how well they behave – thereby incentivising good behaviour and promoting market quality. It also gives users flexibility. For example, a user may not care as to the performance history of their counterparty and thus may choose to allow interactions regardless of the contra's score. However, there may be risks that this approach allows users to choose the types of counterparties they don't want to interact with, thereby segmenting the market and compromising fair access to message flow for all users.



Model 2 is most similar to how BIDS operates in the US, UK and EU.

### **Model 3**

Under Model 3, Cboe Australia will maintain scorecards for every user of the service as per Model 2. Furthermore, Cboe Australia will also maintain what is effectively a single, global, disciplinary setting that applies equally to all users of the service. For example, such that all poor category performers may not interact with normal or good category users.

The advantage of this approach is that it maintains the self-policing environment where users' trading outcomes are directly tied to how well they behave, whilst being consistent, applying equally to all users, and being set by the market operator – so it is clear that it is a compliance disciplinary measure, and not a tool for users to segment message flow. However, this approach is less flexible than Model 2, in particular for the subset of users that would be willing to interact with all users.

**Question 3.3:** What is your opinion regarding the proposed models for the Conditionals Compliance Mechanism? Do you have a preference?

**Question 3.4:** In relation to Model 1, what is your opinion regarding appropriate values for X and Y?

**Question 3.5:** Do you have any suggestions for alternative approaches?

Note: Cboe Australia is in contemporaneous discussions with ASIC regarding the Conditionals Compliance Mechanism and its final form is subject to regulatory approval.

### **3.4 Investigation and Disciplinary Actions**

Cboe Australia will investigate and take action against users of the Cboe BIDS Australia that do not comply with the Operating Rules or otherwise compromise the fair, orderly and transparent operation of the Cboe market. This includes having the ability to restrict or revoke the access of sell-side Participants or Sponsored Users based on the Conditionals Compliance Mechanism.

**Question 3.3:** Do you have any concerns regarding investigation and disciplinary actions on Cboe BIDS Australia?

## **4 Proposed CXA Operating Rules and Operating Rules: Procedures Changes**

This section provides an overview of the Operating Rule and Operating Rule: Procedure changes necessary to accommodate Cboe BIDS Australia. The rule and procedures changes are **attached** in full, as mark-up to the existing rules and procedures, at section 5.2 of this paper and Cboe Australia encourages respondents to provide feedback on the proposed rule and procedure changes.

At a high level, the changes are intended to be succinct and in keeping with the overall philosophy of the Cboe Australia rulebook, which is to be arranged in accordance with the lifecycle of the market.

As such:

- ❖ Chapter one of the rules, which deals with interpretation, has been amended to include definitions for the following key terms: Conditional Message, Cboe BIDS Australia, Introducing Broker, Sponsored User, and Sponsoring Participant.
- ❖ Chapter four of the rules, which deals with trading, has been amended to deal with how users access Cboe BIDS Australia, the submission of messages, matching and trading.

- ❖ Chapter five of the rules, which deals with the maintenance of a fair orderly and transparent market, has been amended to enable relevant measures in respect of Cboe BIDS Australia.

There are also minor and consequential changes to chapters 2, 8, 12 and 13 to support the changes above.

#### Question 4.1: Do you have any concerns regarding the proposed Operating Rules changes?

The operating rules changes are supported operating rules: procedures changes. The procedures changes provide additional information about how Cboe Australia will administer the rule changes. In particular:

In relation to the chapter four rule changes:

- ❖ They set out the process for Sponsored Users and Sponsoring Participants to follow to be granted access to Cboe BIDS Australia by Cboe Australia
- ❖ They set out the process for Participants to follow to become a Sponsored Participants and commence accepting Sponsored Users
- ❖ They provide detailed information about the types of messages that may be submitted to Cboe BIDS Australia
- ❖ They specify the minimum size entry requirement of 20,000 AUD
- ❖ They provide detailed information about the Firm-up and matching process
- ❖ They provide detailed information about message priority in Cboe BIDS Australia

In relation to the chapter five rule changes:

- ❖ They provide for the Conditionals Compliance Mechanism. Note however that this has been set out in general terms as the precise form of the Conditionals Compliance Mechanism has yet to be decided.

There are also minor and consequential changes to chapter 3 of the procedures to support the changes above.

#### Question 4.2: Do you have any concerns with the proposed Operating Rule: Procedures changes?

## 5 Appendices

### 5.1 Cboe BIDS Australia Service Description

[Jump to the Cboe BIDS Australia Service Description](#) (page 12)

### 5.2 Proposed CXA Operating Rules and Operating Rules: Procedures Changes

[Jump to the Operating Rules changes](#) (page 40)

[Jump to the Operating Rules: Procedure changes](#) (page 59)

### 5.3 Table of Consultation Questions

A table of consultation questions is set out below. Interested parties are welcome to respond to this consultation by copying this table into a new document and inserting responses. There is also a free cell for general comments.

No	Question	Response
2.1	Are you supportive of the establishment of Cboe BIDS Australia?	
3.1	Do you have any concerns regarding how users access Cboe BIDS Australia?	
3.2	Do you have any concerns regarding messages, matching and trading on Cboe BIDS Australia?	

3.3	What is your opinion regarding the proposed models for the Conditionals Compliance Mechanism? Do you have a preference?	
3.4	In relation to Model 1, what is your opinion regarding appropriate values for X and Y?	
3.5	Do you have any suggestions for alternative approaches?	
3.6	Do you have any concerns regarding investigation and disciplinary actions on Cboe BIDS Australia?	
4.1	Do you have any concerns regarding the proposed Operating Rules changes?	
4.2	Do you have any concerns with the proposed Operating Rule: Procedures changes?	
-	Do you have any other comments about this proposal?	



## Cboe BIDS Australia - Service Description

Version 0.9 – DRAFT – July 2022

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# 1 Introduction

This document provides the service description of a new service (**Cboe BIDS Australia**) which has been designed by Cboe Australia Pty Ltd (**CXA**) and BIDS Trading L.P. and its affiliates (collectively **BIDS**) to offer additional functionality for users of the CXA market.

Cboe BIDS Australia is a block and large-sized trading execution service that allows participants and their clients to submit messages indicating trading interest (**Conditional Messages**), and provides an opportunity to firm-up that trading interest, after it is matched, by submitting an order. It includes measures to minimise information leakage by keeping conditional message firm-up rates at or above appropriate levels. Matched firm-up orders result in an on-exchange trade execution on Cboe BIDS Australia.

The service will also support the submission of firm orders, which will execute immediately when matching with another firm order (or a firmed up conditional message).

Cboe BIDS Australia includes a sponsored access component which allows certain buy-side firms (**Sponsored Users**) to submit conditional messages to the service (including via **Introducing Brokers**), provided they are sponsored by a CXA Participant (**Sponsoring Participant**) who is responsible for all orders and trades that originate from the conditional messages.

## 1.1 Regulation

CXA is the holder of an Australian Markets License (**AML**) and is regulated by the Australian Securities & Investments Commission (**ASIC**). Cboe BIDS Australia is operated by CXA under its AML.

The Operating Rules and Operating Rules: Procedures set-out the rules and procedures which govern Cboe BIDS Australia. This service description provides additional information regarding the operation of Cboe BIDS Australia but it does not have the status of rules or procedures and is secondary and subordinate to the rules and procedures.

## 1.2 Definitions

<b>BIDS Instruction</b>	A <b>firm order</b> or <b>conditional message</b> submitted to Cboe BIDS Australia.
<b>Block Trade</b>	Has the meaning given by the ASIC Market Integrity Rules (Securities Markets) 2017
<b>Central Counterparty (CCP)</b>	A clearing facility approved by Cboe  Note: This is currently ASX Clear
<b>Clearing Member</b>	A firm that is a member of a <b>central counterparty</b> with an agreement to guarantee and clear trades
<b>Conditional Message</b>	An electronic message submitted to Cboe BIDS Australia that is non-binding, conditional and does not constitute a <b>firm order</b>
<b>Firm order</b>	An executable order that was directly entered into Cboe BIDS Australia or the result of a successful firm up of a <b>conditional message</b> after an invitation to trade
<b>Introducing Broker</b>	A broker-dealer that has arrangements with a <b>sponsored user</b> and a <b>sponsoring participant</b> in relation to Cboe BIDS Australia
<b>NBBO</b>	The Consolidated Best Bid and Offer which incorporates all best displayed Buy Order Prices and best displayed Sell Order Prices available from each market. It comprises the best lit bid and the best lit offer overall.
<b>Participant</b>	An entity admitted as a participant of Cboe under the Cboe Operating Rules



<b>Sponsored User</b>	An investment firm that has an arrangement with a <b>sponsoring participant</b> or an <b>introducing broker</b> to use Cboe BIDS Australia
<b>Sponsoring Participant</b>	A <b>participant</b> that has an arrangement with a <b>sponsored user</b> or <b>introducing broker</b> to offer execution and clearing services in relation to Cboe BIDS Australia.
<b>Trade with Price Improvement</b>	Has the meaning given by the ASIC Market Integrity Rules (Securities Markets) 2017

## 2 Conditional Message Workflow

1. The ability to submit **conditional messages** to Cboe BIDS Australia is enabled for **participants** and **sponsored users** by Cboe in accordance with the Cboe Operating Rules
2. Cboe BIDS Australia allows interaction between conditional messages submitted by both buy-side and sell-side firms. Once a match is identified and meets qualifying criteria, Cboe BIDS Australia will send a message to both parties indicating a match has occurred and that they may now firm-up the **conditional message** into a **firm order**
3. On electing to submit a **firm order** in response to a firm-up message, a **sponsored user** must select a **sponsoring participant** to be responsible for the execution of the transaction and the clearing of the resulting trade.
4. The **firm orders** able to be submitted are those which pass the the risk limit filters set-up by the sponsoring participant in the BIDS Trading Admin Client (or elsewhere).
5. **Firm orders** match if they meet certain criteria, including that if the **firm order** was matched and executed, it would result in a **block trade** or a **trade with price improvement**.
6. The **firm orders** are submitted to Cboe BIDS Australia and the resulting trade is executed on-exchange.
7. The trade is sent to clearing under the existing CXA clearing model and is reported to the sponsoring participants via a drop copy.

## 3 Market Model

Cboe BIDS Australia order book supports both **firm orders** and **conditional messages** and allows a user to firm-up their **conditional message** if a match is identified (refer to section 3.4). At the point of firm-up, the **conditional message** is cancelled and replaced by a **firm order** that is binding on the **participant**, matched on the Cboe BIDS Australia order book and reported as an on market trade.

### 3.1 Conditional Parameters

**Conditionals messages** represent volume which is submitted but not committed to Cboe BIDS Australia. The volume underlying a **conditional message** may be active in both another system and Cboe BIDS Australia until a firm-up process completes in respect of that **conditional message**. Within Cboe BIDS Australia, a **conditional message** will not trade until an instruction is received in the form of a **firm order**. This allows a trader to deploy their liquidity in multiple ways without the risk of over execution.

The table below outlines some key parameters available to users when delivering **BIDS Instructions** to Cboe BIDS Australia using FIX connectivity, for the complete list of parameters please refer to the **BIDS Trading Australia FIX Specification**;

Tag	Field Name	Description
8002	BIDSType	This tag allows the user to specify whether a new message is a <b>conditional message</b> or <b>firm order</b>  0=Conditional 1=Firm
8008	BIDSTradePriority	This tag allows the user to specify the algorithm they would like Cboe BIDS Australia to use to determine the best match for their submitted <b>conditional messages</b> and <b>firm orders</b> ;  0=Price 1=Volume
110	MinQty	The MinQty to be executed. This tag can be sent on inbound messages for NewOrderSingle on <b>conditional message</b> initiation and NewOrderSingle on firm-up messages to change the MinQty accepted. Invitations will only be sent to a user if the contra <b>BIDS instruction</b> meets both this minimum quantity value, along with the other matching requirements.

### 3.2 Time in Force Values

Participants may specify one of the following time in force values on their BIDS Instructions:

Time in Force Value	ExpireTime Required	Comments
IOC – immediate-or-cancel	Optional	If ExpireTime is supplied, the value will be interpreted as a delay in milliseconds by which to persist the order for a potential match. Cboe BIDS Australia has a system default of 300ms  This option is only meaningful for <b>firm orders</b> .
Day	No	Will persist on Cboe BIDS Australia until partial or full execution is received or until the closing time of the CXA Market
GTD – Good till Date	Yes	Will persist on Cboe BIDS Australia until a full execution is received, or ExpireTime is reached. Regardless of the date supplied this will only persist on Cboe BIDS Australia until the closing time of the CXA Market

EnC – Execute and Cancel	Optional	<p>If an EnC Firm order does not trade its total available volume after the initial execution, the remaining quantity is cancelled.</p> <p>If the EnC Firm order has an expiry time and does not trade at all, it will terminate at the expiry time.</p> <p>Regardless of the time supplied this will only persist on Cboe BIDS Australia until the closing time of the CXA Market</p> <p>This option is only meaningful for <b>firm orders (whether regular or firm-ups)</b>.</p>
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### 3.3 Message Types

#### Limit

Cboe BIDS Australia accepts **BIDS Instructions** with a limit price.

#### Market

Cboe BIDS Australia accepts **BIDS Instructions** without a limit price that may trade at any price, subject to the peg instruction.

Cboe BIDS Australia allows BIDS Instructions to peg to the NBBO in three ways:

- Primary – pegs to the same side of the NBBO as the BIDS Instruction
- Midpoint – pegs to the midpoint of the NBBO
- Market – pegs to the far side of the NBBO

A **BIDS Instruction** must have a minimum notional value of 20,000 AUD to enter Cboe BIDS Australia. Any partially traded resting **firm orders** will be cancelled once they fall below this value.

### 3.4 Cboe BIDS Australia Matching

If a **BIDS instruction** and a contra **BIDS instruction** in Cboe BIDS Australia match, then the user(s) that submitted **conditional messages(s)** will be invited to firm-up their **conditional message(s)** into **firm order(s)**. Note: If both sides are **firm orders**, then an invitation to firm-up is unnecessary, and the trade will execute without an invitation. An invitation to firm-up will occur if all of the following conditions are met:

- The prices match or cross such that a permitted trade is possible.
- The symbol is available for matching i.e. not halted
- The notional value of the **conditional message** equals or exceeds 20,000 AUD
- The volume on the **conditional message** meets the minimum volume requirements of the contra and vice versa

An invitation to firm-up does not last indefinitely and the system imposes a time-out (see section 3.8). If a user takes too long to firm-up, the invitation may expire, or the contra firm-up may expire or be manually cancelled. Time is of the essence when firming up.

Cboe BIDS Australia allows the matching of **firm orders** that if executed would result in a **Block Trade** or a **Trade with Price Improvement**. Cboe BIDS Australia requires trades of block size or higher execute at or within the NBBO and trades below block size execute at the midpoint.

Two **firm orders** will therefore automatically trade under the following conditions:

- The prices match or cross;
- The symbol is available for execution i.e. not halted;
- The notional value of the Firm Order equals or exceeds 20,000 AUD
- The volume on the **firm order** meets or exceeds the minimum volume on the contra **firm order** and vice versa.
- The resulting trade meets all requirements of the Market Integrity Rules for a **Block Trade** or a **Trade with Price Improvement**
- The resulting trade executes at midpoint (if under block size) or at or within the NBBO (if block size or above)

If all these conditions are met, then a trade is generated. Matched firm-up orders result in an on-exchange trade execution on Cboe BIDS Australia.

### 3.5 Invitation and Matching Priority

A fill priority governs the sequence in which matches of **conditional messages** will result in an invitation to firm-up. Users may select volume/effective price/time or effective price/volume/time priorities.

**BIDS Instructions** that are already resting in Cboe BIDS Australia are called passive. A new **BIDS Instruction** entering Cboe BIDS Australia that meets the matching criteria against one or more of those passive orders is called aggressive. In the event that multiple counterparties may be matched or engaged in invitations by the system, the priority setting of the aggressive **BIDS Instruction** will govern the sequence in which the counterparties are considered (invitation or trade).

The trade fill priority is determined by the aggressive **firm order**:

- If the fill priority of the aggressive order is effective price/volume/time, passive orders are matched in sequence according to effective price (based on the effective price calculation set out at section 3.5.1), and then volume and then time.
- If the fill priority of the aggressive order is volume/effective price/time then the passive orders are matched in sequence according to highest volume, and then effective price (based on the effective price calculation set out at section 3.5.1) and then time.

In each case, the fill priorities of the passive **firm orders** are not taken into consideration.

Where two firm orders cross in price and satisfy all matching conditions, the two orders will take priority over any **conditional messages** and will match ahead of any invitations to **conditional messages** to firm-up that are in the order book at the same time.

**Participants** may opt-in to broker preferencing. If broker preferencing is employed:

- Effective price/volume/time priority becomes effective price/broker/volume/time; and
- Volume/effective price/time priority becomes broker/volume/effective price/time.

Matching **BIDS instructions** from the same **participant** will be preferenced.

### 3.5.1 Effective Price Calculation

Effective prices are based on the **BIDS Instruction's** indicative tradeable price, computed using its peg/price protection mode and its limit price, as well as the prevailing NBBO:

- Mid-point peg/MOB (Mid Or Better) price protection
  - If limit price is absent or more aggressive than the NBBO-midpoint, effective price value (i.e. the *effective* limit price) is the NBBO-midpoint.
  - Otherwise, effective price is the limit price.
- Market peg/AOB (At Or Between) price protection
  - If the **conditional message** is considered for invitation, the prioritisation logic treats AOB price protection the same as MOB price protection. See above.
  - If a **firm order** is considered for matching:
    - If limit price is absent or more aggressive than the far side of the NBBO, effective price used is the far side of the NBBO.
    - Otherwise, effective price is the limit price.
- Primary peg/AOB price protection
  - If limit price is absent, effective price value is the same side of the NBBO.
  - Otherwise the limit price is better than the same side of the NBBO, the effective price value is the limit price.

The determination of effective prices is the same for both invitations (determining which **conditional messages** will be invited) and trades (determining which **firm orders** will trade).

The effective price is computed using peg/price protection mode and the limit price, as well as the prevailing NBBO. The calculated tradable price (whether the event is an invitation or a trade) is optimized to be at the midpoint or, if midpoint is not achievable then the price that is closest to the midpoint while respecting the pricing parameters of both sides.

For example, if the midpoint is \$10.03 and three competing buy orders are priced at market (price is blank), \$10.03 and \$11, all three are treated as equal in effective price when determining priority, even though some are more aggressively priced than others.

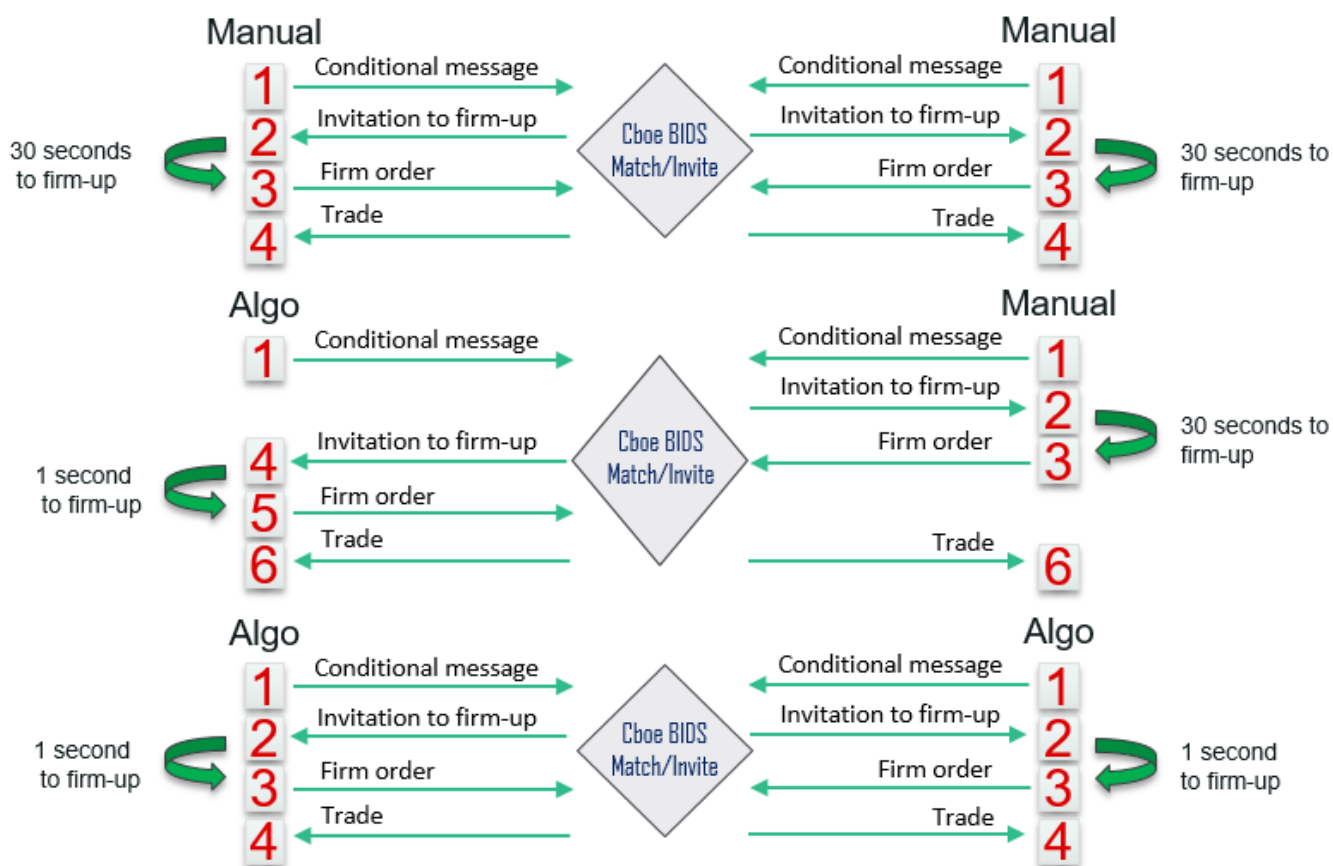
Once the crossing price has been determined, all orders that are eligible are ranked the same with respect to effective price so priority is given to the largest in volume. If the volumes on the competing side are the same, then priority goes to the one that arrived earliest (assuming effective price/volume/time priority in this example).

Detailed invitation scenarios are provided at **Appendix 1**.

### 3.6 Invitation Counterparties

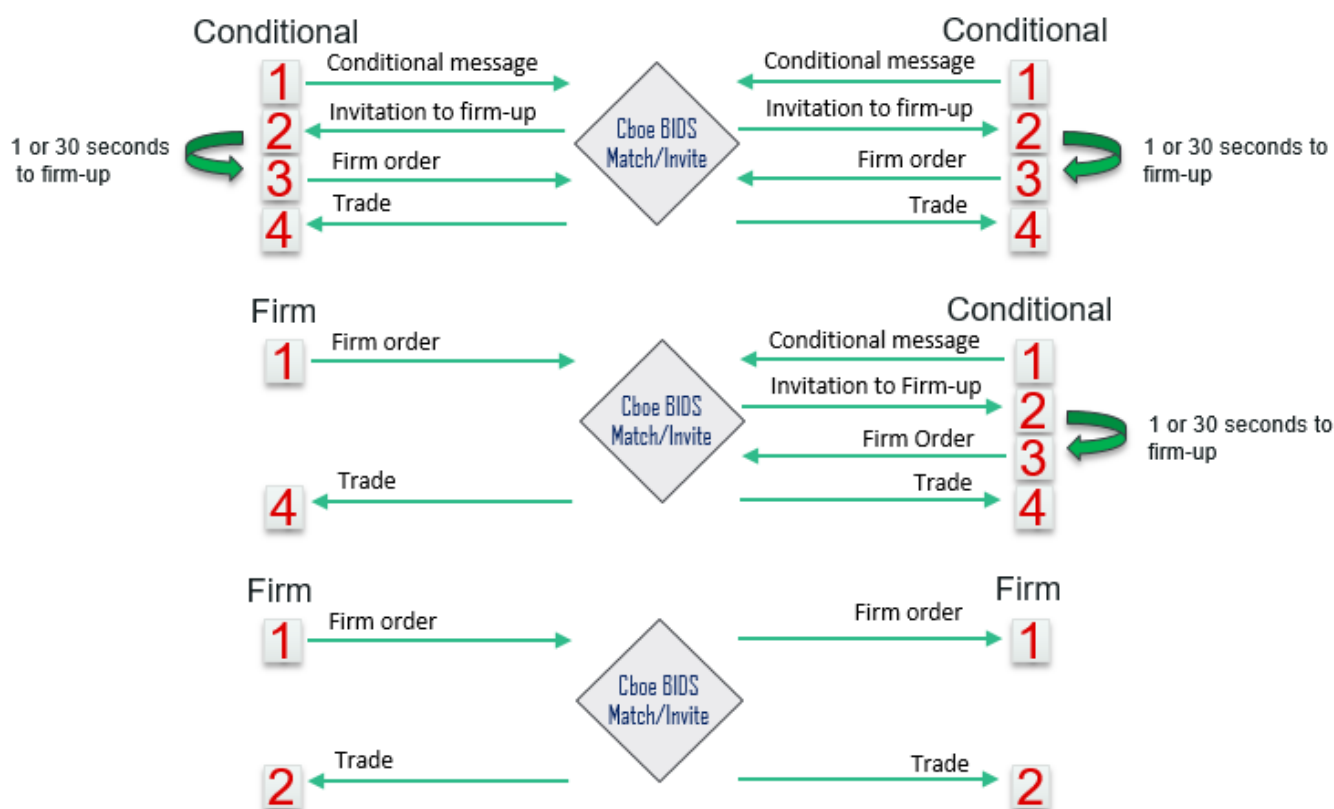
The invitation process varies depending on whether the users are human (manual) or algorithmic (algo). The diagrams below illustrate this and as well as how **firm orders** and **conditional messages** interact.

#### 3.6.1 Conditional Message Interaction - Algorithmic and Human



Note: a manual user whose **conditional messages** are set to auto-firm-up has three seconds to firm up (see section 3.8)

### 3.6.2 Interaction – Firm Order and Conditional Message



### 3.7 Multiple Contras

A single **conditional message** or **firm order** may invite more than one contra to firm-up if each of the multiple contras individually meets the single conditionals minimum quantity and the aggregate total of all the contras' order volume is not more than that of the single **conditional message** or **firm order**.

### 3.8 Invitation Time Limits

There is a time limit set at the system level whereby an invitation is cancelled if a firm-up has not been received after that time period has elapsed.

There are three such settings:

- Automated or Algorithmic trading systems with a direct FIX connection: 1 second
- Manual users receiving invitations that require manual firm-up: 30 seconds
- Manual users whose conditional messages are set to auto-firm-up: 3 seconds

### 3.9 Matching Conditions

Buy-side users will have self-match prevention enforced by the system.

Sell-side users are not subjected to self-match prevention by default. However, a sell-side firm may request CXA to configure them such that self-matching is not allowed in Cboe BIDS Australia.



Users can restrict themselves from trading any security or list of securities. This is performed via the CXA Restricted Symbol List or by a request to the Cboe BIDS Australia Support Team

### 3.10 Market Conditions

Invitations will not be issued nor will trading be permitted for **BIDS Instructions** under the following conditions:

- A one sided NBBO
- Crossed NBBO
- Locked NBBO, and one or both users are configured to not trade in locked markets
- The symbol is halted or suspended for regulatory reasons
- Trading is not allowed or orders cannot be accepted for regulatory reasons

### 3.11 Automatic Cancellation

**Firm orders** and **conditional messages** will be automatically cancelled under specific circumstances.

Condition	What is Cancelled
Loss of connection for FIX Session	All <b>BIDS Instructions</b> received via the lost connection will be cancelled by Cboe BIDS Australia.
Regulatory halt for a symbol	All <b>BIDS Instructions</b> for that symbol are suspended from matching but not deleted. If trading resumes on the same day, they become eligible for matching and invitations.
User, desk, or firm being suspended	All remaining <b>BIDS Instructions</b> for that firm, desk, or user, no matter what the source are cancelled
<b>Sponsoring Participant</b> revokes sponsorship relationship for a user	All <b>BIDS Instructions</b> for that user in relation to that <b>Sponsoring Participant</b> are cancelled

### 3.12 Firm-Up Scenarios

When firming up via FIX, a user must reference the specific **conditional message** with the order ID of the **conditional message**. To enhance the chance of a **conditional message** matching, automated users will be encouraged to rest their firm-ups for at least 300 milliseconds.

The firm-up messages can be sent with a different TimeInForce (TIF) value to the initial **conditional message**. Once a user firms-up, the **firm order** will remain in the system until:

- It fully trades with the intended contra or is an execute-and-cancel
- It reaches the specified expiry time
- The conditional message is expired by the system i.e. at the end of the day

It would be considered best practice to enter an expiry time or a TIF value on the firm-up to ensure the firm-up does not remain indefinitely.

## 4 Conditionals Compliance Mechanism

[Deliberately incomplete - The form of the Conditionals Compliance Mechanism is yet to be finalised and is subject to discussions with ASIC. Please refer to the Cboe BIDS Australia Consultation Paper for information about potential mechanisms]

## 5 Drop Copy Messaging

The following steps describe how a trade is identified by a Trade ID as it flows through the service and how it can then be reconciled against DROP feeds and information from the CCP:

1. When trade occurs in Cboe BIDS Australia it is uniquely identified by the BIDSTradeID (tag 8026) on the fill message.
2. If a DROP is to be obtained from CXA the trade will be communicated via a Trade Capture Report. The value for the BIDSTradeID (tag 8026) above will be the same as the TradeReportRefID (tag 572) of the Trade Capture Report. The TradeID (tag 1003) on the Trade Capture Report is the identifier allocated by CXA that can be seen on the CXA market data feed.
3. The TradeID is sent to the CCP for reconciliation purposes.
4. Alternatively, if a DROP is being obtained from Cboe BIDS Australia, the BIDSTradeID (tag 8026) provided on the message in Step 1 is provided on an ExecutionReport message, as described in the Cboe BIDS Australia Back Office Specification.

### 5.1 Reject Cboe BIDS Australia Instructions on CXA Drop Copy disconnection

Based on the information above, the **Sponsoring Participant** may opt-in to receive a real time feed of trade executions from CXA in the form of a drop copy. CXA has the added functionality available for **Sponsoring Participants** to suspend firm-up and resulting trade executions in Cboe BIDS Australia for all clients should the associated CXA Drop copy lose connectivity or otherwise become disconnected.

## 6 Sponsorship Connectivity to Cboe BIDS Australia and CXA

**Sponsored Users** of Cboe BIDS Australia and **Sponsoring Participants** supporting the execution and settlement of Cboe BIDS Australia trades have the following connectivity options:

Sponsored User connectivity options to Cboe BIDS Australia:

- Via their proprietary OMS System utilizing FIX connectivity
- Using BIDS Trader which integrates with existing OMS systems

Connectivity to CXA for Sponsoring Participants or Introducing Brokers

- Trade Data File available via the existing CXA Web GUI
- Drop Copy (ODROP port) will be available from the CXA book and Cboe BIDS Australia book.

## 7 Market Configuration

### 7.1 Operating Hours & Calendar

Subject to the CXA trading calendar, the services are available from 10:00 to 16:13 AEST time with gateways available for connectivity from 6:00 AEST time.

BIDS Instructions may be submitted from 06:35 AEST time to the Cboe BIDS Australia system however matching and invitations will not occur until market open at 10:00 AEST time.

#### 7.1.1 Market States

Market State	Scheduled Time	Web & Gateway Login	Order Actions	Executions
Technical Connectivity	06:00 – 06:35	Yes	No	No
Pre-Market	06:35 – 10:00	Yes	Yes	No
Continuous Trading	10:00 – 16:13	Yes	Yes	Yes
Post-Trading Administration	16:13 – 18:55	Yes	No	No
End of Technical Connectivity	19:00 – 06:00	No	No	No

The Services will be offered in accordance with the CXA trading calendar.

### 7.2 Maximum Allowed Quantity

The maximum supported quantity is 99,999,999,999 units/shares.

### 7.3 Minimum Lot Size

The minimum lot size is 1 unit/share for all services, fractions are not supported.

### 7.4 Capacity and Account Values

#### 7.4.1 Capacity

The available capacity type in Cboe BIDS Australia are: Agency and Principal

The **Sponsoring Participant** is responsible for mandating the capacity they are accepting from **conditional message** to firm-up and through to clearing. As part of the **Sponsoring Participant**/Buy Side client set-up, CXA will request the **Sponsoring Participant** to advise which capacity trades should be accepted in. This can be defaulted for all relationships or applied on a client by client basis.

#### Set-up options

For BIDS Instructions sent by sell-side brokers, the sell-side brokers are responsible for denoting individual **BIDS Instructions** with appropriate capacity information.

For BIDS Instructions coming from buy-side users via a **Sponsoring Participant**, the default capacity is Agency

#### 7.4.2 Short Selling

Where notified by the user of the service, Cboe BIDS Australia will carry information on whether the trade is a result of a short sale. This information will be provided to the Sponsoring Participant on their drop feed as an optional tag.

## 7.5 Tick Sizes

Cboe BIDS Australia minimum tick increments are the standard tick increments prescribed by the Market Integrity Rules. **BIDS Instruction** limit prices must be multiples of the appropriate tick increment or will be rejected. Trades will occur at a level that matches the tick increment or a half-tick increment (for midpoint trades where the midpoint is at a half-tick).

## 7.6 Trade Reporting

Trades will be published in real-time by Cboe Australia, with trade deferrals not supported.

## 7.7 Risk Management

The BIDS Trading Admin Client provides participants with the ability to set various constraints on **firm orders** for pre-trade protection. Please refer to the **BIDS Trading Admin Guide** document for a complete guide on the available functionality and features. Controls can be applied at an Introducing Broker to Sponsored User level, at a Sponsoring Participant to Introducing Broker level or at overall level for the Sponsoring Participant.

## 8 Surveillance

CXA monitors all activity on Cboe BIDS Australia on a real-time basis. Monitoring, investigation and disciplinary action in respect of users takes place in accordance with the Operating Rules.

## 9 Trade Desk/Operations

### 9.1 Software Alerts and Escalation

CXA Trade Desk will monitor system performance and will receive notifications via automated email alerts. Upon receiving an email (where required), CXA Trade Desk will escalate any network issues to the CXA NOC team and any software issues to BIDS development team using a pre-agreed escalation process.

### 9.2 BIDS Super Admin

The BIDS Super Admin is similar in functionality to the BIDS Trading Admin GUI available to Sponsoring Participants. The Super Admin provides added administrative functionality required when setting up and managing the Cboe BIDS Australia system.

The BIDS Super Admin GUI is a full-function browser-based application. The application allows access to various settings and features for users, some of which have been highlighted below:

- Username & Password set up for internal Cboe BIDS Australia and external users
- Participant Relationship control functions
- Risk Management settings
- System Operations including Cancellation of all BIDS Instructions (kill switch)

## 10 Conditional Messages and Firm Order inquiries and history On-boarding Requirements & Processes

The requirements a prospective user must meet before being granted access to use Cboe BIDS Australia are set out in the Cboe Operating Rules and Cboe Operating Rules: Procedures.

The table below summaries the processes

Firm	Notification to Cboe	Sponsoring Participant Agreement	Welcome letter	Risk limits
Participant	Yes	Required if seeking to act as Sponsoring Participant	N/A	
Introducing Broker	Yes	N/A	N/A	Set by Sponsoring Participant
Sponsored User	Yes	N/A	Issued	Set by Sponsoring Participant

## 11 Post Trade Clearing Process

### 11.1 Clearing

All trades are sent to the **central counterparty** in real-time for novation via CXA in accordance with the Cboe Operating Rules. The **CCP** will allocate to the **sponsoring participant's** clearing account and net down positions accordingly.

It is not anticipated that any additional clearing authority paperwork is required for the Cboe BIDS Australia service

### 11.2 Settlement

All trades processed by CXA and subsequently sent for settlement through the **CCP** will be for the standard settlement cycle in the CHES system in accordance with the Cboe Operating Rules.

## 12 Trade Reconciliation

CXA will mandate the use of a separate trading identifier to distinguish the flow received via Cboe BIDS Australia for existing members of CXA.

Sponsoring Participants are given the following reconciliation options:

- Real-time drop copy of trades available via an ODROP from Cboe Australia (strongly recommended)
- End of Day trade data downloads accessible via the Cboe Australia web portal Trade Data File

## 13 Finance

### 13.1 Fees and Tariff

[Deliberately incomplete – the fee structure for Cboe BIDS Australia will be made publicly available in due course]

## 14 Appendix 1 – Invitation Scenarios

### Examples for At or Above Block Size

Note: In this Appendix, 'Conditional' is used instead of 'Conditional Message' for brevity

#### Example 1: no fall-down, no change in quantity, Volume Priority, Block Tier \$200k

NBBO: 10 x 10.02

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	SELL	P Mid	10.01	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Mid	10.01	11:00 AM	Broker B	Algo
Conditional 3	75,000	BUY	P Mid	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 2 and 3 receive invitations to firm-up

*Result, step ii:*

Conditional 2 sends a firm order back to sell 100,000 shares @ 10.01

Conditional 3 sends a firm order back to buy 75,000 shares @ 10.02

*Result, step iii:*

Firm Order 2 gets a partial fill for 75,000 shares at 10.01

Firm Order 3 gets fully filled for 75,000 shares at 10.01

#### Example 2: no fall-down, no change in quantity, Price Priority, Block Tier \$200k

NBBO: 10 x 10.10

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	SELL	P Far	10.07	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Far	10.08	11:00 AM	Broker B	Algo
Conditional 3	75,000	BUY	P Far	10.10	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 1 and 3 receive invitations to firm-up because 1 has a better price than 2, given that price priority is in place

*Result, step ii:*

Conditional 1 sends a firm order back to sell 50,000 shares @ 10.07

Conditional 3 sends a firm order back to buy 75,000 shares @ 10.10

*Result, step iii:*

Firm Order 1 gets fully filled for 50,000 shares at 10.07 (this is as close to the midpoint as possible)

Firm Order 3 gets a partial fill for 50,000 shares at 10.07

Note: In this example, if priority were volume instead of price, the reverse would happen. The invitation would go to 2 because it is larger, even though it has a worse price.

#### Example 3: no fall-down, change in quantity, Price Priority, human vs algo, Block Tier \$200k

NBBO: 10 x 10.02

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	SELL	P Far	None	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Mid	10.02	11:00 AM	Broker B	Algo
Conditional 3	75,000	BUY	P Near +1	None	11:15 AM	Not yet selected	Human

*Result, step i:*

Conditional 3 receives an invitation to firm-up first (30s max)

*Result, step ii:*

Conditional 3 sends a Firm Order back to buy 50,000 shares (Broker C selected) @ Peg Near +1

*Result, step iii:*

Conditional 1 receives invitation to firm-up second (1s max)

*Result step iv:*

Conditional 1 sends a Firm Order back to sell 40,000 shares @ Peg Mid

*Result, step v:*

Firm Order 1 gets fully filled for 40,000 shares at 10.01

Firm Order 3 gets partially filled for 40,000 shares at 10.01

**Example 4: no fall-down, no change in quantity, Price Priority + Broker Preferencing, algo vs algo, Block Tier \$200k**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	SELL	P Mid	None	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Mid	None	11:00 AM	Broker B	Algo
Firm Order 3	75,000	BUY	P Mid	None	11:15 AM	Broker A	Algo or Human

*Result, step i:*

Conditional 1 receives invitation to firm-up

*Result, step ii:*

Conditional 1 sends a Firm Order back to sell 50,000 shares @ Peg Mid

*Result, step iii:*

Firm Order 1 gets fully filled for 50,000 shares at 10.01

Firm Order 3 gets partially filled for 50,000 shares at 10.01

**Example 5: fall-down, no change in quantity, Price Priority, Block Tier \$200k**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	SELL	P Mid	10.00	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Mid	10.02	11:00 AM	Broker B	Algo
Conditional 3	75,000	BUY	P Far	10.01	11:15 AM	Broker C	Algo

*Result, step i:*

Conditional 1 receives invitation to firm-up

Conditional 3 receives invitation to firm-up

*Result, step ii:*



Conditional 1 sends a Firm Order back to sell 50,000 shares @ 10.02  
Conditional 3 does not send in a Firm Order

*Result, step iii:*

No trade occurs

**Example 6: no fall-down, no changes in quantity, multiple contra invites, Block Tier \$200k**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	SELL	P Mid	10.01	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Mid	10.01	11:00 AM	Broker B	Algo
Conditional 3	150,000	BUY	P Mid	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 1, 2, and 3 each receive an invitation to firm-up

*Result, step ii:*

Conditional 1 sends a Firm Order back to sell 50,000 shares @ 10.01

Conditional 2 sends a Firm Order back to sell 100,000 shares @ 10.01

Conditional 3 sends a Firm Order back to buy 150,000 shares @ 10.02

*Result, step iii:*

Firm Order 1 gets fully filled for 50,000 shares at 10.01

Firm Order 2 gets fully filled for 100,000 shares at 10.01

Firm Order 3 gets a partial fill for 100,000 shares and a complete fill for 50,000 shares both at 10.01

**Example 7: no fall-down, change in quantity, multiple contra invites, Size Priority, Block Tier \$200k**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	SELL	P Mid	10.01	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Mid	10.01	11:00 AM	Broker B	Algo
Conditional 3	150,000	BUY	P Mid	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 1, 2, and 3 each receive an invitation to firm-up

*Result, step ii -- Brokers A and B both firm up before Broker C:*

Conditional 1 sends a Firm Order (1) back to sell 50,000 shares @ 10.01

Conditional 2 sends a Firm Order (2) back to sell 100,000 shares @ 10.01

Conditional 3 sends a Firm Order (3) back to buy 100,000 shares @ 10.02

*Result, step iii:*

Firm Order 1 gets no fill

Firm Order 2 gets fully filled for 100,000 shares at 10.01

Firm Order 3 gets a fully filled for 100,000 shares at 10.01

**Example 8: no fall-down, change in quantity, multiple contra invites, Price Priority, Block Tier \$200k**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	SELL	P Mid	10.01	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Mid	10.01	11:00 AM	Broker B	Algo
Conditional 3	150,000	BUY	P Mid	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 1, 2, and 3 each receive an invitation to firm-up

*Result, step ii – Broker C firms up first, then Broker A, then Broker B:*

Conditional 1 sends a Firm Order back to sell 50,000 shares @ 10.01

Conditional 2 sends a Firm Order back to sell 100,000 shares @ 10.01

Conditional 3 sends a Firm Order back to buy 100,000 shares @ 10.02

*Result, step iii:*

Firm Order 1 gets fully filled for 50,000 shares at 10.01

Firm Order 2 gets partially filled for 50,000 shares at 10.01

Firm Order 3 gets a fully filled for 100,000 shares at 10.01

**Example 9: firmed-up Conditional, fall-down, no partial, Block Tier \$200k**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	SELL	P Mid	10.00	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Mid	10.00	11:00 AM	Broker B	Algo
Conditional 3	75,000	BUY	P Far	10.01	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 2 and 3 each receive invitation to firm-up

*Result, step ii:*

Conditional 2 does not send in a Firm Order – invite times out after 1 second (Conditional is effectively canceled)

Conditional 3 sends a Firm Order to buy 75,000 shares @ 10.01 with a TIF of 5 seconds

*Result, step iii:*

Conditional 1 receives invitation to firm up

*Result, step iii:*

Conditional 1 sends a Firm Order back to sell 50,000 shares @ 10.00 (before 5-second TIF expires)

*Result, step iv:*

Firm Order 1 gets fully filled for 50,000 shares @ 10.01

Firm Order 3 gets a partial fill for 50,000 shares @ 10.01

*Result, step v:*

Firm Order 3 remaining quantity of 25,000 shares is canceled after TIF expires

**Example 10: firmed-up Conditional, partial, Block Tier \$200k**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	SELL	P Mid	10.00	10:00 AM	Broker A	Algo
Conditional 2	50,000	SELL	P Mid	10.00	11:00 AM	Broker B	Algo
Conditional 3	75,000	BUY	P Mid	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 1 and 3 each receive an invitation to firm up

*Result, step ii:*

Conditional 1 sends a Firm Order back to sell 50,000 shares @ 10.00

Conditional 3 sends a Firm Order back to buy 75,000 shares @ 10.02 with a TIF of 5 seconds

*Result, step iii:*

Conditional 1 gets fully filled for 50,000 shares @ 10.01

Conditional 3 gets a partial fill for 50,000 shares @ 10.01

*Result, step iv:*

Conditional 2 receives invitation to firm up

*Result, step v:*

Conditional 2 sends a Firm Order back to sell 50,000 shares @ 10.00

*Result, step vi:*

Firm Order 2 gets a partial fill for 25,000 shares @ 10.01

Firm Order 3 gets fully filled for 25,000 shares @ 10.01

**Example 11: no fall-down, Peg near with offset, no trade, Block Tier \$200k**

**NBBO: 10 x 10.05**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	BUY	P Near +0.03	None	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Near -0.01	None	11:00 AM	Broker B	Algo

*Result, step i:*

No invites are sent

Conditional 1: buy near +0.03, tradable up to 10.03

Conditional 2: sell near - 0.01, tradable down to 10.04

*Result, step ii:*

No invite/trade

**Example 12: no fall-down, Peg near with offset, trade, Block Tier \$200k**

**NBBO: 10 x 10.05**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	BUY	P Near +0.04	None	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Near -0.01	None	11:00 AM	Broker B	Algo

*Result, step i:*

Conditionals 1 and 2 each receive an invitation to firm up

*Result, step ii – Broker B firms up first, then Broker A:*

Conditional 1 sends a Firm Order back to buy 50,000 shares @ P Near +0.04, tradable up to 10.04

Conditional 2 sends a Firm Order back to sell 100,000 shares @ P Near -0.01, tradable down to 10.04

*Result, step iii:*

Firm Order 1 gets fully filled for 50,000 shares @ 10.04

Firm Order 2 gets a partial fill for 50,000 shares @ 10.04

**Example 13: no fall-down, Peg near with offset, trade, closest to midpoint, Block Tier \$200k**

**NBBO: 10 x 10.05**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	BUY	P Near +0.04	None	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Near -0.02	None	11:00 AM	Broker B	Algo

*Result, step i:*

Conditionals 1 and 2 each receive an invitation to firm up

*Result, step ii – Broker A firms up first, then Broker B:*

Conditional 1 sends a Firm Order back to buy 50,000 shares @ P Near +0.04, tradable up to 10.04

Conditional 2 sends a Firm Order back to sell 100,000 shares @ P Near -0.02, tradable down to 10.03

*Result, step iii:*

Firm Order 1 gets fully filled for 50,000 shares @ 10.03

Firm Order 2 gets a partial fill for 50,000 shares @ 10.03

10.03 is selected as the trade price, as it is the price closest to the midpoint

**Example 14: no fall-down, Peg near with offset, trade, midpoint, Block Tier \$200k****NBBO: 10 x 10.05**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	BUY	P Near +0.03	None	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Near -0.03	None	11:00 AM	Broker B	Algo

*Result, step i:*

Conditionals 1 and 2 each receive an invitation to firm up

*Result, step ii – Broker A firms up first, then Broker B:*

Conditional 1 sends a Firm Order back to buy 50,000 shares @ P Near +0.03, tradable up to 10.03

Conditional 2 sends a Firm Order back to sell 100,000 shares @ P Near -0.03, tradable down to 10.02

*Result, step iii:*

Firm Order 1 gets fully filled for 50,000 shares @ 10.025

Firm Order 2 gets a partial fill for 50,000 shares @ 10.025

Midpoint Trade

**Example 15: no fall-down, no change in quantity, Price Priority, Block Tier \$200k, NBBO pricing exclusion****NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	SELL	P Mid	10.01	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Mid	10.03	11:00 AM	Broker B	Algo
Conditional 3	75,000	BUY	P Mid	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 1 and 3 receive invitations to firm-up because 2 is excluded as it is outside the NBBO

*Result, step ii:*

Conditional 1 sends a firm order back to sell 50,000 shares @ 10.01

Conditional 3 sends a firm order back to buy 75,000 shares @ 10.02

*Result, step iii:*

Firm Order 1 gets fully filled for 50,000 shares at 10.01 (i.e. this is the midpoint of the NBBO)  
 Firm Order 3 gets a partial fill for 50,000 shares at 10.01

## Examples for Trades with Price Improvement

### Example 1: no fall-down, no change in quantity, Volume Priority

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	SELL	P Mid	10.01	10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Mid	10.01	11:00 AM	Broker B	Algo
Conditional 3	7,500	BUY	P Mid	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 2 and 3 receive invitations to firm-up

*Result, step ii:*

Conditional 2 sends a firm order back to sell 10,000 shares @ 10.01

Conditional 3 sends a firm order back to buy 7,500 shares @ 10.02

*Result, step iii:*

Firm Order 2 gets a partial fill for 7,500 shares at 10.01 (midpoint)

Firm Order 3 gets fully filled for 7,500 shares at 10.01 (midpoint)

### Example 2: no fall-down, no change in quantity, Price Priority

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	SELL	P Mid	10.01	10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Mid	10.02	11:00 AM	Broker B	Algo
Conditional 3	7,500	BUY	P Far	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 1 and 3 receive invitations to firm-up

*Result, step ii:*

Conditional 1 sends a firm order back to sell 5,000 shares @ 10.01

Conditional 3 sends a firm order back to buy 7,500 shares @ 10.02

*Result, step iii:*

Firm Order 1 gets fully filled for 5,000 shares at 10.01 (midpoint)

Firm Order 3 gets a partial fill for 5,000 shares at 10.01 (midpoint)

### Example 3: no fall-down, change in quantity, Price Priority, human vs algo

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	SELL	P Far	None	10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Mid	10.02	11:00 AM	Broker B	Algo
Conditional 3	7,500	BUY	P Near +1	None	11:15 AM	Not yet selected	Human

*Result, step i:*

Conditional 3 receives an invitation to firm-up first (30s max)

*Result, step ii:*

Conditional 3 sends a Firm Order back to buy 5,000 shares (Broker C selected) @ Peg Near +1

*Result, step iii:*

Conditional 1 receives invitation to firm-up second (1s max)

*Result step iv:*

Conditional 1 sends a Firm Order back to sell 4,000 shares @ Peg Mid

*Result, step v:*

Firm Order 1 gets fully filled for 4,000 shares at 10.01 (midpoint)

Firm Order 3 gets partially filled for 4,000 shares at 10.01 (midpoint)

**Example 4: no fall-down, no change in quantity, Price Priority with Broker Preferencing, algo vs algo**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	SELL	P Mid	None	10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Mid	None	11:00 AM	Broker B	Algo
Firm Order 3	7,500	BUY	P Mid	None	11:15 AM	Broker A	Algo

*Result, step i:*

Conditional 1 receives invitation to firm-up

*Result, step ii:*

Conditional 1 sends a Firm Order back to sell 5,000 shares @ Peg Mid

*Result, step iii:*

Firm Order 1 gets fully filled for 5,000 shares at 10.01 (midpoint)

Firm Order 3 gets partially filled for 5,000 shares at 10.01 (midpoint)

**Example 5: fall-down, no change in quantity, Price Priority**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	SELL	P Mid	10.00	10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Mid	10.02	11:00 AM	Broker B	Algo
Conditional 3	7,500	BUY	P Far	10.01	11:15 AM	Broker C	Algo

*Result, step i:*

Conditional 1 receives invitation to firm-up

Conditional 3 receives invitation to firm-up

*Result, step ii:*

Conditional 1 sends a Firm Order back to sell 5,000 shares @ 10.02  
 Conditional 3 does not send in a Firm Order

*Result, step iii:*

No trade occurs

**Example 6: no fall-down, no changes in quantity, multiple contra invites**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	SELL	P Mid	10.01	10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Mid	10.01	11:00 AM	Broker B	Algo
Conditional 3	15,000	BUY	P Mid	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 1, 2, and 3 each receive an invitation to firm-up

*Result, step ii:*

Conditional 1 sends a Firm Order back to sell 5,000 shares @ 10.01

Conditional 2 sends a Firm Order back to sell 10,000 shares @ 10.01

Conditional 3 sends a Firm Order back to buy 15,000 shares @ 10.02

*Result, step iii:*

Firm Order 1 gets fully filled for 5,000 shares at 10.01 (midpoint)

Firm Order 2 gets fully filled for 10,000 shares at 10.01 (midpoint)

Firm Order 3 gets a partial fill for 10,000 shares and a complete fill for 5,000 shares both at 10.01 (midpoint)

**Example 7: no fall-down, change in quantity, multiple contra invites, Volume Priority**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	SELL	P Mid	10.01	10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Mid	10.01	11:00 AM	Broker B	Algo
Conditional 3	15,000	BUY	P Mid	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 1, 2, and 3 each receive an invitation to firm-up

*Result, step ii -- Brokers A and B both firm up before Broker C:*

Conditional 1 sends a Firm Order (1) back to sell 5,000 shares @ 10.01

Conditional 2 sends a Firm Order (2) back to sell 10,000 shares @ 10.01

Conditional 3 sends a Firm Order (3) back to buy 10,000 shares @ 10.02

*Result, step iii:*

Firm Order 1 gets no fill

Firm Order 2 gets fully filled for 10,000 shares at 10.01 (midpoint)

Firm Order 3 gets a fully filled for 10,000 shares at 10.01 (midpoint)

**Example 8: no fall-down, change in quantity, multiple contra invites, Price Priority**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	SELL	P Mid	10.01	10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Mid	10.01	11:00 AM	Broker B	Algo
Conditional 3	15,000	BUY	P Mid	10.02	11:15 AM	Broker C	Algo



*Result, step i:*

Conditionals 1, 2, and 3 each receive an invitation to firm-up

*Result, step ii – Broker C firms up first, then Broker A, then Broker B:*

Conditional 1 sends a Firm Order back to sell 5,000 shares @ 10.01

Conditional 2 sends a Firm Order back to sell 10,000 shares @ 10.01

Conditional 3 sends a Firm Order back to buy 10,000 shares @ 10.02

*Result, step iii:*

Firm Order 1 gets fully filled for 5,000 shares at 10.01 (midpoint)

Firm Order 2 gets partially filled for 5,000 shares at 10.01 (midpoint)

Firm Order 3 gets a fully filled for 10,000 shares at 10.01 (midpoint)

#### **Example 9: firmied-up Conditional, fall-down, no partial, Volume priority**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	SELL	P Mid	10.00	10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Mid	10.00	11:00 AM	Broker B	Algo
Conditional 3	7,500	BUY	P Far	10.01	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 2 and 3 each receive invitation to firm-up

*Result, step ii:*

Conditional 2 does not send in a Firm Order – invite times out after 1 second (Conditional is effectively canceled)

Conditional 3 sends a Firm Order to buy 7,500 shares @ 10.01 with a TIF of 5 seconds

*Result, step iii:*

Conditional 1 receives invitation to firm up

*Result, step iii:*

Conditional 1 sends a Firm Order back to sell 5,000 shares @ 10.00 (before 5-second TIF expires)

*Result, step iv:*

Firm Order 1 gets fully filled for 5,000 shares @ 10.01 (midpoint)

Firm Order 3 gets a partial fill for 5,000 shares @ 10.01 (midpoint)

*Result, step v:*

Firm Order 3 remaining quantity of 2,500 shares is canceled after TIF expires

#### **Example 10: firmied-up Conditional, partial**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	SELL	P Mid	10.00	10:00 AM	Broker A	Algo
Conditional 2	5,000	SELL	P Mid	10.00	11:00 AM	Broker B	Algo
Conditional 3	7,500	BUY	P Mid	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 1 and 3 each receive an invitation to firm up

*Result, step ii:*

Conditional 1 sends a Firm Order back to sell 5,000 shares @ 10.00

Conditional 3 sends a Firm Order back to buy 7,500 shares @ 10.02 with a TIF of 5 seconds

*Result, step iii:*

Conditional 1 gets fully filled for 5,000 shares @ 10.01

Conditional 3 gets a partial fill for 5,000 shares @ 10.01

*Result, step iv:*

Conditional 2 receives invitation to firm up

*Result, step v:*

Conditional 2 sends a Firm Order back to sell 5,000 shares @ 10.00

*Result, step vi:*

Firm Order 2 gets a partial fill for 2,500 shares @ 10.01 (midpoint)

Firm Order 3 gets fully filled for 2,500 shares @ 10.01 (midpoint)

**Example 11: no fall-down, Peg near with offset, no trade**

**NBBO: 10 x 10.05**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	BUY	P Near +0.03		10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Near -0.01		11:00 AM	Broker B	Algo

*Result, step i:*

No invites are sent

Conditional 1: buy near +0.03, tradable up to 10.03

Conditional 2: sell near -0.01, tradable down to 10.04

*Result, step ii:*

No invite/trade, as prices do not overlap.

**Example 12: no fall-down, Peg near with offset, no trade**

**NBBO: 10 x 10.05**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	BUY	P Near +0.04	None	10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Near -0.01	None	11:00 AM	Broker B	Algo

*Result, step i:*

No invitations sent because, while prices overlap, midpoint execution is not possible.

**Example 13: no fall-down, Peg near with offset, trade, midpoint**

**NBBO: 10 x 10.05**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	BUY	P Near +0.03	None	10:00 AM	Broker A	Algo
Conditional 2	10,000	SELL	P Near -0.03	None	11:00 AM	Broker B	Algo

*Result, step i:*

Conditionals 1 and 2 each receive an invitation to firm up

*Result, step ii – Broker A firms up first, then Broker B:*

Conditional 1 sends a Firm Order back to buy 5,000 shares @ P Near +0.03, tradable up to 10.03

Conditional 2 sends a Firm Order back to sell 10,000 shares @ P Near -0.03, tradable down to 10.02

*Result, step iii:*

Firm Order 1 gets fully filled for 5,000 shares @ 10.025 (midpoint)

Firm Order 2 gets a partial fill for 5,000 shares @ 10.025 (midpoint)

**Example 14: no fall-down, Peg near with offset, trade, midpoint**

**NBBO: 0.49 x 0.51**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	50,000	BUY	P Near +0.03	None	10:00 AM	Broker A	Algo
Conditional 2	100,000	SELL	P Near -0.01	None	11:00 AM	Broker B	Algo

*Result, step i:*

Conditionals 1 and 2 each receive an invitation to firm up

*Result, step ii – Broker A firms up first, then Broker B:*

Conditional 1 sends a Firm Order back to sell 50,000 shares @ P Near +0.03, tradable up to 0.52

Conditional 2 sends a Firm Order back to sell 100,000 shares @ P Near -0.01, tradable down to 0.50

*Result, step iii:*

Firm Order 1 gets fully filled for 50,000 shares @ 0.50 (midpoint)

Firm Order 2 gets a partial filled for 50,000 shares @ 0.50 (midpoint)

**Example 15: no fall-down, no change in quantity, Volume Priority, Bigger contra not invited due to minimum volume requirement**

**NBBO: 10 x 10.02**

Order	Quantity	Side	Type	Limit	Time	Broker	Human/Algo
Conditional 1	5,000	SELL	P Mid	10.01	10:00 AM	Broker A	Algo
Conditional 2	20,000 (Min 10,000)	SELL	P Mid	10.01	11:00 AM	Broker B	Algo
Conditional 3	7,500	BUY	P Mid	10.02	11:15 AM	Broker C	Algo

*Result, step i:*

Conditionals 1 and 3 receive invitations to firm-up (because 3's volume does not meet 2's minimum)

*Result, step ii:*

Conditional 1 sends a firm order back to sell 5,000 shares @ 10.01

Conditional 3 sends a firm order back to buy 7,500 shares @ 10.02

*Result, step iii:*

Firm Order 1 gets fully filled for 5,000 shares at 10.01 (midpoint)

Firm Order 3 gets partial fill for 5,000 shares at 10.01 (midpoint)

## APPENDIX TWO - CHANGES TO THE CBOE AUSTRALIA OPERATING RULES TO ACCOMMODATE THE LAUNCH OF CBOE BIDS AUSTRALIA

In the text in this appendix, single underlining indicates text to be inserted and ~~striketrough~~ indicates text to be deleted. Red text indicates relevant terms, text or rules directly impacted by the proposed amendments. “...” indicates rules that are not directly relevant to the proposed amendments and so have not been included. Rules in black text are included to provide context for and assist in any consideration of, the proposed amendments.

DRAFT

## 1 INTERPRETATION AND APPLICATION OF RULES

### 1.1 Definitions

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

Active Continuous Trading	<p>The aggregate time in which the <b>Cboe market</b> is in continuous trading for the <b>investment product</b> but excluding:</p> <ul style="list-style-type: none"> <li>(a) the period during which no firm price is available for at least 10% by value of the underlying assets of the <b>investment product</b>;</li> <li>(b) the first fifteen minutes of the continuous trading phase on the <b>Cboe market</b>;</li> <li>(c) the last thirteen minutes of the continuous trading phase on the <b>Cboe market</b>;</li> <li>(d) the time during which the theoretical value of the <b>investment product</b> is less than the minimum price step allowed for orders submitted to the <b>Cboe market</b>;</li> <li>(e) the time during which a <b>product issuer</b>, or a <b>market maker</b> with which it has entered an arrangement under rule 14.16, has experienced an operational disruption or is subject to a regulatory requirement, that has prevented the <b>product issuer</b> and/or the <b>market maker</b> from submitting <b>orders</b> to the <b>Cboe market</b>.</li> </ul>
Actively managed fund	A <b>QMF</b> managed by a person that has day to day discretion in the investment strategy and/or selection of <b>underlying assets</b> , for the fund.
Alternative central counterparty	An alternative clearing and settlement facility to the <b>designated central counterparty</b> , in respect of which <b>Cboe</b> has given consent under rule 6.2.
Approved financial product	A financial product approved by ASX Settlement in accordance with section 8 or section 13 of the <b>Settlement Rules</b> .
ASIC	The Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 or the market for <b>financial products</b> operated by ASX Limited (as applicable).
Board	The board of directors of <b>Cboe</b> .
Business Day	A day on which the <b>Cboe market</b> is open and any other day notified by <b>Cboe</b> to <b>participants</b> .
Cash settled warrant	A <b>warrant</b> in relation to which the settlement obligations under the <b>terms of issue</b> are satisfied by payment of a cash amount.

Cboe	<b>Cboe Australia Pty Limited</b> ACN 129 584 667.
Cboe market	The market for specified classes of <b>financial products</b> operated by <b>Cboe</b> .
Claim	A claim made in accordance with <b>rule Error! Reference source not found.</b> in relation to a <b>loss</b> .
Clearing Participant	An entity which is a clearing <b>participant</b> or clearing member of a <b>designated central counterparty/alternative central counterparty</b> and is authorised to clear relevant transactions under the rules of the <b>designated central counterparty/alternative central counterparty</b> .
Clearing Rules	The operating rules of the <b>designated central counterparty</b> or an <b>alternative central counterparty</b> (as applicable).
Client	The customer of a <b>participant</b> .
Compliance Committee	A sub-committee of the <b>Board</b> the members of which will include an Independent Non-Executive Director of the <b>Board</b> and the Head of <b>Cboe Compliance</b> and may include other suitably qualified members of the legal profession and financial services industry.
<u>Conditional Message</u>	<u>An electronic message submitted to <b>Cboe BIDS Australia</b> that is non-binding, conditional and does not constitute an order.</u>
Control and Controller	As defined in the <b>Corporations Act</b> .
Corporate action	Depending on the context, the corporate action taken by: <ul style="list-style-type: none"> <li>(a) the issuer of a <b>financial product</b> traded on <b>Cboe</b>, to provide an entitlement to the <b>holders</b> of that <b>financial product</b>; and/or</li> <li>(b) the issuer of the <b>underlying asset(s)</b> of an <b>investment product</b> traded on <b>Cboe</b>, to provide an entitlement to the <b>holders</b> of that <b>underlying asset</b>.</li> </ul>
Corporations Act	The <i>Corporations Act 2001</i> (Cth), as amended from time to time, including any regulations made thereunder.
Covered warrant	A deliverable or cash settled <b>warrant</b> issued by a product issuer that has a <b>trust arrangement</b> in place for a sufficient number of the <b>underlying assets</b> or equivalent <b>financial products</b> to be available to meet: <ul style="list-style-type: none"> <li>(a) the exercise of all outstanding deliverable <b>warrants</b>; or</li> <li>(b) the obligations of a product issuer on all outstanding cash settled <b>warrants</b>.</li> </ul>
Custodian	The person who holds the <b>underlying assets</b> of a <b>TraCR</b> on behalf of the <b>product issuer</b> and on trust for the <b>holder</b> .
<u>Cboe BIDS Australia</u>	<u>A service offered by <b>Cboe</b> as part of the <b>Cboe market</b> that allows orders to be matched in accordance with <b>rule 4.5A</b>.</u>

Deliverable warrant	A <b>warrant</b> in relation to which the settlement obligations under the <b>terms of issue</b> are satisfied by transfer of the <b>underlying assets</b> .
Derivative	As defined in section 761D of the <b>Corporations Act</b> .
Designated central counterparty	A clearing facility approved by <b>Cboe</b> for the purposes of this definition and set out in the <b>procedures</b> .
Disclosure document	<p>The document(s), including any <b>supplementary disclosure documents</b>, that a <b>product issuer</b> is:</p> <ul style="list-style-type: none"> <li>(a) required to provide under the <b>Corporations Act</b> in connection with the issue or <b>quotation</b> of an <b>investment product</b>, including without limitation a prospectus or product disclosure statement and information required to be disclosed under a <b>product issuer's</b> continuous or periodic disclosure obligations; or</li> <li>(b) required to provide in connection with the issue or <b>quotation</b> of an <b>investment product</b> under: <ul style="list-style-type: none"> <li>(i) an exemption from or modification of requirements in the <b>Corporations Act</b>; or</li> <li>(ii) any disclosure requirements imposed under applicable offshore requirements to those in (a) or (b)(i) and that apply to a <b>product issuer</b>.</li> </ul> </li> </ul>
Disclosure Interface	The disclosure interface specified in the technical specification.
Dispute	Has the meaning given in <b>rule 5.4(a)</b> .
Eligible crypto-asset	<p>A crypto-asset which:</p> <ul style="list-style-type: none"> <li>(a) has a high level of institutional support and acceptance in relation to its use for investment purposes;</li> <li>(b) if invested in or otherwise used by an exchange traded product to obtain economic exposure, would have the support of reputable and experienced service providers (including custodians, fund administrators, market makers and index providers) as indicated by their preparedness and/or commitment to provide services in relation to that exchange traded product;</li> <li>(c) has a mature spot market;</li> <li>(d) has a regulated futures market for trading derivatives linked to that crypto-asset; and</li> <li>(e) has a robust and transparent pricing mechanism, both throughout the trading day and to strike a net asset value price for any ETP with underlying assets linked to that crypto-asset.</li> </ul>

Eligibility criteria for investment products	The criteria contained in <b>rules</b> 14.11 to 14.26.
Employee	In relation to a <b>participant</b> means a director, employee, officer, agent, representative, consultant or adviser of that <b>participant</b> , or an independent contractor who acts for or by arrangement with a <b>participant</b> .
Equity market product	As defined in the <b>Market Integrity Rules</b> .
ETR reference price	The reference price determined by <b>Cboe</b> pursuant to the application of the extreme trade range rules in the <b>Market Integrity Rules</b> <sup>1</sup> .
ETF financial product	A <b>financial product</b> issued by or provided pursuant to an <b>ETF</b> .
Exchange Traded Fund (ETF)	<p>A collective investment scheme:</p> <ul style="list-style-type: none"> <li>(a) that is either <ul style="list-style-type: none"> <li>(i) a managed investment scheme under the <b>Corporations Act</b> that complies with the applicable registration requirements; or</li> <li>(ii) a type of <b>foreign company</b> specified in the <b>procedures</b> which has the economic features of a managed investment scheme including: <ul style="list-style-type: none"> <li>A. the pooling or use of contributions in a common enterprise with respect to property of any description, including money, that enables those taking part through the contribution of money or otherwise, to receive profits or income arising from that property; and</li> <li>B. those taking part do not have day to day control over the operation of the property; and</li> </ul> </li> </ul> </li> <li>(b) is granted <b>quotation</b> as an exchange traded fund; and</li> <li>(c) for which the price of the <b>underlying asset</b> is continuously disclosed and immediately ascertainable; and</li> <li>(d) that can continuously issue new <b>ETF financial products</b> in the scheme that are <b>quoted</b>; and</li> <li>(e) which allows applications for and redemptions of <b>ETF financial products</b> in the scheme in the primary market, in specie, in cash or a combination of in specie and in cash.</li> </ul>
Exchange-Traded Fund Special Trade	A trade executed pursuant to <b>rule</b> 14.36.

<sup>1</sup> This term only appears in the Operating Rules: Procedures and is provided here for ease of reference.



Excluded loss	A loss that under section 885D of the <b>Corporations Act</b> is not a Division 3 loss.
Financial product	As defined in the <b>Corporations Act</b> .
Fidelity fund	The compensation fund described in <b>rule 11</b> .
Fixed income security (eligible portfolio)	A <b>security</b> that is or is proposed to be a constituent of a portfolio in a <b>QMF</b> where either: <ul style="list-style-type: none"> <li>(a) the <b>QMF</b> is or will be issued by a <b>product issuer</b> that has proven systems and controls; or</li> <li>(b) the portfolio in which the security is held is a <b>minority portfolio</b>.</li> </ul>
Foreign Company	As defined in the <b>Corporations Act</b> .
Guarantor	An entity that holds an <b>AFSL</b> in respect of its activities as a <b>guarantor</b> , or otherwise falls within the categories specified in <b>rule 14.3(b)(i)</b> , (ii) or (iii) and which guarantees the <b>product issuer's</b> obligations to <b>holders</b> .
GST Law	Means the same as "GST Law" means in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth)
Holder	A person who holds legal title to an <b>investment product</b> , as determined in accordance with the <b>terms of issue</b> .
Illiquidity Event	The event described in <b>rule 14.23A(c)</b> .
Independent calculation agent	An entity that is independent of any product issuer and that is widely regarded as having expertise in assessing the net asset value of a quoted fund or part thereof.
<u>Introducing broker</u>	<u>A broker-dealer that has arrangements with a <b>sponsored user</b> and a <b>sponsoring participant</b> in relation to Cboe BIDS Australia.</u>
Investment product	A <b>warrant, quoted fund or transferable custody receipt</b> issued by the <b>product issuer</b> pursuant to the <b>terms of issue</b> and, depending on the context, either: <ul style="list-style-type: none"> <li>(a) the subject of an application to <b>Cboe</b> to be admitted to <b>quotation</b>; or</li> <li>(b) admitted to <b>quotation</b> by <b>Cboe</b> as an <b>investment product</b>.</li> </ul>
Issuer Application Form, IAF	An Issuer Application Form approved and made available by <b>Cboe</b> for the purpose of applying to be registered as a <b>product issuer</b> .
Issuer sponsored subregister	As defined in the <b>Settlement Rules</b> .
Listing Market	The market on which <b>Cboe</b> determines an <b>equity market product</b> or debt security has its primary listing, which unless determined otherwise, is the primary market operated by <b>ASX</b> .
Loss	Has the meaning given in <b>rule 11.7</b> .

Market maker	A <b>participant</b> that has been registered as a market maker by <b>Cboe</b> under <b>rule 4.9</b> .
Market Maker Undertaking	An undertaking by a participant to <b>Cboe</b> to comply with the affirmative obligations contained in <b>procedure 4.9</b> .
Market Integrity Rules	Any one or more the following sets of Market Integrity Rules, made by <b>ASIC</b> , that are in force at the time in question: <ul style="list-style-type: none"> <li>(a) ASIC Market Integrity Rules (Securities Markets);</li> <li>(b) ASIC Market Integrity Rules (Competition in Exchange Markets); and/or</li> <li>(c) ASIC Market Integrity Rules (Chi-X Australia Market).</li> </ul>
Match, matching	The electronic matching on the <b>Cboe market</b> of buy and sell orders submitted to the <b>Cboe market</b> .
Maximum Spread	The number of ticks specified in table 2.2 in <b>procedure 4.9</b> and that is the maximum allowable number of ticks between the bid and offer that must be maintained by a market maker in order to comply with its <b>market maker undertaking</b> .
Minimum Order Value	The minimum <b>order</b> size specified in table 2.2 in <b>procedure 4.9</b> and that is the minimum <b>order</b> size of the bid and, if applicable, offer <b>orders</b> that must be maintained by a <b>market maker</b> in order to comply with its <b>market maker undertaking</b> .
Minister	The Minister that at the relevant time has portfolio responsibility for the regulation of the <b>Cboe market</b> .
Minority portfolio	A portfolio of <b>fixed income securities (eligible portfolio)</b> held or proposed to be held in a <b>QMF</b> and that: <ul style="list-style-type: none"> <li>(a) is valued on a portfolio basis by an <b>independent calculation agent</b>; and</li> <li>(b) under the investment mandate of the <b>QMF</b> will provide: <ul style="list-style-type: none"> <li>(i) not more than 10% of the net asset value of the <b>QMF</b> when valued in aggregate with any other <b>minority portfolios</b>; and</li> <li>(ii) not more than 10% of the net asset value of the <b>QMF</b>, when valued as a single portfolio.</li> </ul> </li> </ul>
NGF	The National Guarantee Fund administered by the SEGC.
NGF transition date	The date on which <b>Cboe</b> becomes a member of SEGC <sup>2</sup> .
Order	An electronic message submitted to the <b>Cboe market</b> to buy or sell a <b>financial product</b> .

<sup>2</sup> Cboe became a member of the SEGC on 26 October 2020.

Off market transaction	A transaction executed (a) other than by a <b>match</b> and (b) in compliance with the <b>Market Integrity Rules</b> .
OTC derivative	An OTC derivative that is or is proposed to be an <b>underlying asset</b> in a <b>quoted fund</b> and that: <ul style="list-style-type: none"> <li>(a) in accordance with paragraph 1.1 of <b>procedure</b> 14.20, does not, on its own or in aggregate with other OTC derivatives, result in the quoted fund having an exposure to all OTC derivative counterparties of more than 10% of the net asset value of the <b>quoted fund</b>;</li> <li>(b) on an initial and ongoing basis satisfies those <b>rules</b> expressed to apply to <b>OTC derivatives</b>.</li> </ul>
Participant	An entity admitted as a <b>participant</b> of <b>Cboe</b> under these <b>rules</b> and whose admission has not been terminated or whose resignation has not taken effect.
Procedures	The procedures made by <b>Cboe</b> under <b>rule</b> 1.7.
Product Application Form, PAF	A Product Application Form approved and made available by <b>Cboe</b> for the purpose of applying to have an investment product admitted to <b>quotation</b> .
Product issuer	In relation to an <b>investment product</b> , the entity which issues the <b>investment product</b> .
Quotation	Admitted to quotation by <b>Cboe</b> pursuant to <b>rule</b> 14.9.
Quoted financial product	A <b>financial product</b> issued by a <b>product issuer</b> and traded on the <b>Cboe market</b> pursuant to the <b>quotation</b> of an <b>investment product</b> .
Quoted fund	An <b>investment product</b> that is an <b>Exchange Traded Fund (ETF)</b> or a <b>Quoted Managed Fund</b> <sup>3</sup> .
Quoted Managed Fund (QMF)	An open ended collective investment scheme that is either: <ul style="list-style-type: none"> <li>(a) a managed investment scheme under the <b>Corporations Act</b> that complies with the applicable registration requirements; or</li> <li>(b) a type of <b>foreign company</b> specified in the <b>procedures</b> which has the economic features of a managed investment scheme, including:             <ul style="list-style-type: none"> <li>(i) the pooling or use of contributions in a common enterprise with respect to property of any description, including money, that enables those taking part through the contribution of money or otherwise, to</li> </ul> </li> </ul>

<sup>3</sup> Note that while the only quoted funds at present are exchange traded funds and quoted managed funds, the term 'quoted funds' will be a drafting aid in facilitating the streamlined addition of other fund types to the rules as the Cboe quoted fund market develops.

receive profits or income arising from that property;  
and

- (ii) those taking part do not have day to day control over the operation of the property.

QMF financial product	A <b>financial product</b> issued or provided pursuant to a <b>QMF</b> .
Quoted investment product	An <b>investment product</b> that has been admitted to quotation by <b>Cboe</b> pursuant to <b>rule 14.9</b> .
Quoting obligation ratio	The percentage of <b>active continuous trading</b> on the <b>Cboe</b> market specified in table 2.2 in <b>procedure 4.9</b> and for which a <b>market maker</b> must maintain bid and, if applicable, offer orders in compliance with its <b>market maker undertaking</b> .
RCTI	A Recipient Created Tax Invoice as described in <b>rule 13.5</b> .
Reference price	The reference source for <b>Cboe</b> pegged <b>orders</b> that is set out in column two of table 1.1 of Procedure 4.5 for each of the pegged <b>orders</b> specified in column one of that table. <sup>4</sup>
Regulated Market	A market, specified in the <b>procedures</b> , that is subject to regulation that is at least the equivalent of the regulation of a market operator licenced under section 795B(1) of the <b>Corporations Act</b> .
Related Body Corporate	As defined in the <b>Corporations Act</b> .
Relevant Transaction	A transaction in respect of <b>financial products</b> that arises upon the <b>matching of orders</b> on the <b>Cboe market</b> or which is reported as an <b>off-market transaction</b> to <b>Cboe</b> under these <b>rules</b> .
Reliable Pricing Framework (RPF)	A framework for pricing the <b>underlying assets</b> of a <b>QMF</b> that consists of either: <ul style="list-style-type: none"> <li>(a) an entity that is widely regarded as providing reliable and independent pricing for the relevant asset class of proposed <b>underlying assets</b> and is specified in the <b>procedures</b>; or</li> <li>(b) a trading platform that is subject to a regulatory framework, specified in the <b>procedures</b>, that covers pricing quality and transparency.</li> </ul>
Retail Client	As defined in the <b>Corporations Act</b> .
Review Committee	The committee established to review and decide on a particular matter in accordance with these <b>rules</b> and the <b>procedures</b> .
Rules	These <b>rules</b> .
Security	As defined in the <b>Corporations Act</b> .
SEGC	As defined in section 880B of the <b>Corporations Act</b> .

<sup>4</sup> This defined term is only found in the **procedures** and is included here for ease of reference.

Settlement Rules	The operating rules of ASX Settlement Pty Ltd (ABN 49 008 504 532).
<u>Sponsored User</u>	<u>An investment firm that has an arrangement with a <b>sponsoring participant</b> or an <b>introducing broker</b> to use <b>Cboe BIDS Australia</b>.</u>
<u>Sponsoring Participant</u>	<u>A <b>participant</b> that has an arrangement with a <b>sponsored user</b> or <b>introducing broker</b> to offer execution and clearing services in relation to <b>Cboe BIDS Australia</b>.</u>
Supplementary Disclosure Document	A document which replaces, updates, adds to or otherwise amends the information contained in a previously published <b>disclosure document</b> .
Terms of issue	The terms of issue of an <b>investment product</b> and which sets out the contractual arrangements between <b>products issuers</b> and <b>holders</b> , including the rights, obligations and conditions associated with the investment product.
Trading Notice	A notice issued by <b>Cboe</b> on its website.
Transferable Custody Receipt (TraCR)	An <b>investment product</b> that: <ul style="list-style-type: none"> <li>(a) is issued by a registered <b>product issuer</b>;</li> <li>(b) has an <b>underlying asset</b> that is held by a <b>custodian</b> on behalf of the <b>product issuer</b> and, ultimately, the <b>holder</b> of the <b>TraCR</b>;</li> <li>(c) is priced by reference to the Australian dollar value of the <b>share</b> that is the <b>underlying asset</b>;</li> <li>(d) satisfies the <b>eligibility criteria</b> that is specifically related to <b>TraCRs</b>.</li> </ul>
Underlying asset	The <b>financial product(s)</b> or other asset(s) by reference to which an <b>investment product</b> is valued and, in the case of a <b>TraCR</b> , must consist solely of the <b>security</b> which is beneficially owned by the <b>TraCR holder</b> .
Warrant	A <b>financial product</b> issued by a <b>product issuer</b> pursuant to the <b>terms of issue</b> , which is granted <b>quotation</b> as a warrant, and satisfies the definition of 'warrant' contained in the <b>Corporations Act</b> , as modified by any instruments or class order made thereunder.

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## 2 PARTICIPATION

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### 2.7 Unique Identifiers

- (a) Cboe will allocate one unique identifier to each:
  - (i) Participant or sponsored user; and
  - (ii) logical connection used by the participant or sponsored user to access the Cboe 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 Cboe market.

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## 4 TRADING

### 4.1 Access to Cboe 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 **Cboe market** by or on behalf of the **participant**.

#### 4.1A.1 Access – Cboe BIDS Australia

- (a) Cboe, at its absolute discretion, may grant permission to a **participant** or **sponsored user** to submit messages to **Cboe BIDS Australia**. The **procedures** specify the steps a **participant** or **sponsored user** must satisfy to be granted permission.
- (b) Cboe, at its absolute discretion, may revoke or place conditions on any permission granted pursuant to rule 4.1A.1(a).

#### 4.1A.2 Sponsorship – Cboe BIDS Australia

- (a) A **participant** may only act as **sponsoring participant** for a **sponsored user** in accordance with the **procedures**.
- (b) A **sponsoring participant** is responsible for any **order** assigned to the **sponsoring participant**.
- (c) **Sponsored users and introducing brokers are not participants**.

### 4.2 Hours of Operation

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

### 4.3 Trade Reporting

A **participant** may report to the **Cboe 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 **Cboe market** are **equity market products**, debt securities and **investment products**. The **procedures** contain a further description of the specific **equity market products**, debt securities and **investment products** that are able to be traded on the **Cboe market**.

### 4.5 Orders and Matching

- (a) A **participant** may submit the following **order** types to the **Cboe market**:
  - (i) limit **orders**; or
  - (ii) pegged **orders** that are referenced to a source specified in the **procedures**
- (b) An order submitted to the **Cboe 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 **Cboe 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**; and
  - (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 **Cboe 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 **Cboe** upon request.
- (e) **Cboe** 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 **Cboe 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**.

#### 4.5A Conditional Messages, Orders and Matching – Cboe BIDS Australia

- (a) The following messages may be submitted to **Cboe BIDS Australia** in accordance with the **procedures**:
  - (i) **participants** only may submit **orders**
  - (ii) **participants** and **sponsored users** may submit **conditional messages**
- (b) **Conditional messages** firm-up into **orders** in the manner specified in **procedures**.
- (c) **Conditional messages** and **orders** match in the manner specified in the **procedures**.

#### 4.6 Purging of Orders

An **order** in the **Cboe market** that is **unmatched** at the close of trading will automatically be cancelled by **Cboe** 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 **Cboe market**.
- (b) A **participant** that submits orders to the **Cboe 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 **Cboe 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).

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## 5 FAIR AND ORDERLY MARKET

### 5.1 Cboe Orderly Markets Powers

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

- (a) rejecting one or more **orders**, conditional messages or other electronic messages submitted to **Cboe** or entered into the **Cboe market**;
- (b) suspending or halting trading in all or part of the **Cboe market**;
- (c) cancelling or amending any **relevant transaction**;
- (d) directing any **participant** to take, or not to take, specified action in connection with the **Cboe market**;
- (e) modifying, restricting or suspending access by one or more **participants** or sponsored users to all or part of the **Cboe market**;
- (f) taking specific actions in respect of **Cboe BIDS Australia** as set out in the procedures (but without limiting **Cboe's** orderly market powers in any way); or
- (g) requesting a **designated central counterparty** or **alternative central counterparty** to exercise its powers.

### 5.2 Request for a Review of a Decision under Rule 5.1(e)

A participant may request a review of a decision by **Cboe** under rule 5.1(e) to modify, restrict or suspend the **participant's** access to the market, by notifying **Cboe** of that request in accordance with these **rules** and within the 10 **business days** following the **participant's** receipt of the notice of the **Cboe** decision. **Cboe** must establish a **Review Committee** to review a decision under rule 5.1(e) that is the subject of a **participant** request made in accordance with these **rules**.

### 5.3 Suspension of Access to or Trading on the Cboe market

**Cboe** may suspend access to or trading on the **Cboe market** if:

- (a) **Cboe** determines a systems or communications problem has occurred or is likely to occur which may result in disorderly trading conditions on the **Cboe market**;
- (b) a specific **financial product** is the subject of a suspension or trading halt on the **listing market**;
- (a) the **underlying asset** of a **TraCR** is placed into a trading halt or suspension (see also rule 14.35);
- (b) **Cboe** is of the view that a **TraCR** should be placed into a trading halt to enable the dissemination of information that relates to the **underlying asset** of the **TraCR** or otherwise impacts on the **TraCR** (see also rule 14.35);

- (c) the **Market Integrity Rules** require the market to be suspended or halted;
- (f) **Cboe**, in its absolute discretion, considers it appropriate to do so.

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#### 5.7 Other Powers

Nothing in this **rule** 5 precludes **Cboe** 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.

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## 8 MONITORING & INVESTIGATION

### 8.1 Monitoring Compliance and Investigation

- (a) Cboe will monitor the Cboe market and execution of relevant transactions for the purpose of ensuring a fair, orderly and transparent market.
- (b) Cboe will monitor compliance by a participant or sponsored user with the rules, and may at any time investigate the activities of a participant or sponsored user.
- (c) Where Cboe has reason to suspect that a participant or sponsored user or the employee of a participant or sponsored user has committed, is committing or is about to commit a significant breach of the Corporations Act or the Market Integrity Rules, it must refer the matter to ASIC.

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## 12 CBOE LIABILITY

### 12.1 Limitation of Liability

Subject to rule 12.2, Cboe is not liable to a ~~participant or~~ a participant's clients, an introducing broker, or a sponsored user 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 **Cboe 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 **Cboe** 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 **Cboe** 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 **Cboe**;
- (d) the operation, enforcement or implementation of these rules, including without limitation any act or omission to ensure the **Cboe market** is fair, orderly and transparent; or
- (e) the exercise of any decision making power by **Cboe** 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

**Cboe** 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 Competition and Consumer Act 1974) or cause any part of this **rule 12** to be void.

### 12.3 Limitation of Liability

The liability of **Cboe** under any condition or warranty in **rule 12.2** may be limited at the discretion of **Cboe** 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.

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## 13 GENERAL

### 13.1 Confidentiality

**Cboe** 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** or sponsored user. The circumstances in which **Cboe** 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 Error! Reference source not found.**; and
- (e) where disclosure is required to enable **Cboe** to fulfil its licence obligations or supply the goods, services and products it has been engaged to supply.

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## APPENDIX THREE - CHANGES TO THE CBOE AUSTRALIA OPERATING RULES: PROCEDURES TO ACCOMMODATE THE LAUNCH OF CBOE BIDS AUSTRALIA

In the text in this appendix, single underlining indicates text to be inserted and ~~striketrough~~ indicates text to be deleted. Red text indicates relevant terms, text or procedures directly impacted by the proposed amendments. “...” indicates procedures that are not directly relevant to the proposed amendments and so have not been included. Procedures in black text are included to provide context for and assist in any consideration of, the proposed amendments.

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## 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 **Cboe**. 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 <b>participant's</b> name, or any name under which the <b>participant</b> carries on business	Before change becomes effective
2.	Any change to any address at which the <b>participant</b> carries on business	Before change becomes effective
3.	The proposed appointment of a new director or responsible manager under the <b>Corporations Act</b>	Before the appointment takes effect
4.	The removal or resignation of any director or responsible manager	Immediately
5.	A person who is not a <b>controller</b> becomes a <b>controller</b> or a person who is a <b>controller</b> ceases to be a <b>controller</b>	Immediately
6.	There is any change to a licence or other authorisation which authorises the <b>participant</b> to carry on its business as a <b>participant</b>	Immediately
7.	There is any change to the management structure which the <b>participant</b> has previously provided to <b>Cboe</b>	Immediately
8.	The proposed appointment of a new auditor	Within 5 <b>business days</b> of the change taking effect
9.	Details of any change to the <b>participant's</b> clearing arrangements under <b>rule 6</b>	In accordance with <b>procedure 6.3</b>
10.	The removal or resignation of <b>participant's</b> auditor	Within 5 <b>business days</b> of the change taking effect
11.	Change of any nominated executives previously advised to <b>Cboe</b>	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 <b>participant's</b> business from that previously provided to <b>Cboe</b>	Immediately
14.	<u>A <b>sponsoring participant</b> ceases to act for a <b>sponsored user</b> or terminates a relationship with an <b>introducing broker</b></u>	<u>Immediately</u>

**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

### P41A.1: Access - Cboe BIDS Australia

#### 1. Grant of access

1.1 Cboe may grant a **participant** or **sponsored user** permission to submit messages to **Cboe BIDS Australia** in the following circumstances:

(a) For a **participant**:

- (i) The **participant** notifies **Cboe** that it wishes to use **Cboe BIDS Australia**
- (ii) In the case of a **participant** that also wishes to act as sponsoring participant for a sponsored user, the participant completes the requirements of rule 4.1A.2(a).
- (iii) The **participant** completes all instructions from **Cboe** regarding connectivity to **Cboe BIDS Australia**

(b) For a **sponsored user**:

- (i) The prospective sponsored user notifies **Cboe** that it wishes to use **Cboe BIDS Australia**. The notification must include a list of the prospective sponsoring participant(s) and/or introducing broker(s) that it wants make arrangements with in relation to accessing **Cboe BIDS Australia**
- (ii) **Cboe** notifies the prospective sponsoring participant(s) and/or prospective introducing broker(s) on the list that the prospective sponsored user wishes to use those firm(s) in relation to accessing **Cboe BIDS Australia**
- (iii) Either:
  - A. The prospective sponsored user is approved by at least one prospective sponsoring participant; or
  - B. The prospective sponsored user is approved by at least one prospective introducing broker that has been approved by the prospective sponsoring participant

Note: **Cboe** will verify that the prospective sponsoring participant has arrangements with the prospective introducing broker that are consistent with the Sponsoring Participant Agreement

- (iv) The **sponsoring participant** and/or **introducing broker** notifies **Cboe** that the **sponsored user** has been approved
- (v) **Cboe** records the relationship between the **sponsored user** and the **sponsoring participant** and/or the **introducing broker**
- (vi) A Welcome Letter is issued to the **sponsored user**

- (vii) The **sponsoring participant** and/or **introducing broker** and/or **sponsored user** complete all instructions from **Cboe** regarding the **sponsored user's** connectivity to **Cboe BIDS Australia**, including the setting up of pre-trade, automated risk controls for the **sponsored user**

#### **P4.1A.2: Sponsorship – Cboe BIDS Australia**

##### **1. Sponsorship**

- 1.1 **Cboe BIDS Australia** includes a sponsored access component. A **participant** may only act as **sponsoring participant** for **sponsored users** in respect of **Cboe BIDS Australia** in accordance with this **procedure P4.1A.2**.
- 1.2 The ability to act as a **sponsoring participant** and approve **sponsored users** is limited to **participants** of **Cboe** that have signed a Sponsoring Participant Agreement with **Cboe**. Copies of the Sponsoring Participant Agreement are available from the **Cboe** website.
- 1.3 The Sponsoring Participant Agreement establishes a contractual relationship between the **participant** and **Cboe** which, in conjunction with the **rules**, sets out the conditions by which **participants** may act as **sponsoring participant** and approve **sponsored users** in respect of access to and use of **Cboe BIDS Australia**.
- 1.4 An arrangement in relation to **Cboe BIDS Australia** must comply with the requirements set out in the Sponsoring Participant Agreement.

#### **P4.2: Hours of Operations**

##### **1. Trading phases**

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

Phase	Time AEST (Applicable products)	Supported Functions
Technical Connectivity	06:00 (All products)	<ul style="list-style-type: none"> <li>Commencement of technical connectivity to the <b>Cboe market</b>.</li> <li><b>Participants</b> may login to the <b>Cboe</b> technical infrastructure.</li> </ul>
Pre-Market	06:35 until 10:00 (All products except currency, commodity and index warrants)  06.35 until 09.50 (currency,	<ul style="list-style-type: none"> <li><b>Participants</b> may check connectivity and details concerning securities available for trading but will <u>not</u> be able to enter <b>orders</b> into the <b>Cboe market</b>;</li> <li>The <b>Cboe</b> trading system will not <b>match orders</b>;</li> <li><b>Participants</b> may report trades under the <b>rules</b> by the time specified in the <b>Market Integrity Rules</b>.</li> </ul>

	commodity and index <b>warrants</b> )	
Continuous Trading	<p>09:50 until 16:13 (currency, commodity and index <b>warrants</b>)</p> <p>10:00 until 16:13 (All products except currency, commodity and index <b>warrants</b>)</p>	<ul style="list-style-type: none"> <li>• <b>Participants</b> may enter <b>orders</b> into the <b>Cboe market</b>, including MOC <b>orders</b> for ASX listed <b>equity market products</b> and debt securities;</li> <li>• <b>Orders</b> are matched in accordance with the <b>rules</b>;</li> <li>• Trade reporting is supported in accordance with the <b>rules</b>.</li> </ul>
@Last	<p>16:12 until 16:20 (ASX listed <b>equity market products</b> and debt securities)  (<b>warrants</b>)</p>	<ul style="list-style-type: none"> <li>• <b>Participants</b> may only enter MOC <b>orders</b> into the <b>Cboe market</b> in this phase;</li> <li>• <b>Participants</b> may report <b>off market transactions</b> in <b>warrants</b> in accordance with the <b>rules</b>;</li> <li>• MOC <b>orders</b> are matched in accordance with the <b>rules</b>.</li> </ul>
Post-Trading Administration	<p>16:13 until 18:55 (All products)</p>	<ul style="list-style-type: none"> <li>• This phase initially operates in parallel with the @Last trading phase and the following applies to non-MOC <b>orders</b> during this phase: <ul style="list-style-type: none"> <li>○ <b>Participants</b> cannot enter or amend <b>orders</b> but may cancel <b>orders</b>;</li> <li>○ The <b>Cboe</b> trading system does not <b>match orders</b> in this phase;</li> <li>○ <b>Participants</b> may report trades under the <b>rules</b>;</li> <li>○ All <b>orders</b> remaining in the <b>Cboe market</b> at the end of this phase will automatically be cancelled.</li> </ul> </li> </ul>
Technical Connectivity Ends	<p>19:00 (All products)</p>	<ul style="list-style-type: none"> <li>• All <b>participant</b> connections to <b>Cboe</b> are closed.</li> <li>• Intraday trade cancellations no longer possible.</li> </ul>

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#### P4.5: Orders and Matching

##### 1. Pegged Orders

- 1.1 For the purposes of **rule 4.5(a)(ii)**, the reference source for pegged **orders** on the **Cboe market** will be the following **reference prices**:

Table 1.1

Pegged Order Types	Reference Price
<b>NearPointX</b> (Primary Peg), <b>FarPointX</b> (Market Peg) and <b>Mid-PointX</b> (Mid-Peg) <b>orders</b>	A national best bid and offer (NBBO) as calculated by <b>Cboe</b> in accordance with ASIC guidance as published from time to time.
Market on Close (MOC) <b>orders</b>	The closing price of each <b>equity market product</b> or debt security as published by ASX at the conclusion of its closing auction. If no closing price results from the closing auction, the last traded price on that business day.

- 1.2 As noted in **procedure 4.2**, participants may submit MOC **orders** from the commencement of continuous trading. If MOC **order matches** against another MOC **order** before the applicable **reference price** is available, both sides will receive a message, in accordance with the technical specification, confirming that the **orders** have been **matched**. MOC **orders matched** before the applicable **reference price** becomes available will result in a **relevant transaction** unless:

- (i) no **reference price** eventuates for the MOC **orders**; or
- (ii) the security in question is placed in a regulatory halt that prevents the closing auction taking place on the ASX.

- 1.3 An event of default by a **participant**, under the rules of a **designated central counterparty** or an **alternate central counterparty**, may result in a **relevant transaction** arising from a

matched MOC **order** submitted by that **participant** being rejected by the **designated central counterparty** or an **alternate central counterparty**. Any such rejection may occur even if the event of default takes place after the matching of MOC **orders** submitted by that **participant** but prior to it being known whether the conditions in paragraph 1.2(i) and (ii) above have been satisfied.

## 2. **MOC Orders during the @Last Trading Session**

2.1 Participants are able to enter MOC **orders** during the @Last trading phase.

## 3. **Order Attribute**

3.1 **Orders** submitted to the **Cboe market** must comply with the technical specifications or the BIDS technical specifications (if being submitted to Cboe BIDS Australia).

Those specifications provide an exhaustive list of mandatory attributes, which include:

<b><u>Technical Specifications</u></b>	<b><u>BIDS Technical Specifications</u></b>
(a) <u>security code</u> ;	(a) <u>security code</u> ;
(b) <u>price</u> , for non-MOC orders;	(b) <u>price</u> ;
(c) <u>quantity</u> ;	(c) <u>quantity</u> ;
(d) <u>buy or sell</u> ;	(d) <u>buy or sell</u> ;
(e) <u>clearing participant</u> .	

3.2 **Orders** submitted to the **Cboe market** must comply with the technical specifications or the BIDS technical specifications (if being submitted to Cboe BIDS Australia).

Those specifications provide an exhaustive list of optional attributes, which include:

<b><u>Technical Specifications</u></b>	<b><u>BIDS Technical Specifications</u></b>
(a) <u>undisclosed quantity</u> ;	(a) <u>minimum executable quantity</u> ;
(b) <u>iceberg</u> ;	(b) <u>broker preferencing</u> ;
	(c) <u>time in force, including</u> ;

<p>(c) <u>hidden provided the order value is above \$0;</u></p> <p>(d) <u>minimum executable quantity;</u></p> <p>(e) <u>broker preferencing (for hidden orders only);</u></p> <p>(f) <u>time in force, including:</u></p> <p>(i) <u>Immediate or cancel;</u></p> <p>(ii) <u>Fill or kill;</u></p> <p>(iii) <u>Preference and kill;</u></p> <p>(iv) <u>Preference or kill;</u></p> <p>(v) <u>Good till time;</u></p> <p>(vi) <u>Day order.</u></p>	<p>(i) <u>Immediate or cancel;</u></p> <p>(ii) <u>Day;</u></p> <p>(iii) <u>Good till Date;</u></p> <p>(iv) <u>Execute and Cancel.</u></p>
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#### 4. Execution Priority

4.1 This part of **procedure 4.5** contains the only exceptions to the **matching** priority specified in the **rules**.

4.2 **Orders** submitted by **Participants** that opt-in to broker preferencing, in accordance with the requirements in the technical specifications, will be matched as follows:

- (a) hidden **orders** other than MOC **orders** will **match** on the basis of price/visibility/participant/time priority; and
- (b) MOC **orders** will match on the basis of visibility/participant/time priority.

4.3 MOC **orders** for which broker preferencing is not enabled will be matched on a time priority basis.

4.4 Messages submitted to Cboe BIDS Australia will be matched as follows:

- (a) A fill priority governs the sequence in which matches are made (for both invitations to firm-up and trades) on Cboe BIDS Australia.
- (b) Conditional messages and orders may be submitted to Cboe BIDS Australia with volume/effective price/time or effective price/volume/time priorities
- (c) Conditional messages and orders that are already resting in Cboe BIDS Australia are considered passive. A new conditional message or order entering Cboe BIDS Australia that meets the matching criteria against one or more of those passive orders is considered aggressive.
- (d) The priority setting of the aggressive conditional message or order will govern the sequence in which the counterparties are considered.
- (e) The trade fill priority is determined by the aggressive order:
  - (i) If the fill priority of the aggressive order is effective price/volume/time, passive orders are matched in sequence according to effective price (based on the Effective Price Calculation set out in the Cboe BIDS Australia Service Description), and then volume and then time.
  - (ii) If the fill priority of the aggressive order is volume/effective price/time then the passive orders are matched in sequence according to highest volume, and then effective price (based on the Effective Price Calculation set out in the Cboe BIDS Australia Service Description) and then time.
- (f) In each case, the fill priorities of the passive orders are not taken into consideration.
- (g) Participants may opt-in to broker preferencing. if broker preferencing is employed:
  - (i) Effective price/volume/time priority becomes effective price/broker/volume/time; and
  - (ii) Volume/effective price/time priority becomes broker/volume/effective price/time.
- (h) The General information about the matters described in this procedure are contained in the Cboe BIDS Australia Service Description.



**P4.5A: Conditional Messages, Orders and Matching – Cboe BIDS Australia**

**1. Messages**

1.1 Users may submit the following message types to **Cboe BIDS Australia**:

- (a) Limit – **orders or conditional messages** that specify a limit Price.
- (b) Market – **orders or conditional messages** that do not specify a limit price may to peg to the NBBO in three ways:
  - (i) Primary – pegs to the same side of the NBBO
  - (ii) Midpoint – pegs to the midpoint of the NBBO
  - (iii) Market – pegs to the far side of the NBBO

1.2 All messages submitted to **Cboe BIDS Australia** must comply with the BIDS technical specifications

1.3 A message must have a minimum notional value of 20,000 AUD to enter **Cboe BIDS Australia**

**2. Firm up**

2.1 If an **order or conditional message** and a contra **order or conditional message** in Cboe BIDS Australia match, then the user(s) that submitted the **conditional messages(s)** will be invited to firm-up their **conditional message(s)** into **order(s)**. Note: If both sides are **orders**, then an invitation to firm-up is unnecessary and the trade will execute without an invitation. An invitation to firm-up will occur if all of the following conditions are met:

- (a) The prices match or cross such that a permitted trade is possible.
- (b) The symbol is available for matching
- (c) The notional value of the **conditional message** equals or exceeds 20,000 AUD
- (d) The volume on the **conditional message** meets the minimum volume requirements of the contra and vice versa

- 2.2 A single **conditional message** or **order** may invite more than one contra to firm-up if the aggregate total of all the contras' order volume is not more than that of the single **conditional message** or **order**.
- 2.3 An invitation to firm-up is time limited. The Cboe BIDS Australia Service Description specifies the time that a user has to firm-up a **conditional message** and the invitation to firm-up is cancelled if the firm-up is not completed within that time.
- 2.4 When a **sponsored user** firms-up a conditional message, it must select a **sponsoring participant** (directly or through an **Introducing Broker**) to assign the resulting **order**. The selected **sponsoring participant** is responsible for the **order** (including its submission to **Cboe BIDS Australia**) and any **relevant transaction** that subsequently occurs, in accordance with **rules 4.1** and **4.1A.2(b)**.
- 2.5 When a firm-up is completed, the **conditional message(s)** which originated the invitation are cancelled and are replaced by **order(s)**.
3. **Matching**
- 3.1 **Orders** submitted to Cboe BIDS Australia (whether initially submitted as an **order** or those submitted as a result of firming-up) are firm, available for execution and will be matched with other orders if all of the following conditions are met:
- (a) The prices match or cross
  - (b) The symbol is available for matching
  - (c) The notional value of the **order** equals or exceeds 20,000 AUD
  - (d) The volume on the **order** meets the minimum volume on the contra **order** and vice versa,
  - (e) The resulting trade would be a Block Trade or a Trade with Price Improvement, as those terms are defined in the **Market Integrity Rules**
  - (f) The resulting trade would execute at midpoint (if under block size) or at or within the NBBO (if block size or above)

3.2 A partially-traded resting **order** will be cancelled once its notional value falls below 20,000 AUD

4. **General**

4.1 General information about the matters described in this procedure are contained in the Cboe BIDS Australia Service Description.

**P4.6: Purging of Orders**

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

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## Section 5: FAIR & ORDERLY MARKET

### P5.1 Cboe Orderly Markets Powers

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#### 5. Cboe BIDS Australia

- 1.1 Cboe will use a Conditionals Compliance Mechanism to monitor the performance of users of Cboe BIDS Australia in responding to invitations to firm-up.
- 1.2 Cboe may restrict a user from access to or use of Cboe BIDS Australia if the user's positive response rate to invitations to firm-up falls below certain thresholds determined by Cboe.
- 1.3 [Note: only if Model 2 at section 3.3 of the Consultation Paper is adopted] Users of Cboe BIDS Australia may set filters to control their interactions with other users.
- 1.4 If a user of Cboe BIDS Australia fails to comply with the rules of the facility or otherwise compromises the fair, orderly and transparent operation of the facility, Cboe may take any action against the user it considers appropriate in the interests of maintaining the fair, orderly and transparent operation of Cboe BIDS Australia.
- 1.5 General information about the matters described in this procedure are contained in the Cboe BIDS Australia Service Description.

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### P5.7: Other Powers

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

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