Consultation Paper 2/2016 on:

- Transferable Custody Receipts (TraCRs); and
- Quoted Managed Funds (QMFs).

30 March 2016

Consultation Closes: 22 April 2016

Chi-X Australia Pty Ltd
ABN 47 129 584 667
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part I: – Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Part II: - Key Features and Benefits of TraCRs and QMFs</td>
<td>5</td>
</tr>
<tr>
<td>Part III: - Proposed Rule and Procedure Changes for TraCRs</td>
<td>10</td>
</tr>
<tr>
<td>Part IV: - Technical and Operational Changes for TraCRs</td>
<td>17</td>
</tr>
<tr>
<td>Part V: - Proposed Rule and Procedure Changes for QMFs</td>
<td>18</td>
</tr>
<tr>
<td>Part VI: - Miscellaneous Amendments to the Rules and Procedures</td>
<td>19</td>
</tr>
<tr>
<td>Part VII: - Class Order Relief for TraCRs and QMFs</td>
<td>20</td>
</tr>
<tr>
<td>Attachment One: – Consultation Questions</td>
<td>22</td>
</tr>
<tr>
<td>Attachment Two: - Marked Up Version of Proposed Rule Changes</td>
<td>24</td>
</tr>
<tr>
<td>Attachment Three: - Marked Up Version of Proposed Procedures Changes</td>
<td>54</td>
</tr>
</tbody>
</table>
PART I: - INTRODUCTION

1.1.1 Chi-X is pleased to announce that following the successful launch of the investment products platform in November 2015, additional and exciting new products will be exclusively quoted and traded on the Chi-X platform later this year. The new products will include:

(i) transferable custody receipts, or TraCRs, an investment product that will trade exclusively on the Chi-X market and provide holders with the beneficial ownership of shares in leading global companies traded on the world’s largest markets; and

(ii) quoted managed funds (QMFs), which will enable investors to obtain exposure to a broad range of underlying assets managed on a proactive basis to provide tailored risk and return profiles.

1.1.2 Chi-X plans to launch a market for the quotation and trading of TraCRs in September 2016, while QMFs will launch alongside ETF products in June 2016.

1.1.3 This Consultation Paper (CP) outlines:

(i) in Part II - the key features and benefits of the new products;

(ii) in Part III - proposed changes to the Operating Rules (Rules) (see attachment one) and Operating Rules: Procedures (Procedures) (see attachment two) to accommodate the introduction of TraCRs;

(iii) in Part IV – a timeline and high level overview of proposed technical and operational changes for TraCRs;

(iv) in Part V - proposed changes to the Rules and Procedures to accommodate the introduction of QMFs;

(v) in Part VI - some additional miscellaneous amendments that will correct typographical errors and align the Rules and Procedures with existing market practice;

(vi) in Part VII - relevant class order relief that may be required for the exclusive quotation and trading of TraCRs and QMFs on the Chi-X market.

1.1.4 The relevant dates for the CP and the launch of TraCRs are as follows:

1 All proposals are subject to ASIC regulatory approvals.
1.1.5 Any queries concerning this consultation should be directed to:

Michael Somes  
Head of Compliance and Regulatory Counsel  
Chi-X Australia Pty Ltd  
Level 23 Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
tel: +61 2 8078 1718  
e: michael.somes@chi-x.com

Ross Pullen  
Investment Products Executive  
Chi-X Australia Pty Ltd  
Level 23 Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
tel: +61 2 8078 1732  
e: ross.pullen@chi-x.com

1.1.6 Submissions should be provided to:

cp2of2016@chi-x.com

or posted to:

Consultation Paper 2 of 2016  
Chi-X Australia Pty Ltd  
Level 23 Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

1.1.7 All submissions will be published upon the Chi-X web site unless confidentiality is expressly requested in the submission.
PART II: – KEY FEATURES AND BENEFITS OF TRACRS AND QMFS

2.1 Key features

2.1.1 TraCRs are an exciting and innovative product that has not previously been offered by an Australian market operator. TraCRs will, for the first time, provide Australian investors with the opportunity to invest in leading global companies while enjoying the protection of the local regulatory framework for Australian market operators. Retail investors familiar with the services offered by leading global businesses will be able to invest in those companies in Australian dollars and their investment will be subject to Australian regulations.

2.2 Key features – How does a TraCR work?

2.2.1 How does a TraCR work? TraCRs are a financial product exclusively traded on the Chi-X market and are based on an underlying asset/security that is a member of the primary index of specified offshore markets (currently proposed to include NASDAQ and NYSE). Examples of the eligible underlying assets include the common equity shares of Facebook, Amazon and Alphabet (the holding company of Google). The TraCR itself is a standalone financial product that is separate from the underlying asset/security to which it relates but which will trade on a set ratio with that underlying security, for example one TraCR will equal one tenth of an underlying security. As such, a single TraCR will provide the holder with the beneficial ownership of the set fraction of the underlying security. For example, a single TraCR will provide the holder with the beneficial ownership of one tenth of a Facebook share or such other fraction of that share as is specified in the terms of issue (see section 2.3). The holder of a TraCR will also be entitled to convert his/her holding into a holding of underlying securities, on either a one for one basis or such other ratio as is specified in the terms of issue. Therefore the value of the underlying security of a TraCR and the applicable foreign exchange rates will be the main factors in determining the Australian dollar price performance of the TraCR.

2.2.2 Chi-X is proposing that TraCRs will be cleared and settled by ASX Clearing Pty Ltd and ASX Settlement Pty Ltd and will apply for ASX approval under existing protocols. Chi-X envisages that this process will be completed well before the proposed launch date.

2.2.3 The structure of the TraCR product is represented in diagram2.2
Diagram 2.2

2.2.4 An investor will only be able to acquire a TraCR through a Chi-X participant. The Chi-X participant will be required to provide the investor with an investor fact sheet, published by the product issuer, prior to submitting an order from the investor to acquire a TraCR.

2.2.5 The product issuer of a TraCR will need to satisfy the eligibility criteria for product issuers contained in the Rules before it can issue TraCRs. As such the product issuer is likely to hold an Australian Financial Services licence (AFSL) and will need to demonstrate that it has sufficient resources to meet its obligations as a TraCR issuer (these obligations are discussed in sections 3.3 to 3.9 below).

2.2.6 The product issuer will be required to have an agreement with a custodian that will have the responsibility of holding the underlying assets to ensure that the TraCR issuer is able to fulfil its obligations in respect of the TraCR product. As such the custodian will hold an identifiable share that relates to each TraCR that is used and maintain custody of that underlying asset in a way that enables a holder to convert a TraCR into the underlying asset at any time. It will also ensure that the TraCR tracks the economic performance of the underlying asset and that the holder benefits from the dividends, distribution, voting rights and other corporate events relating to the company whose shares are the underlying assets.

2.2.7 TraCR issuers are not related to the company issuing the underlying assets: they are entirely separate corporate entities. TraCR issuers will be required to meet the current standards imposed by the Chi-X Operating Rules, including those that apply the requirements contained in the Corporations Act. A TraCR will not be eligible for quotation by Chi-X unless it satisfies specified eligibility criteria, including:

---

Legend

A: Legal title
B: Beneficial interest
C: Legal Title to TraCR
D: and beneficial interest in the US Share
E: A: US share provides the TraCR’s economic performance
B: US custodian holds the US share for the benefit of the TraCr issuer
C: Issuer holds an AFSL and issues, redeems and manages the operational processes for TraCRs
D: Registry of TraCR units issued.
E: Holders, both investors and market makers, of TraCr units hold legal title to the TraCr unit and have a beneficial interest in the US share held by the Custodian for that TraCR
(a) the disclosures relating to the underlying asset, for example those relating to continuous and periodic disclosures, meet minimum requirements;

(b) the terms of issue for the TraCR and contractual framework for the TraCR and underlying asset, provide beneficial ownership and conversion rights to the holder;

(c) an investor fact sheet has been published highlighting the key risks of TraCRs and the difference between owning a TraCR and the underlying asset to which it relates.

**Consultation Question 1: Do you have any comments on how a TraCR works?**

### 2.3 Key Features – The Set Ratio of TraCRs to Underlying Assets/Securities

#### 2.3.1 A single TraCR will track a single specified underlying asset/security on a set ratio. For example:

(a) a single Alphabet Inc TraCR may track one twentieth of a single underlying Alphabet Inc share, which is currently priced at approximately US$750, so that the price of the single Alphabet Inc TraCR is, at an applicable US$/AUS$ forex rate of 0.75, approximately A$50;

(b) a single Exxon Mobil Corp TraCR may track one half of a single underlying Exxon Mobil Corp share, which is currently priced at approximately US$84, so that the price of the single Exxon Mobil Corp TraCR is, at an applicable US$/AUS$ forex rate of 0.75, approximately A$56.

#### 2.3.2 Many of the leading shares traded on the overseas markets specified in the proposed Rules, are priced in excess of US$100. The average price of shares in the S&P100 is over US$100. This is significantly higher than the price at which almost all shares and financial products are currently traded on Australia’s markets. A product issuer may therefore seek to align the pricing of a TraCR so that it trades within the customary price range of financial products currently traded on Australia’s markets (as outlined in 2.3.1(a) and (b) above). Pricing a single TraCR at a fraction of the price of a single underlying asset means that a single TraCR will entitle a holder to only a fraction of the underlying asset and any dividends, distributions or other entitlements that stem from the beneficial ownership of the underlying share. A set ratio that is other than 1:1 will not prevent a holder of a TraCR from converting a TraCR holding into a holding of the underlying assets. A holder will, however, have to deliver TraCRs in compliance with the terms of issue in order to be provided with the whole underlying share to which the TraCR relates.

#### 2.3.3 Pricing the TraCR at dollar price levels customarily found on Australia’s financial markets, and which represents a fraction of the underlying asset, will also align the bid-ask spread in secondary market trading of the TraCR with the spread, measured in dollars/cents, found in
other financial products traded on Australian markets: if the price of a financial product is several hundred dollars then the bid ask spread maintained by a market maker providing liquidity in that stock may be upwards of A$5.00. That figure may reflect the current basis point spread (ie the spread as a percentage of the price of the product) that applies for most financial products traded on Australia’s financial markets, but in absolute terms it may be perceived by some investors as being quite wide.

2.3.4 It is of course also possible that a product issuer will seek to respond to the demands of Australian investors by offering a TraCR that represents a specified set ratio of the underlying asset. Such investor demand may stem from familiarity with the price levels that are a fraction of the price at which the underlying security trades, discussed above, or other factors such as portfolio weighting and allocation.

2.3.5 In these circumstances, Chi-X is of the view that it is not appropriate to limit TraCRs so that they only trade on a set 1:1 ratio with the underlying security. However, Chi-X is currently of the view that it is appropriate to impose the following obligations on a product issuer:

(a) the terms of issue must specify the set ratio of each underlying security that is represented by a TraCR;

(b) the set ratio must not change without the approval of Chi-X;

(c) where a TraCR does not trade on a one for one basis with the underlying security, the terms of issue must specify what will occur in the event a holder converts his/her holding of TraCRs into underlying assets and the number of underlying assets to which the holder is entitled consists of a whole number plus a fraction of a single underlying asset.

Consultation Question 2:

(a) Do you agree that a product issuer should be able to issue TraCRs that trade on a set ratio of TraCRs to underlying assets that is other than 1:1?

(b) Do you think any obligations, in addition to those in paragraph 2.3.5(a)-(c) and rule 14.23(c), should be imposed on product issuers in order to protect the interests of investors in relation to the set ratio?

2.4 Key Features – Pricing and Conversion

2.4.1 As is outlined above, the price of a TraCR will be determined by the price of the underlying security to which it relates and the applicable foreign exchange rate. To assist investors in transparently valuing TraCRs, the Chi-X web site will publish a near real time value of the indicative net asset value of the TraCR that will be made up of the price of the underlying security (e.g. the price of Google shares) and the applicable foreign exchange rate. Chi-X will keep stakeholders informed of the roll out of this functionality (see Part IV below).
2.4.2 A holder of a TraCR will be entitled to convert his/her TraCR holding into a holding of the underlying foreign shares. Exercising these conversion rights will be conditional on practical requirements such as having a foreign broker account and meeting any expenses associated with the custody of the underlying securities. As is stated above, a set ratio that is other than 1:1 will not prevent a holder of a TraCR from converting a TraCR holding into a holding of the underlying assets. A holder will, however, have to deliver TraCRs in compliance with the terms of issue in order to be provided with the whole underlying share to which the TraCR relates.

2.5 Key Benefits – TraCRs and QMFs

2.5.1 The most apparent key benefits of Chi-X TraCRS and QMFs are innovation and pricing.

2.5.2 The innovation brought by TraCRs is self-evident: no comparable product has previously been offered by an Australian market operator. The innovation extends to the provision of real time Australian dollar prices for an exchange traded product that tracks the underlying globally listed share on a specified basis. This innovation will enable Australian investors to broaden their investment portfolios in a way that provides exposure to some of the world’s largest companies and enables the effective management of the risks of being overexposed to local economic factors.

2.5.3 On pricing, the launch of the investment products platform has already seen competing market operators decrease the prices charged to product issuers by over 60 percent, creating multi-million dollar savings for Australian product issuers. This is in keeping with the successful launch of other Chi-X products: the launch of trade reports saw the fees charged by the incumbent monopoly operator decrease by approximately 98 percent.

2.5.4 There are less apparent benefits to these products that are nonetheless significant. For example, the quotation of Chi-X products has resulted in the automation of market infrastructure processes that previously were only undertaken on a manual basis. The introduction of the Chi-X market to Australia has also facilitated the move to global standard protocols in critical market infrastructure, enabling, for the first time, Australian firms to utilise existing global systems in the way they connect to and use local market infrastructure that previously operated on a proprietary and esoteric basis.

Consultation Question 3:

(a) Do you disagree with any of the benefits described in section 2.5?

(b) Are there any structural aspects of a TraCRs that are not addressed in section 2 and that are necessary or preferable to manage the interests of investors and any other stakeholders?
PART III: – PROPOSED RULE AND PROCEDURE CHANGES FOR TRACRS

3.1 Introduction

3.1.1 Research indicates that Australian investors are significantly underweight in offshore investment products. Many reasons are advanced for this including foreign exchange risk, lack of familiarity with offshore markets, investor discomfort when venturing beyond the confines of the Australian regulatory framework and the lack of timely information on relevant products. The Chi-X TraCR product seeks to address each of these reasons for not investing in offshore companies and provides investors with the ability to invest in and be exposed to the economic performance of the world’s leading companies.

3.2 The Nature of TraCRs

3.2.1 As outlined above, a TraCR is a Chi-X investment product that is priced in Australian dollars and is based on an underlying asset that is a member of the primary index of specified leading global markets. The structure of the investment product is set out in diagram 2.2.

3.2.2 Technically and according to the definitions in the Corporations Act, a TraCR is a ‘security’ as it provides a beneficial interest in a share. However the dominant features of a TraCR are also similar to those of a ‘warrant’:

(a) the underlying asset of a TraCR and the applicable foreign exchange rates will be the main factors in determining the Australian dollar price performance of the TraCR;

(b) the price sensitive information relating to the underlying asset of a TraCR will be the main price sensitive information relating to the TraCR;

(c) the product issuer of a TraCR does not have control over the circumstances that will determine the economic performance of the financial product it has issued.

3.2.3 The proposed Rule changes are aligned with how a TraCR works and consist of the following five high level themes:

(a) TraCRs will be defined to require the underlying assets to be members of a primary index of a market specified in the Rules – see section 3.3 below;

(b) TraCRs will be subject to and governed by the existing Rules relating to investment products – this is covered in detail in section 3.4 below;

(c) as the existing Rules require a product issuer to comply with the obligations imposed in the Corporations Act, it is appropriate for Chi-X to apply to ASIC for class order relief to be granted in respect of some of the those obligations and this is dealt with in Part VII below;

---

2 See, for example, the ATO Self-Managed Super Fund Statistical Report;
(d) a new rule is proposed listing the additional eligibility criteria that must be met for a TraCR to be quoted – this is covered in detail in sections 3.5 to 3.9 below;

(e) a Chi-X participant must, before it can submit an offer on behalf of a retail investor, provide an investor fact sheet to that investor and receive an acknowledgement that he/she has read and understood the document – see section 3.10 below.

3.3 TraCRs – Definition Requirements

3.3.1 The TraCR definition requires the underlying asset to be a member of the primary index of a market specified in the Rules. Chi-X will only quote TraCRs based on underlying assets that are subject to rigorous continuous and periodic disclosure requirements that can be availed of by Australian investors making investment decisions on that TraCR.

3.3.2 It is currently proposed to limit the markets on which underlying assets may be listed, to NYSE and NASDAQ, but other markets will be added after launch. Examples of the eligible underlying assets include the common equity shares of Facebook, Amazon and Alphabet (the holding company of Google).

3.3.3 One factor that will be considered by Chi-X when specifying the markets on which underlying assets must be listed, is whether the market has a rigorous regulatory framework in place for ensuring that price sensitive information is available on an equal basis for all investors. The Chi-X web site will provide the corporate news, price sensitive information and regulatory disclosures relating to the company shares on which TraCRs are based. The proposed Rule and Procedure changes relating to underlying asset information disclosures are outlined in section 3.6 below.

3.4 TraCRs are Subject to the Existing Investment Product Rules

3.4.1 A direct consequence of defining TraCRs as Chi-X investment products, is that they will be subject to and governed by the existing Operating Rules, including those in section 14 that specifically relate to investment products. Product issuers of a TraCR will therefore be required to satisfy:

(a) the existing eligibility criteria for registration as a product issuers found in rule 14.3;

(b) the eligibility criteria for a TraCR to be quoted and exclusive traded on the Chi-X market – these are found in rules 14.11 to 14.26;

(c) the ongoing Rule requirements imposed on product issuers – these include rules 14.5 to 14.8, rules 14.28 to 14.33 and rule 14.37.

3.4.2 TraCR issuers and TraCR products will therefore be subject to the following existing requirements for Chi-X quoted investment products:

(a) a TraCR issuer must have the human, technological and financial resources in place to perform its obligations before it can be registered as a product issuer with Chi-X; and
(b) a TraCR must satisfy each and all of the applicable eligibility criteria contained in rules 14.11 to 14.26, including those requiring the product to have a clear and not misleading description, ensuring there is sufficient liquidity in the TraCR to enable investors to enter/exit positions and restricting the changes that can be made to the terms of issue;

(c) a TraCR must satisfy the applicable requirements in the Corporations Act, subject to any class orders or other relief that is granted from those provisions – the relevant Corporations Act provisions may include:

(i) those relating to the initial offer documents for a TraCR (for example, product disclosure statements issued under Part 7.9 of the Corporations Act – see section 7.2 below);

(ii) continuous disclosure requirements, for example those contained in section 675 of the Corporations Act;

(iii) periodic disclosure requirements; and

(iv) register requirements contained in the Corporations Act, which may apply to TraCRs as if a TraCR were a share.

Consultation Question 4: Do you have any comments on whether TraCRs should be defined as investment products and subject to the investment product regime in the Operating Rules as outlined in section 3.3 and 3.4 of the CP? Please provide any additional analysis that assists in understanding and supporting your position.

3.5 New Eligibility Criteria for Quotation - Overview

3.5.1 The proposed Rule changes include a specific rule (rule 14.23) listing the eligibility criteria for quotation that will apply specifically to TraCRs. The new criteria relates to:

(a) disclosures relating to the underlying asset, the market on which it is traded and where the continuous/periodic disclosures relating to the asset can be located;

(b) the terms of issue for the asset;

(c) an investor fact sheet that the product issuer must publish;

(d) the agreement between the issuer and custodian;

3.6 New Eligibility Criteria for Quotation – Disclosures

3.6.1 At a high level there are two sets of disclosures relating to a TraCR:
(a) those relating to the underlying asset; and

(b) those relating to the TraCR itself.

3.6.2 The disclosures relating to the underlying asset will be managed through a Rule and infrastructure framework that will include the following:

(a) the requirement for a TraCR to be based on an underlying asset that is a member of a primary index of a market specified in the Rules – this enables Chi-X to consider, before a TraCR is granted quotation, the framework for the continuous and period disclosure of price sensitive information, that applies for each TraCR product;

(b) TraCR product issuers will be required to publish an investor fact sheet outlining, among other things, where an investor is able to obtain the continuous and periodic disclosures relating to the underlying asset of the TraCR;

(c) the Chi-X web site will provide corporate news and links to the disclosures made by the issuer of the underlying assets of each TraCR.

3.6.3 The disclosures relating to the TraCR itself will be managed through a Rule and infrastructure framework that will include the following:

(a) a TraCR issuer will be subject to the existing disclosure requirements contained in the Rules and which require issuers to comply with the continuous and periodic disclosure requirements in the Corporations Act and that relate to the TraCR itself;

(b) the Chi-X web site and market data feeds will contain the near real time indicative net asset value of a TraCR that will consist of the near real time price of both the underlying assets and applicable foreign exchange rates.

3.6.4 Chi-X is of the view that this Rule and infrastructure framework will ensure investors are able to obtain the information necessary to make investment decision in relation to TraCRs and monitor the performance of an existing investment.

Consultation Question 5:

(a) Does the rule and infrastructure framework outlined in section 3.6 of the CP ensure that there will be sufficient information for an investor to make reasonable investment decisions in relation to a TraCR?

(b) Is there any additional information, not covered by the rule and infrastructure framework outlined in section 3.6, that is required to ensure an investor can make reasonable investment decisions in relation to a TraCR?
3.7 New Eligibility Criteria for Quotation – Terms of Issue

3.7.1 The proposed new eligibility criteria for the quotation of a TraCR state that the terms of issue must:

(a) require the underlying assets to be held by a custodian on a basis that reflects the set ratio of TraCRs to underlying securities that is specified in the terms of issue;

(b) entitle the holder of a TraCR unit to convert each TraCR unit he/she holds into an underlying security in keeping with the set ratio and the terms of issue;

(c) provide the holder of a TraCR with beneficial ownership of the underlying security;

(d) ensure the holder is entitled to the underlying securities if any corporate event (eg bankruptcy or insolvency of the product issuer) intervenes to impact on the ability of the product issuer or custodian to possess legal title to any asset, including those of a type such as the underlying assets.

Consultation Question 6: Do you agree with the requirements for the terms of issue of a TraCR? Should any additional terms be required?

3.8 New Eligibility Criteria for Quotation – Investor Fact Sheet

3.8.1 A TraCR is not the equivalent of the underlying share. For example:

(a) the holder of a TraCR is not registered as the legal owner of the underlying share;

(b) the holder’s entitlement to dividends and distributions stems from the contractual and regulatory framework relating to the TraCR product and not as a result of holding actual shares in the company;

(c) there are corporate entities, unrelated to the company issuing the underlying shares, upon which the holder relies to provide the entitlements of the holder’s beneficial ownership.

3.8.2 The proposed eligibility criteria for a TraCR will include the requirement for a product issuer to have published and taken responsibility for the accuracy of, a publicly available investor fact sheet relating to the TraCR. The investor fact sheet must contain a clear and concise explanation of:

(a) the nature of TraCRs and how they are traded;

(b) how TraCRs are different to the cash equity shares issued by the companies to which it relates;
(c) where price sensitive information and continuous disclosures about the underlying assets can be found;

(d) the risks of trading TraCRs.

3.8.3 A product issuer is only required to issue a single Investor Fact Sheet for all TraCRs that have underlying assets listed on the same specified market. An issuer may seek to cover TraCRs with underlying assets on separate specified markets in a single investor fact sheet: Chi-X will consider such matters on a case by case basis.

Consultation Question 7:

(a) Do you agree that a product issuer should be required to publish an Investor Fact Sheet containing the information specified in paragraphs 3.8.2(a) to (d)?

(b) Should a product issuer be able to rely upon a single investor fact sheet to provide the information required in respect of all TraCRs with underlying assets traded on the same specified market?

(c) Should a product issuer be able to rely upon a single investor fact sheet to provide the information required in respect of all TraCRs with underlying assets traded on a limited number of separate specified markets?

3.9 New Eligibility Criteria for Quotation – Custodian Agreement

3.9.1 The proposed Rules will require a product issuer to have an agreement with a custodian that requires the custodian to:

(a) hold the appropriate licence authorisations to comply with its obligations as the custodian for the TraCR;

(b) have an organisational structure that manages the potential conflicts of interest it may face and supports the separation of underlying assets relating to the TraCR from its own assets;

(c) have adequate staffing and other resources to perform custodial activities in relation to the underlying assets;

(d) hold the underlying assets in trust on behalf of the holder, including taking action in an efficient manner on behalf of the holder;

(e) take all the steps necessary for the custodian to facilitate the conversion, in compliance with the terms of issue, of a holding of TraCRs to a holding of underlying assets;
(f) notify the issuer, so that the holder can in turn be notified, of voting events, class actions and distributions;

(g) take any steps reasonably required to facilitate the product issuer complying with a direction under rule 14.37(a);

(h) produce to the product issuer any information in the custodian’s possession or that the custodian is reasonably able to obtain and which is required to comply with a requirement under rule 14.37(b).

Consultation Question 8: Do you agree that, on a cost benefit analysis, the requirements outlined above impose appropriate obligations on the product issuer/custodian and protect the interests of investors?

3.10 Participant Obligations – Investor Fact Sheet Acknowledgements

3.10.1 The proposed Rules currently require Chi-X participants to

(a) provide retail investors with the investor fact sheet, published by the TraCR issuer; and

(b) have received an acknowledgement from the retail investor he/she has read and understood the fact sheet;

prior to being able to submit orders, on that investor’s behalf, to acquire that TraCR.

3.10.2 The obligation on a participant to receive an investor acknowledgement prior to placing an order to acquire a TraCR, is to ensure that before retail investors invest in TraCRs, they fully understand:

(a) the nature of TraCRs and how they are traded;

(b) how TraCRs are different to the cash equity shares issued by the companies to which it relates;

(c) where price sensitive information and continuous disclosures about the underlying assets can be found;

(d) the risks of trading TraCRs.

Consultation Question 9: Do you agree that a cost benefit analysis justifies requiring a participant, before it can submit an order to acquire a TraCR on behalf of a retail investor, to have received an acknowledgement from a retail investor that he/she has read and understood an applicable investor fact sheet?
PART IV: - TECHNICAL AND OPERATIONAL CHANGES FOR TRACRS

4.1.1. The launch of the TraCR product will require changes to the Chi-X Trading System (CTS). These changes are in the process of being finalised and participants will be kept informed through the usual Chi-X consultative process for system changes. The current proposed timeline for announcing and introducing these changes is as follows:

**L** is the Launch date

**CTS 5.1 is the release that will contain the changes necessary for the exclusive quotation and trading of TraCRs**

4.1.2. The proposed changes may include:

(i) changes to the Chi-X market data feeds to include the real time indicative net asset value of TraCRs (see section 2.4 above);

(ii) changes to market data feeds to reflect that individual financial products, including TraCRs, are in a trading halt or suspension while the remaining Chi-X market continues to trade normally (a TraCR may, for example, be placed in a trading suspension while the underlying asset is itself suspended from trading);

(iii) a process for calculating closing prices;

(iv) the introduction of a new instrument type for TraCRs that will be based on the existing reference data protocols for instruments exclusively quoted and traded on the Chi-X market;

(v) the introduction of good till cancel orders for all existing Chi-X order types and instruments.

Consultation Question 10: Do you agree with the proposed timeline for the release of the operational and technical changes relating to TraCRs?
PART V: – RULE/PROCEDURE CHANGES FOR QUOTED MANAGED FUNDS

5.1.1 Participants will be aware that the existing Rules and Procedures provide a framework for the exclusive quotation and trading of exchange traded funds (ETFs) on the Chi-X market. Chi-X is proposing to make a small number of amendments to the existing Rules and Procedures to enable Chi-X to include managed funds in the set of investment products able to be exclusively quoted and traded on the Chi-X market. These changes include:

(a) a proposal to delete the prohibition on an actively managed fund being the underlying asset of an investment product (rule 14.20(ii));

(b) a proposed requirement in rule 14.22 for the constituent documents of a quoted managed fund to provide that the fund continuously issues and redeems financial products based on the net asset value of the QMF;

(c) a proposed requirement in rule 14.29 that the product issuer of a quoted managed fund disclose information about the redemptions it has issued;

(d) a proposed requirement in rule 14.29 for the product issuer of an actively managed fund to disclose the net asset value of the fund any time that the management activities have caused the last reported net asset value of the actively managed fund to move by more than ten percent;

(e) the references in the Rules to ETFs are being amended to reference “quoted funds”, which is defined to capture the complete set of fund products exclusively quoted and traded on the Chi-X market (the references to ETFs which are deleted and replaced with a reference to quoted funds are in rules 14.20, 14.21, 14.22, 14.26, 14.30, 14.31 and 14.33);

(f) similar amendments to those in (e), but with reference to “ETF financial products”, which is replaced as a term:

   (i) in rules 14.26(b), 14.29 and 14.30, with “QF financial product”; and

   (ii) in rule 14.26(a) with the term, “QMF financial product”.

The terms “ETF financial Product”, “QF financial product” and “QMF financial product” are used to describe the actual products that are issued and traded in relation to the fund.

Consultation Question 11: Do you agree with the approach to incorporating quoted managed funds and quoted funds as outlined in the proposed change to the rules and procedures?

---

3 Technical notice 04/2016 announced the technical specifications, impact and upgrade schedules for the changes to the Chi-X Trading System (CTS) that are necessary for the trading of ETFs.
PART VI: - MISCELLANEOUS AMENDMENTS

6.1.1 Given the opportunity provided by the current proposed consultation, Chi-X is also consulting on some additional proposed amendments that address typographical and other minor errors in the previous versions on the Rules and Procedures. They include:

(a) a proposed deletion of the requirement in the previous rule 14.23 for the investment mandate of an investment product to only be amended by the approval of a resolution by 75% of the votes of holders – this amendment aligns the Chi-X Rules with current regulatory requirements and market practice;

(b) a proposed amendment to rule 14.25 to clarify that it is only in the case of investment products that are quoted funds that an amendment to the terms of issue requires the approval of 75% of holders under rule 14.25(b);

(c) a proposed amendment to rule 14.26 to clarify that it is only quoted managed funds that are required to provide for the daily off market redemption of the financial products relating to that QMF (which are defined in the Rules as QMF Financial Products);

(d) a proposed amendment to rule 14.30(c) to clarify that it is only the product issuer of a warrant that is required to lodge annual/half yearly reports – this amendment aligns the Chi-X Rules with current regulatory requirements and market practice;

(e) a proposed amendment to rule 14.34 clarifying that the application of that rule to the exercise and expiry of cash settled and deliverable products, is limited to investment products that are warrants;

(f) a proposed amendment to procedure 14.20 to clarify that:

   (i) a derivative used for the dominant purpose of managing foreign exchange risk does not on its own have a dominant purpose of providing leveraged exposure; and

   (ii) in those edge cases where it is not apparent whether an underlying asset has the dominant purpose of providing leveraged exposure, Chi-X may take into account whether the underlying asset is an over the counter derivative and the notional exposure of the quoted fund to the derivative: – if it exceeds 5% of the fund’s net asset value then this may suggest that a purpose of the derivative is to provide leveraged exposure.

Consultation Question 12: do you have any comments on any of the proposed miscellaneous amendments to the Rules/Procedures?
PART VII: – CLASS ORDER RELIEF IN RELATION TO TRACRS AND QUOTED MANAGED FUNDS

7.1 Class Orders - Overview

7.1.1 As part of the process for developing an appropriate framework for TraCRs and QMFs exclusively traded and quoted on the Chi-X market, Chi-X will be applying to ASIC for class order relief in the areas listed below.

7.2 Relief from the Requirements Imposed on the Offer of Securities

7.2.1 Chi-X will be seeking class order relief from the requirements in Chapter 6D to the extent they apply to:

(i) the issuer of a TraCR;

(ii) the issuer of the underlying asset on which the TraCR is based.

7.2.2 As a TraCR provides the holder with a beneficial interest in a share, it may be classified as a security within the meaning of s761A of the Corporations Act with the result that:

(i) an offer for the issue/sale of TraCRs is an offer of securities requiring the issue of prospectus or other disclosure document under chapter 6D;

(ii) an offer of a TraCR is an offer of the underlying assets requiring the issue of a prospectus or other disclosure document under chapter 6D of the Act;

7.2.3 Chi-X is of the view that it is more appropriate for TraCRS to be subject to the disclosure regime in Part 7.9 of the Act as:

(i) the underlying assets are already subject to a rigorous disclosure regime relating to the offer for issue/sale of those securities;

(ii) the issuer of a TraCR does not have control over the matters that impact on the ongoing price of the TraCR;

(iii) the proposed Rules and Procedures require issuers to provide a fact sheet explicitly outlining the differences between TraCRs and the underlying assets on which they are based;

(iv) the TraCR product is similar, in the way it trades, the entitlements it provides and the connections to the underlying asset, to other products that are currently subject to Part 7.9.

7.2.4 Chi-X may also apply for conditional relief from the need for a TraCR issuer to provide a PDS to an investor who acquires a TraCR in the course of the secondary market trading conducted on the Chi-X market. This will align TraCRs with established market practices in similar products.
7.3 Equal Treatment of All Investors

7.3.1 The distribution model for TraCRs may result in authorised participants receiving information on the offer for issue of TraCRs prior to other participants and investors. This information may include indications of demand for the TraCR. This information must necessarily be provided to the authorised participant so that it can prepare to provide liquidity in the secondary market for those products. Chi-X may therefore apply to ASIC for relief from the requirements in section 601FC(1)(d) of the Corporations Act to the extent that would prevent a product issuer from providing information on the indications of demand for a TraCR to an authorised participant.

7.4 Authorisation of the Custodian

7.4.1 Chi-X is of the view that it is appropriate for the custodian of the shares that are the underlying assets of a TraCR to be subject to relief clarifying that it is exempt from the requirement to hold an AFS licence for a financial service that constitutes ‘arranging’ for the holders of a TraCR to deal in TraCRs and/or the shares that make up the underlying assets.

7.5 Continuous Disclosure Obligations in Respect of the Underlying Assets

7.5.1 There is an argument that the issuer of a TraCR must publish the price sensitive information relating to the issuer of the underlying assets in order to fulfil the obligations the TraCR issuer has under section 675 of the Corporations Act. Chi-X is of the view that it may be appropriate to provide relief to the issuer clarifying that it is not subject to these obligations on the basis that:

(i) the eligibility criteria require the underlying assets of a TraCR to be a member of a primary index on a specified market – a consequence of this is that the underlying assets will already be the subject of a rigorous continuous disclosure regime; and

(ii) Chi-X market will publish price sensitive information, relating to underlying assets, on its web site.

7.6 Short Sale Relief

7.6.1 TraCRs and quoted funds are securities that are subject to the prohibitions on naked short selling in section 1020B of the Corporations Act. Liquidity in the secondary market for the trading of these investment products is critically important as it enables investors to acquire and sell the TraCR/quoted fund. Therefore Chi-X is proposing to apply for short sale relief by registered market makers that have an obligation to provide liquidity in these products.

Consultation Question 13: Do you have any comments on the proposed class order relief that will be sought to enable the launch of quoted funds and TraCR products on the investment product platform?
ATTACHMENT ONE: - CONSULTATION QUESTIONS

Consultation Question 1:

Do you have any comments on how a TraCR works?

Consultation Question 2:

(a) Do you agree that a product issuer should be able to issue TraCRs that trade on a set ratio of TraCRs to underlying assets that is other than 1:1?

(b) Do you think any obligations, in addition to those in paragraph 2.3.5(a)-(c) and rule 14.23(c), should be imposed on product issuers in order to protect the interests of investors in relation to the set ratio?

Consultation Question 3:

(a) Do you disagree with any of the benefits described in section 2.5?

(b) Are there any structural aspects of a TraCRs that are not addressed in section 2 and that are necessary or preferable to manage the interests of investors and any other stakeholders?

Consultation Question 4:

Do you have any comments on whether TraCRs should be defined as investment products and subject to the investment product regime in the Operating Rules as outlined in section 3.3 and 3.4 of the CP? Please provide any additional analysis that assists in understanding and supporting your position.

Consultation Question 5:

(a) Does the Rule and infrastructure framework outlined in section 3.6 of the CP ensure that there will be sufficient information for an investor to make reasonable investment decision in relation to a TraCR?

(b) Is there any additional information, not covered by the Rule and infrastructure framework outlined in section 3.6, that is required to ensure an investor can make reasonable investment decisions in relation to a TraCR?

Consultation Question 6:

Do you agree with the requirements for the terms of issue of a TraCR? Should any additional terms be required?
Consultation Question 7:

(a) Do you agree that a product issuer should be required to publish an Investor Fact Sheet containing the information specified in paragraphs 3.8.2(a) to (d)?

(b) Should a product issuer be able to rely upon a single investor fact sheet to provide the information required in respect of all TraCRs with underlying assets traded on the same specified market?

(c) Should a product issuer be able to rely upon a single investor fact sheet to provide the information required in respect of all TraCRs with underlying assets traded on a limited number of separate specified markets?

Consultation Question 8:

Do you agree that, on a cost benefit analysis, the requirements outlined above impose appropriate obligations on the product issuer/custodian and protect the interests of investors?

Consultation Question 9:

Do you agree that a cost benefit analysis justifies requiring a participant, before it can submit an order to acquire a TraCR on behalf of a retail investor, to have received an acknowledgement from a retail investor that he/she has read and understood an applicable investor fact sheet?

Consultation Question 10:

Do you agree with the proposed timeline for the release of the operational and technical changes relating to TraCRs?

Consultation Question 11:

Do you agree with the approach to incorporating quoted managed funds and quoted funds as outlined in the proposed change to the Rules and Procedures?

Consultation Question 12:

Do you have any comments on any of the proposed miscellaneous amendments to the Rules/Procedures?

Consultation Question 13:

Do you have any comments on the proposed class order relief that will be sought to enable the launch of QMF and TraCR products on the investment product platform?
ATTACHMENT TWO: - PROPOSED CHANGES TO THE OPERATING RULES

In the following text rules impacted by proposed changes are highlighted in red text. The proposed changes are indicated by:

(i) Underlining – indicating proposed insertions;
(ii) Strikethrough – indicating proposed deletions.

The presence of ‘…’ indicates existing rules that continue in force but are not reproduced because they are not relevant to the consideration of the proposed changes outlined in this CP.

Contents – sections of the Operating Rules that are impacted by proposed changes to TraCRs and QMFs:

1. Interpretation and Application of Rules - pp23-31
5. Fair and Orderly Market - p35
1 INTERPRETATION AND APPLICATION OF RULES

1 Definitions

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

**Active Continuous Trading**

The aggregate time in which the Chi-X market is in continuous trading for the investment product but excluding:

(a) the period during which no firm price is available for at least 10% by value of the underlying assets of the investment product;

(b) the first fifteen minutes of the continuous trading phase on the Chi-X market;

(c) the last twelve minutes of the continuous trading phase on the Chi-X market;

(d) the time during which the theoretical value of the investment product is less than the minimum price step allowed for orders submitted to the Chi-X Market;

the time during which a product issuer, or a market maker 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 product issuer and/or the market maker from submitting orders to the Chi-X market.

**Actively managed investment fund**

A QMF investment fund managed by a person that has day to day discretion in the investment strategy and/or selection of underlying assets, for the fund.

**Alternative central counterparty**

An alternative clearing and settlement facility to the designated central counterparty, in respect of which Chi-X has given consent under rule 6.2.

**Approved financial product**

A financial product approved by ASX Settlement in accordance with section 8 or section 13 of the Settlement Rules.

**ASIC**

The Australian Securities and Investments Commission.

**ASX**

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

**Board**

The board of directors of Chi-X.

**Business Day**

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

**Cancellation event**

The event, specified in the Technical Specification in force at the time of the event, which causes a GTC or GTD order to be purged from the order book and which includes:

(a) the date specified in a GTD order;

(b) in the case of a TraCR, the commencement of a trading suspension in the underlying asset to which that TraCR relates;
(c) when Chi-X reaches the view that it is necessary to do so in order to maintain a fair and orderly market.

Cash settled warrant A warrant in relation to which the settlement obligations under the terms of issue are satisfied by payment of a cash amount.

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

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

Claim A claim made in accordance with rule Error! Reference source not found. in relation to a loss.

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

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

Client The customer of a participant.

Compliance Committee A sub-committee of the Board the members of which will include an Independent Non-Executive Director of the Board and the Head of Chi-X Compliance and may include other suitably qualified members of the legal profession and financial services industry.

Control and Controller As defined in the Corporations Act.

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

Covered warrant A deliverable or cash settled warrant issued by a product issuer that has a trust arrangement in place for a sufficient number of the underlying assets or equivalent financial products to be available to meet:

(a) the exercise of all outstanding deliverable warrants; or

(b) the obligations of a product issuer on all outstanding cash settled warrants.

Custodian The person who holds the underlying assets of a TraCR on behalf of the product issuer and on trust for the holder.

Deliverable warrant A warrant in relation to which the settlement obligations under the terms of issue are satisfied by transfer of the underlying assets.

Derivative As defined in section 761D of the Corporations Act.

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

Disclosure document The document(s), including any supplementary disclosure documents, that a product issuer is:

(a) required to provide under the Corporations Act in connection with the issue or quotation of an investment product, including without limitation a prospectus or product disclosure statement and information required to be disclosed under a product issuer’s continuous or periodic disclosure obligations; or
(b) required to provide in connection with the issue or quotation of an investment product under:

(i) an exemption from or modification of requirements in the Corporations Act; or

(ii) any disclosure requirements imposed under applicable offshore requirements to those in (a) or (b)(i) and that apply to a product issuer.

Disclosure Interface
The disclosure interface specified in the technical specification.

Dispute
Has the meaning given in rule 5.4(a).

Eligibility criteria for investment products

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

Equity market product
As defined in the Market Integrity Rules (Chi-X Market).

ETF financial product
A financial product issued by or provided pursuant to an ETF.

Exchange Traded Fund (ETF)
A collective investment scheme:

(a) that is either

(i) a managed investment scheme under the Corporations Act that complies with the applicable registration requirements; or

(ii) a type of foreign company specified in the procedures which has the economic features of a managed investment scheme including:

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

B. those taking part do not have day to day control over the operation of the property; and

(b) is granted quotation as an exchange traded fund; and

(c) for which the price of the underlying asset is continuously disclosed and immediately ascertainable; and

(d) that can continuously issue new ETF financial products in the scheme that are quoted; and

(e) which allows applications for and redemptions of ETF financial products in the scheme in the primary market, in specie, in
cash or a combination of in specie and in cash.

**Exchange-Traded Fund Special Trade**
A trade executed pursuant to rule 14.36.

**Excluded loss**
A loss that under section 885D of the Corporations Act is not a Division 3 loss.

**Financial product**
As defined in the Corporations Act.

**Fidelity fund**
The compensation fund described in rule 11.

**Foreign Company**
As defined in the Corporations Act.

**Good till cancel (GTC)**
An order submitted to the Chi-X market with the optional attribute of remaining in the order book until a cancellation event.

**Good till date (GTD)**
An order submitted to the Chi-X market with the optional attribute of remaining in the order book until the date specified or a cancellation event.

**Guarantor**
An entity that holds an AFSL in respect of its activities as a guarantor, or otherwise falls within the categories specified in rule 14.3(b)(i), (ii) or (iii) and which guarantees the product issuer's obligations to holders.

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

**Holder**
A person who holds legal title to an investment product, as determined in accordance with the terms of issue.

**Investment product**
A warrant, or exchange traded fund, quoted managed fund or transferable custody receipt issued by the product issuer pursuant to the terms of issue and, depending on the context, either:
(a) the subject of an application to Chi-X to be admitted to quotation; or
(b) admitted to quotation by Chi-X as an investment product.

**Investor Fact Sheet**
The document published by a product issuer to satisfy the eligibility criteria in rule 14.23(c).

**Issuer Application Form, IAF**
An Issuer Application Form approved and made available by Chi-X for the purpose of applying to be registered as a product issuer.

**Issuer sponsored subregister**
As defined in the Settlement Rules.

**Leveraged OTC derivative**
An OTC derivative that is or is proposed to be an underlying asset in a quoted fund ETF and that, in accordance with paragraph 1.1(a) of procedure 14.20, provides a notional exposure of up to 10% of the net asset value of the quoted fund ETF.

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

**Loss**
Has the meaning given in rule 11.7.

**Market maker**
A participant that has been registered as a market maker by Chi-X under rule 4.9.

**Market Maker Undertaking**
An undertaking by a participant to Chi-X to comply with the affirmative obligations contained in procedure 4.9.

**Market Integrity Rules (Chi-X Market)**
The Market Integrity Rules (Chi-X Market) made by ASIC.
<table>
<thead>
<tr>
<th><strong>Market Integrity Rules</strong></th>
<th>The Market Integrity Rules (Competition in Exchange Markets) made by ASIC.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Match, matching</strong></td>
<td>The electronic matching on the Chi-X market of buy and sell orders submitted to the Chi-X market.</td>
</tr>
<tr>
<td><strong>Maximum Spread</strong></td>
<td>The number of ticks specified in table 2.2 in procedure 4.9 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 market maker undertaking.</td>
</tr>
<tr>
<td><strong>Minimum Order Value</strong></td>
<td>The minimum order size specified in table 2.2 in procedure 4.9 and that is the minimum order size of the bid and, if applicable, offer orders that must be maintained by a market maker in order to comply with its market maker undertaking.</td>
</tr>
<tr>
<td><strong>Minister</strong></td>
<td>The Minister that at the relevant time has portfolio responsibility for the regulation of the Chi-X Market.</td>
</tr>
<tr>
<td><strong>Order</strong></td>
<td>An electronic message submitted to the Chi-X market to buy or sell a financial product.</td>
</tr>
<tr>
<td><strong>Off market transaction</strong></td>
<td>A transaction executed (a) other than by a match and (b) in compliance with the Market Integrity Rules (Competition in Exchange Markets).</td>
</tr>
<tr>
<td><strong>Participant</strong></td>
<td>An entity admitted as a participant of Chi-X under these rules and whose admission has not been terminated or whose resignation has not taken effect.</td>
</tr>
<tr>
<td><strong>Procedures</strong></td>
<td>The procedures made by Chi-X under rule 1.7.</td>
</tr>
<tr>
<td><strong>Product Application Form, PAF</strong></td>
<td>A Product Application Form approved and made available by Chi-X for the purpose of applying to have an investment product admitted to quotation.</td>
</tr>
<tr>
<td><strong>Product issuer</strong></td>
<td>In relation to an investment product, the entity which issues the investment product.</td>
</tr>
<tr>
<td><strong>Quotation</strong></td>
<td>Admitted to quotation by Chi-X pursuant to rule 14.9.</td>
</tr>
<tr>
<td><strong>Quoted fund</strong></td>
<td>An investment product that is either an Exchange Traded Fund (ETF) or a Quoted Managed Fund (QMF).</td>
</tr>
<tr>
<td><strong>QF Financial Product</strong></td>
<td>A financial product issued by or provided pursuant to a QMF.</td>
</tr>
<tr>
<td><strong>Quoted investment product</strong></td>
<td>An investment product that has been admitted to quotation by Chi-X pursuant to rule 14.9.</td>
</tr>
<tr>
<td><strong>QMF Financial Product</strong></td>
<td>A financial product issued by or provided pursuant to a QMF.</td>
</tr>
<tr>
<td><strong>Quoted Managed Fund (QMF)</strong></td>
<td>A collective investment scheme that is either</td>
</tr>
<tr>
<td></td>
<td>(a) a managed investment scheme under the Corporations Act that complies with the applicable registration requirements; or</td>
</tr>
<tr>
<td></td>
<td>(b) a type of foreign company specified in the procedures which has the economic features of a managed investment scheme including:</td>
</tr>
<tr>
<td></td>
<td>(i) the pooling or use of contributions in a common enterprise with respect to property of any description, including</td>
</tr>
</tbody>
</table>
money, that enables those taking part through the contribution of money or otherwise, to 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.

Quoting obligation ratio

The percentage of active continuous trading on the Chi-X market specified in table 2.2 in procedure 4.9 and for which a market maker must maintain bid and, if applicable, offer orders in compliance with its market maker undertaking.

RCTI

A Recipient Created Tax Invoice as described in rule 13.5.

Reference price

The reference source for Chi-X pegged orders that is set out in column two of table 1.1 of Procedure 4.5 for each of the pegged orders specified in column one of that table.\(^4\)

Regulated Market

A market, specified in the procedures, 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 Corporations Act.

Related Body Corporate

As defined in the Corporations Act.

Relevant Transaction

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

Retail Client

As defined in the Corporations Act.

Review Committee

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

Rules

These rules.

Security

As defined in the Corporations Act.

Settlement Rules

The operating rules of ASX Settlement Pty Ltd (ABN 49 008 504 532).

Set Ratio

The ratio of a single TraCR to a single underlying asset that is specified in the terms of issue for the TraCR and that will be applied to the number of TraCRs held in order to calculate the number of underlying assets to which the holder has beneficial ownership and which that holder will acquire if the TraCR holding is converted into underlying assets.

Supplementary Disclosure Document

A document which replaces, updates, adds to or otherwise amends the information contained in a previously published disclosure document.

Terms of issue

The terms of issue of an investment product and which sets out the contractual arrangements between products issuers and holders, including the rights, obligations and conditions associated with the investment product.

Trading Notice

A notice issued by Chi-X on its website.

Transferable Custody Receipt (TraCR)

An investment product that:

(a) is a security issued by a registered product issuer;

(b) has an underlying asset that is:

\(^4\) This defined term is only found in the Procedures and is included here for ease of reference.
(i) a security that is a member of the S&P 500;

(ii) held by a custodian on behalf of the product issuer and, ultimately, the holder of the TraCR;

(iii) currently and has been listed on a market specified in rule 14.23(a) for at least one year;

(c) is priced by reference to the Australian dollar price of the security that is the underlying asset;

(c) has terms of issue which:

(i) provide the holder with the beneficial ownership of the underlying asset;

(ii) enable the holder of the investment product to convert, on demand and at any time, that holding into a specified number of the underlying asset.

Underlying asset

The financial product(s) or other asset(s) by reference to which an investment product is valued and, in the case of a TraCR, must consist solely of the security which is beneficially owned by the TraCR holder.

Warrant

A financial product issued by a product issuer pursuant to the terms of issue, which is granted quotation as a warrant, and satisfies the definition of ‘warrant’ contained in the Corporations Act, as modified by any instruments or class order made thereunder.
4. TRADING

4.1 Access to Chi-X market

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

4.1 Hours of operation

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

4.2 Trade reporting

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

4.3 Classes of financial products

The classes of financial products that may be traded on the Chi-X market are equity market products and investment products. The procedures contain a further description of the specific equity market products and investment products that are able to be traded on the Chi-X market.

4.4 Orders and matching

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

(i) limit orders; or

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

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

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

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

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

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

(ii) will be matched based on price/visibility/time priority, subject to the exceptions set out in the procedures; 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 Chi-X market in relation to the order, then the participant must make a record of this and retain the record for seven years and produce it to Chi-X upon request.

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

4.5 Purging of orders

An order in the Chi-X Market that is unmatched at the close of trading will automatically be cancelled by Chi-X, in accordance with the procedures, unless it has one of the optional attributes of good till cancel (GTC) or good till date (GTD), in which case the order will remain in the order book until the cancellation event.

4.6 Order routing

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

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

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

4.7 Short sale reporting

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

4.9 Registration as a market maker

(a) Chi-X may register a participant as a market maker.

(b) Chi-X may, in its absolute discretion:

(i) refuse to register a participant as a market maker; and/or

(ii) deregister a participant as a market maker.

(c) A participant may request a review of a decision by Chi-X to refuse to register a participant under rule 4.9(b)(i) and/or to deregister a participant as a market maker under rule 4.9(b)(ii).

(d) The process by which Chi-X will register a participant as a market maker is set out in the procedures and requires a participant to provide a completed market maker undertaking to Chi-X.
4.10 Market maker obligations

(a) A participant that is registered as a market maker must comply with the market maker undertaking that it has provided to Chi-X unless and until:

(i) the participant has been deregistered as a market maker; or

(ii) the market maker undertaking has been amended pursuant to rule 4.11.

4.11 Amendment of and temporary relief from the market maker obligations

(a) A participant may propose to Chi-X that the undertaking it has provided be amended but the original undertaking will continue to apply until Chi-X has agreed to and specified the date on which the amended market maker undertaking will take effect, after which a participant must comply with the market maker undertaking as amended.

(b) A participant that is a registered market maker and is seeking temporary relief from the obligation to comply with a market making undertaking, should apply under rule 1.5 for a waiver from the obligation under rule 4.10.

4.12 Deregistration

(a) A participant that is registered as a market maker but does not comply with the market maker undertaking is liable to be deregistered as a market maker either totally or partially in respect of a particular subset of the investment products in which it has been registered as a market maker.

(b) A participant may, three months or more after it has been registered as a market maker under rule 4.9(a), apply to be deregistered as a market maker from the beginning of the second month following the date on which Chi-X received the application. The application for deregistration may be made in respect of either:

(i) one or more investment products in which it is a market maker; or

(ii) all investment products in which it is registered as market maker.

4.13 The register

(a) The register of market makers will be published on the Chi-X web site. The register shall list each investment product in which the participant is a market maker.

4.14 Chi-X powers and obligations on participants that are registered

(a) Chi-X may require a participant that is registered as a market maker to provide any information and material in connection with its activities as a market maker.

(b) A participant must provide any information and material required by Chi-X pursuant to this rule within the time limits specified by Chi-X.

4.15 Pre-Conditions for Trading in a TraCR

A participant must not submit an order, on behalf of a retail client, to buy or sell a TraCR unless the participant, in accordance with the procedures:

(a) has provided the retail client with an investor fact sheet relating to that TraCR;
(b) has obtained from that retail client, by electronic or physical signature, an acknowledgment that the retail client has read and understood the investor fact sheet;

(c) clearly distinguishes TraCRs from ordinary cash equities, including those which are the underlying asset of a TraCR, in the information it provides or makes available to retail clients.

5. FAIR AND ORDERLY MARKET

5.1 Chi-X orderly markets powers

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

(a) rejecting one or more orders or other electronic messages submitted to Chi-X or entered into the Chi-X market;

(b) suspending or halting trading in all or part of the Chi-X market;

(c) cancelling or amending any relevant transaction;

(d) directing any participant to take, or not to take, specified action in connection with the Chi-X market;

(e) modifying, restricting or suspending access by one or more participants to all or part of the Chi-X market; or

(f) requesting a designated central counterparty or alternative central counterparty to exercise its powers.

…..

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

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

(a) Chi-X determines a systems or communications problem has occurred or is likely to occur which may result in disorderly trading conditions on the Chi-X market;

(b) a specific financial product is the subject of a suspension or trading halt on the listing market; or

(c) the underlying asset of a TraCR is placed into a trading halt or suspension; or

(d) Chi-X, in its absolute discretion, considers it appropriate to do so.

14 INVESTMENT PRODUCTS

14.1 Preliminary

(a) The rules in section 14 contain requirements for the registration of product issuers and the quotation of and trading in investment products.
(b) The approval of a product issuer or the admission of an investment product to quotation under these Rules should not be interpreted in any way as an indication of Chi-X's approval of the merits of the product issuer, or of an investment product. Chi-X takes no responsibility and to the extent permitted by law disclaims all liability for the performance by a product issuer of its obligations in respect of an investment product admitted to quotation, or the performance of an investment product.

14.2 Product Issuers – Registration as a Product Issuer

(a) Chi-X may, in its absolute discretion:
   (i) register or refuse to register a product issuer;
   (ii) impose pre and/or post registration conditions on an applicant or a registered product issuer;
   (iii) revoke or suspend the registration of a product issuer.

(b) An applicant may request a review of a decision by Chi-X under rule 14.2(a) to:
   (i) refuse to register a product issuer;
   (ii) revoke or suspend the registration of a product issuer.

(c) The process by which Chi-X will register a product issuer is set out in the procedures and requires the completion and signing of an Issuer Application Form (IAF) in which the applicant agrees to be bound by the rules as they apply to product issuers, including those relating to waivers, reviews, error trades and those in section 14.

(d) The procedures contain further information on the circumstances in which the registration of a product issuer may be revoked or suspended.

14.3 Product Issuers – Eligibility Criteria

(a) For an applicant to be eligible for approval as a product issuer it must:
   (i) have adequate human, technological and financial resources in place to perform its obligations as a product issuer;
   (ii) subject to rule 14.4, have an Australian financial services licence which authorises it to undertake the activities it will engage in as a product issuer.

(b) An applicant will not satisfy rule 14.3(a)(i) unless it satisfies Chi-X that it is one of the following:
   (i) an entity that is prudentially regulated by the Australian Prudential Regulation Authority or an equivalent regulatory authority specified in the procedures;
   (ii) a government, government body or instrumentality, that has a guarantee by the relevant government Treasury authority covering the payments due by the proposed product issuer;
   (iii) the holder of an Australian financial services licence or an authorisation in another jurisdiction, pursuant to which it is subject to the adequate
supervision of capital standards, and has a low long term credit risk and net tangible assets that are sufficient to support the proposed issue;

(iv) in a legally binding arrangement, with a guarantor, that satisfies the requirements in rule 14.3(c);

(v) a responsible entity of a managed investment scheme registered under Chapter 5C of the Corporations Act; or

(vi) otherwise approved by Chi-X.

(c) An applicant may satisfy the criteria in rule 14(a)(i) by entering a legally binding arrangement with a guarantor that has adequate human, technological and financial resources in place to perform its obligations as a guarantor, if the arrangement:

(i) provides an unconditional and irrevocable guarantee by the guarantor, relating to the obligations of the product issuer, in favour of the holders of an investment product issued by the applicant as a product issuer; and

(ii) requires the guarantor to:

A. hold an Australian financial services licence in respect of its activities as a guarantor, unless the Corporations Act does not require such a licence in respect of the guarantor's activities as a guarantor; and

B. be an entity specified in rule 14.3(b)(i), (ii) or (iii) for the duration of the guarantee.

(d) An applicant that is intending to issue investment products pursuant to an arrangement whereby the underlying assets or the economic performance of those underlying assets, are not held on trust or otherwise retained solely for the benefit of holders, will not satisfy the requirement in rule 14.3(a)(i) to have adequate financial resources unless it:

(i) is an entity specified in rule 14.3(b)(i), (ii) or (iii); or

(ii) has a legally binding arrangement, that satisfies the requirements in rule 14.3(c), with a guarantor that is an entity specified in rule 14.3(b)(i), (ii) or (iii) and has a low long term credit risk and net tangible assets sufficient to support the proposed issue; or

(iii) is otherwise approved by Chi-X.

14.4 Product Issuers – Eligibility Criteria - AFSL

An applicant is not required to hold an Australian financial services licence if the Corporations Act does not require a licence in respect of the applicant's proposed activities as a product issuer.

14.5 Product Issuers – Duties and Continuing Obligation to Comply with the Rules in Section 14

An applicant that is registered as a product issuer:
(a) owes Chi-X Australia a duty to comply with the rules contained in section 14 as they apply to product issuers, and this duty is owed in addition to any other obligations it may have as a participant;

(b) must continue to satisfy rules 14.3 and 14.4 as outlined in its application to be registered as a product issuer.

14.6 Product Issuers - Ongoing Requirements – Material Change

A product issuer must immediately notify Chi-X in writing and in accordance with the procedures, if there is, or is a reasonable risk that there will be, a material change to:

(a) the information contained in or attached to the IAF it submitted to Chi-X, including any changes to the principal contacts/authorised executives outlined in the IAF;

(b) the Australian financial services licence held by the product issuer (if applicable);

(c) the way in which it satisfied the eligibility criteria for registration as a product issuer;

(d) its compliance with any pre and/or post registration conditions that were imposed upon it; or

(e) the ability of the product issuer to perform its obligations as a product issuer.

14.7 Product Issuers - Ongoing Compliance Requirements

(a) A product issuer must immediately notify Chi-X in writing, and in accordance with the procedures, if it is in material non-compliance with its regulatory obligations.

(b) A product issuer must at all times comply with the applicable rules, procedures and any guidance notes, guides, trading notices, technical specifications, directions, decisions, requirements and conditions issued, made or imposed by Chi-X.

(c) A product issuer and any guarantor must comply with the disclosure requirements in rules 14.28 to 14.30 and the applicable procedures in relation to each investment product admitted to quotation that it has issued or guaranteed respectively.

(d) The product issuer and any guarantor must comply as soon as practicable with any notice to produce or direction issued by Chi-X under rule 14.37.

14.8 Product Issuers - Miscellaneous Ongoing Requirements

(a) A product issuer must satisfy any additional requirements set out in the procedures.

(b) A product issuer must, upon request, provide a copy of its current annual report to a holder.

(c) A product issuer must pay all fees associated with the quotation of the investment products it has issued as and when they fall due.

14.9 Investment Products - Quotation

(a) Chi-X may, in its absolute discretion, grant, refuse, revoke, impose conditions on or suspend the quotation of an investment product.
(b) Chi-X may impose pre-quotation conditions on an investment product.

(c) For the sake of clarity, Chi-X does not maintain an official list of products but rather admits investment products to quotation. As outlined in the procedures, Chi-X will not admit to quotation a financial product issued by an entity with a level of control over the financial product that requires the regulatory framework of a listing market to ensure the fair, orderly and transparent trading of that financial product.

(d) The procedures contain further information on the suspension or revocation of the quotation of an investment product.

14.10 Investment Products – Eligibility Criteria

For an investment product to be eligible for quotation:

(a) it must meet the eligibility criteria contained in rules 14.11 to 14.26 and satisfy any pre-quotation conditions that have been imposed; and

(b) Chi-X must have no objections to the terms of issue or the basis on which the investment product satisfies the eligibility criteria.

14.11 Investment Products – Basic Eligibility Criteria for the Product Issuer

To be eligible for quotation, the investment product must be issued by a product issuer that:

(a) is registered as a product issuer of investment products of the type for which quotation is sought;

(b) is complying with the rules;

(c) has, in accordance with the procedures, accurately completed and signed a product application form (PAF) and provided any information required by Chi-X in connection with the quotation of the investment product;

(d) has satisfied any pre-quotation conditions imposed by Chi-X and certified to Chi-X that the conditions have been satisfied;

(e) has paid all fees associated with the quotation of the investment product.

14.12 Investment Products – Basic Eligibility Criteria for the Investment Product

To be eligible for quotation, the investment product must:

(a) be an approved financial product;

(b) have a title and description that:

(i) are clear and not misleading;

(ii) distinguish the investment product from other investment products already admitted to trading on Chi-X or any other regulated market;

(iii) comply with ASIC guidance on naming convention requirements for investment products; and
(iv) includes an outline, in the relevant disclosure document, of the differences between an investment product* that is listed, as that term is defined in the Corporations Act, and an investment product that is quoted on a market such as Chi-X.

(c) be approved for clearing by the designated central counterparty or an alternative central counterparty.

* Note that the term 'investment product' is emboldened in the current version of the rules. This indicates that the term is being used to mean "investment product" as defined in the definitions section of the Operating Rules. This is incorrect. The term should not be emboldened: it is being used to mean an "investment product" that is listed.


(a) A product issuer seeking the quotation of an investment product must provide Chi-X with a copy of any disclosure document that it is required to produce in respect of the investment product.

(b) An Investment product will not be admitted to quotation until Chi-X has received a copy of all disclosure documents relating to that investment product.

(c) The procedures contain further information on the disclosure documents that may be required in respect of each of the different types of investment products that may be quoted.

(d) A product issuer that considers it is not required to produce any disclosure document in relation to an investment product for which quotation is sought must provide evidence satisfactory to Chi-X on why that is the case.

14.14 Investment Products - Eligibility Criteria – Liquidity Obligations

(a) A product issuer must ensure that there will be sufficient liquidity for each quoted investment product it issues and state how it will satisfy this eligibility criterion in the application for quotation.

(b) Rules 14.15 and 14.16 and the procedures contain further information on how a product issuer may satisfy rule 14.14(a) and what a product issuer must do to ensure ongoing compliance with the liquidity requirements once an investment product is admitted to quotation.

14.15 Investment Products - Eligibility Criteria – How to Satisfy the Liquidity Obligations

A product issuer will fulfil the liquidity obligation in rule 14.14(a) if it satisfies Chi-X that:

(a) the ongoing spread of holders is adequate, reasonable and in compliance with any applicable requirements in the procedures, for the purpose of ensuring there is sufficient liquidity in the investment product; or

(b) liquidity will be maintained in the investment product by the product issuer:

(i) trading itself to maintain a reasonable bid and volume order in accordance with the procedures; or

(ii) entering an arrangement with a market maker under rule 14.16 to maintain a reasonable bid and volume order in compliance with the
procedures, although this does not discharge the product issuer from its obligation to comply at all times with rule 14.14(a);

(iii) having in place other arrangements which meet the requirements set out in the procedures.

14.16 Investment Products - Eligibility Criteria – Liquidity Obligations and Market Makers

(a) A product issuer may appoint a participant, registered with Chi-X as a market maker in accordance with section 4.9 of these rules and the applicable procedures, as its agent to make a market in an investment product.

(b) The appointment by a product issuer of a participant as its agent under this rule 14.16, must be in writing and contain details of the way in which the market maker will maintain, in accordance with these rules and the procedures, an order of a reasonable bid and volume for the relevant investment product. The details provided must, at a minimum, include an outline of how the market maker will maintain, and the product issuer will monitor, compliance with the requirement to maintain a reasonable bid and volume order for the minimum period of active continuous trading specified in the procedures, including procedure 14.15 and 4.9.

14.17 Investment Products – Eligibility Criteria – Underlying Assets

To be eligible for quotation, the underlying assets of an investment product must be linked to one of the following:

(a) a security, derivative, debenture, bond or other financial product specified in the procedures and that is admitted to trading by the holder of an Australian market licence;

(b) a security, derivative, debenture, bond or other financial product specified in the procedures, that is traded on a regulated market and is subject to substantially equivalent disclosure requirements to those which would apply if the product were admitted to trading by the holder of an Australian market licence;

(c) a debenture or bond in respect of which sufficient information will be available on a timely basis to participants and market makers to ensure they can reliably determine the price at which the underlying asset is bought or sold, and which is issued by:

(i) a company that is listed on a regulated market;

(ii) a government or statutory entity; or

(iii) an entity regulated by an independent prudential supervisor in its home state;

(d) a commodity or currency:

(i) that is subject to a pricing and disclosure mechanism that is available on a timely basis to participants and market makers to ensure they can reliably determine the price at which the underlying asset is bought or sold; or

(ii) for which there is a regulated derivatives market which controls price discovery;
(e) a widely regarded index based on the financial products in (a)-(d) above and which in the case of an index based on a debenture or bond, is specified in the procedures.

The procedures specify the regulated market(s) on which a financial product linked to an underlying asset is traded and/or on which a company, that has issued debentures or bonds linked to an underlying asset, is listed.

14.18 Investment Products – Eligibility Criteria – Underlying Assets - Indices

A product issuer of an investment product that references an index (whether because the index is the underlying asset or otherwise) must:

(a) provide Chi-X with a written authorisation from the owner of the index;

(b) ensure that the index provider has:

(i) a robust and transparent methodology for constructing and maintaining the index, including eligibility criteria and measures that mitigate the risks and expense of frequent or unexpected rebalances;

(ii) robust and transparent governance arrangements with regards to the index, including conflicts of interest arrangements;

(iii) systems and controls that will maintain the integrity of the index and mitigate the risk of manipulation or distortion by insiders or related parties of index providers for their own financial benefit and to the detriment of investors;

(iv) arrangements for the dissemination of index information that will ensure all market participants and investors are treated equally;

(v) complied with the relevant guidance issued by ASIC and/or any other applicable regulatory authority in respect of index selection principles;

(c) state in the PAF and publish on the product issuer's web site in accordance with the procedures:

(i) whether the product issuer is a related body corporate of the index provider and if so provide an explanation of the governance arrangements in place between the product issuer and index provider and how they address the issues raised by the index provider being a related body corporate;

(ii) how the index satisfies the requirements in paragraph (b) of this rule 14.18.


The product issuer of a warrant must ensure that:

(a) there is a sufficient quantity of underlying assets available to be acquired in respect of an investment product that may require delivery of those assets;

(b) in any event the number of underlying assets that may have to be acquired to meet the delivery obligations of an investment product, does not exceed:
(i) during the period an investment product is admitted to quotation until the expiry of the product, 50% of the class of underlying asset that is available to meet that required acquisition; and/or

(ii) during the period that is 14 days either side of the expiry, 20% of the class of underlying asset that is available to meet that required acquisition.

14.20 Investment Products – Eligibility Criteria – Excluded Underlying Assets

(a) The underlying assets must not include:

(i) in the case of an investment product that is a quoted fund exchange traded fund (ETF), a derivative that has the dominant purpose of providing the holder of the investment product with a leveraged exposure to a further linked underlying asset; or

(ii) an actively managed investment fund; or

(iii) an asset or index that does not have a readily available price or value.

(b) The procedures contain further information on what may be precluded from being an underlying asset by this rule 14.20.

14.21 Investment Products – Eligibility Criteria – Leveraged OTC Derivatives

The product issuer of an quoted fund ETF, that includes an underlying asset that is a leveraged OTC derivative must ensure that:

(a) the legal and beneficial title to any collateral is held by the quoted fund ETF;

(b) at any time the quoted fund ETF is able to either take immediate delivery of any collateral or the proceeds of its sale;

(c) the counterparty of the leveraged OTC derivative, or a guarantor in respect of the failure of the counterparty to fulfil its obligations under the leveraged OTC derivative, is an authorised deposit-taking institution (ADI), or a foreign deposit taking institution that is subject to regulation that is equivalent to that imposed on an ADI and is in a jurisdiction specified in the procedures;

(d) any guarantor under rule 14.21(c), has provided an unconditional guarantee in favour of the quoted fund ETF to fulfil the obligations of the counterparty under the leveraged OTC derivative; and

(e) the assets that may be obtained as collateral under the leveraged OTC derivative are specified in the product application form and the product disclosure statement, prospectus or other offer document for the investment product and are restricted to the securities in the S&P ASX 200, cash, Australian government debentures or bonds, or any non-derivative asset set out in rule 14.17 that is consistent with the investment objectives of the investment product.

14.22 Investment Products – Eligibility Criteria – Investment mandate and Constituent Documents

(a) An investment product that is an quoted fund exchange traded fund (ETF), must have an investment mandate or other document outlining the investment approach of those responsible for managing the fund.
The product issuer must include the investment mandate or outline of the investment approach of those responsible for managing the fund in the product disclosure statement, prospectus or other offer document for the investment product and provide Chi-X with a copy of that the product disclosure statement, prospectus or other offer document.

An investment product that is a QMF must provide in its constituent documents that the QMF continuously issues and redeems QMF financial products based on the net asset value of the QMF.

14.23 Investment Products – Eligibility Criteria – TraCRs—Amending the Investment Mandate

An investment product that is a TraCR must meet the following eligibility criteria:

(a) the underlying asset must be a member of the S&P 500 [or the Dow Jones] index and traded on either the New York Stock Exchange or NASDAQ market;

(b) the product disclosure statement, prospectus or other offer document for the TraCR must disclose the market on which the underlying asset has its primary listing and provide sufficient information for a reasonable investor to locate the [price sensitive information published] [continuous disclosures made] in relation to that underlying asset;

(c) the terms of issue must:
   (i) state the set ratio of a single TraCR to a single underlying asset;
   (ii) enable the holder of the TraCR to convert, on demand and at any time, that holding into the number of underlying assets determined by applying the set ratio to the number of TraCRs held;
   (iii) specify what will occur in the event a holder converts his/her holding of TraCRs into underlying assets and the number of underlying assets to which the holder is entitled consists of a whole number plus a fraction of a single underlying asset;
   (iv) state that the set ratio specified in the terms of issue will not change without the consent of Chi-X;

(d) the product issuer of the TraCR must have published and taken responsibility for the accuracy of a publicly available investor fact sheet, relating to the TraCR, that contains a clear and concise explanation of:

   (e) the nature of TraCRs and how they are traded;
   (f) how TraCRs are different to the cash equity shares that make up the underlying assets to which they relate;
   (g) how to obtain real time price sensitive information and continuous disclosures relating to the underlying assets;
   (h) the risks of trading TraCRs;

(e) the agreement between the product issuer of a TraCR and the custodian of the underlying assets to which the TraCR relates, must require the custodian to:
(i) hold the appropriate licence authorisations to comply with its obligations as the custodian for the TraCR;

(ii) have an organisational structure that manages the potential conflicts of interest it may face and supports the separation of the underlying assets relating to the TraCR from the custodian’s own assets;

(iii) have adequate staffing and other resources to perform custodial activities in relation to the underlying assets;

(iv) hold the underlying assets in trust on behalf of the holder, including taking action in an efficient manner on behalf of the holder;

(v) take all the steps necessary for the custodian to facilitate the conversion, in compliance with the terms of issue, of a holding of TraCRs to a holding of underlying assets;

(vi) notify the [issuer] [holder] of voting events, class actions and distributions;

(vii) take any steps reasonably required to facilitate the product issuer complying with a direction under rule 14.37(a);

(viii) produce to the product issuer any information in the custodian’s possession or that the custodian is reasonably able to obtain and which is required to comply with a requirement under rule 14.37(b);

(f) the agreement between the product issuer and the custodian must not be capable of amendment without the consent of Chi-X.

The investment mandate of an investment product must only be amended by the approval of a resolution, containing the proposed amendment, by 75% of the votes of holders, excluding the product issuer and/or its associates from the denominator in the calculation of that percentage, and votes being cast on a one for one basis. The resolution must be put at a meeting convened by the product issuer in compliance with in compliance with rule 14.32(d).

14.24 Investment Products – Eligibility Criteria – Terms Of Issue – Required Content

The terms of issue for an investment product must:

(a) make provision for the adjustment of exercise rights where the investment product is linked to an underlying asset that may be subject to corporate or other events impacting on the nature of that underlying asset (for example a reduction in capital, bonus/rights issues and capital restructurings of an underlying cash equity market product or the modification/discontinuance of an underlying index);

(b) state the way in which the intrinsic value of the investment product will be calculated;

(c) in the case of cash settled investment products, require the product issuer to pay the holder an amount equivalent to the intrinsic value at the expiry date within 10 business days of the expiry;

(d) in the case of deliverable investment products:

(i) require the product issuer to comply with its delivery obligations within the 20 business days following receipt of an effective notice of exercise;
(ii) outline the way in which an assessed value payment, and any costs, will be calculated in the event a holder fails to give an effective notice of exercise within the time limits contained in the terms of issue;

(iii) ensure that the assessed value payment is at least equal to the intrinsic value less reasonable costs;

(iv) provide for the calculation of the assessed value payment to be paid to the holder where the holder does not provide a notice of exercise within the time prescribed in the terms of issue and the investment product has an intrinsic value equal to or greater than 5% of the exercise price of the investment product.

14.25 Investment Products – Eligibility Criteria – Amending the Terms of Issue

To be eligible for quotation, the terms of issue of an investment product must not be capable of amendment other than as follows:

(a) the expiry date may be amended in the case of an extraordinary event defined in the terms of issue;

(b) the terms of issue for an investment product that is a quoted fund, may be amended at a meeting convened by the product issuer in compliance with rule 14.32(d), if the amendment is approved by 75% of the holders, excluding the product issuer and/or its associates from the denominator in the calculation of that percentage and votes being cast on a one for one basis;

(c) with the consent of Chi-X for the purpose of:

(i) complying with a legal requirement;

(ii) a direction issued by Chi-X;

(iii) rectifying any manifest error or ambiguity in the terms of issue in a manner that does not materially prejudice the interests of holders;

(iv) to permit transfers;

(v) an adjustment pursuant to a change in an underlying asset that involves a reduction or restructuring of capital, a bonus or rights issue or the discontinuance or modification of an index;

(vi) any other amendment that does not materially prejudice the interests of holders.

(d) the amendment(s) must comply with any ongoing requirements specified in these rules.

14.26 Investment Products – Eligibility Criteria – Terms of Issue of a Quoted Fund

The constituent documents of a quoted fund ETF must:

(a) in the case of a quoted fund that is a QMF, provide, in compliance with the procedures, for the daily off market redemption of ETF QMF financial products;

(b) in the case of a quoted fund ETF that has an underlying asset that is a leveraged OTC derivative:
(ii) not permit the issuer to have recourse to the holders of such products the QF financial product;

(iii) disclose the assets that may be obtained as collateral under the OTC derivative.

14.27 Investment Products – Eligibility Criteria – Disclosures upon Quotation

When Chi-X makes a decision to admit an investment product to quotation it will, in accordance with the procedures, disclose all disclosure documents and any other information provided in respect of the eligibility criteria relating to liquidity obligations, underlying assets and/or the investment mandate/constituent documents.

14.28 Investment Products - Ongoing Requirements – General Disclosure Requirement

A product issuer must, in accordance with the procedures, provide Chi-X with a copy of every disclosure document the product issuer is required to provide, under the Corporations Act or other applicable requirements, in relation to an investment product that has been admitted to quotation. Chi-X will publish each disclosure document it receives in accordance with the procedures.

14.29 Investment Products - Ongoing Requirements – Continuous Disclosure

(a) A product issuer must, in accordance with the procedures, disclose to Chi-X information:

(i) it is required to disclose to ASIC, under sections 675 or 1017B of the Corporations Act, in relation to an investment product that it has issued and is admitted to quotation; and

(ii) which it would be required to disclose to ASIC under sections 675 or 1017B of the Corporations Act if a quoted investment product it has issued, or ETF QF financial products relating to that investment product, were an unlisted disclosing entity or ED securities respectively (irrespective of whether or not they are in fact an unlisted disclosing entity or an ED security); and

(iii) which it is required to disclose to ASIC or an overseas regulatory authority in respect of a quoted investment product it has issued, pursuant to an exemption from or modification of any provisions in the Corporations Act, and that is made publicly available by ASIC or the overseas regulator; and

(iv) that would be required to be disclosed under section 323DA of the Corporations Act, if either the product issuer or the quoted investment products it has issued were listed.

(b) A product issuer may rely on a previous disclosure of information to Chi-X to satisfy an obligation under this rule 14.29, but must ensure there is no additional information required in the later disclosure.

(c) For the sake of clarity, a product issuer must disclose the following information to Chi-X under this rule 14.29:

(i) any information that is not generally available and relates to a quoted investment product it has issued, the product issuer or a guarantor with which it has an arrangement under rule 14.3(c), and which may lead to a false market in that investment product or otherwise impact on the price of the investment product;
(ii) any information about dividends or distributions paid to holders;

(iii) any distribution or dividend statements (or distribution or dividend information) that are made available or provided to holders;

(iv) information about redemptions from each QMF it has issued;

(v) the net asset value of an actively managed fund that is an underlying asset of a quoted investment product the product issuer has issued, whenever the product issuer's management activities have caused the last reported net asset value of the actively managed fund to move by more than ten percent.

(d) A guarantor must disclose to Chi-X any information that is not generally available and relates to a quoted investment product issued by a product issuer with which it has an arrangement under rule 14.3(c), and which may lead to a false market in that investment product or otherwise impact on the price of the investment product.

(e) Chi-X will publish the information it receives under this rule 14.29, in accordance with the procedures.

14.30 Investment Products - Ongoing Requirements – Periodic Disclosure

(a) The net asset value of an investment product that is a quoted fund ETF must be disclosed by the product issuer:

(i) on each business day;

(ii) on the product issuer's web site and/or to the Chi-X disclosure interface; and

(iii) in accordance with the terms of issue of the investment product.

(b) A product issuer may disclose the indicative net asset value of a quoted fund ETF on a regular basis throughout a trading day, in which case the product issuer must disclose:

(i) the indicative net asset value per interest in the quoted fund ETF, in the case of a quoted fund ETF that has only one class of interests; or

(ii) the indicative net asset value for each class of interests.

(c) A product issuer of a warrant, and any guarantor of such a product issuer, must lodge the following documents with Chi-X in accordance with the procedures and within 75 days of the end of the period to which they relate:

(i) an annual report issued by the product issuer and, if applicable, any guarantor and, if not included in that report, a statement of assets, liabilities and equity that would enable a reasonable investor in the warrants investment products to assess the ability of the product issuer and/or guarantor to meet the terms of issue;

(ii) a half yearly report relating to the assets, liabilities and equity of the product issuer and, if applicable, guarantor, and that would enable a reasonable investor in the warrants investment products to assess the
ability of the product issuer and/or guarantor to meet the terms of issue.

(d) A product issuer of a quoted fund ETF must publish within five business days of the end of each month:

(i) the number of ETF QF financial products on issue, in relation to that quoted fund, on the last business day in that month;

(ii) in the case of a quoted fund ETF that has an underlying asset that is a leveraged OTC derivative:

A. the notional exposure of the quoted fund ETF to all leveraged OTC derivative counter-parties as a percentage of the net asset value of the quoted fund ETF; and

B. the value of assets (excluding the value of leveraged OTC derivatives, but inclusive of collateral) held by the quoted fund ETF as a percentage of the net asset value of the quoted fund ETF.

14.31 Investment Products - Ongoing Requirements – Changes to the Eligibility Criteria, Indices, Covered Warrants and Leveraged OTC Derivatives

(a) A product issuer must ensure that an investment product continues to meet the eligibility criteria and any conditions imposed by Chi-X, after it is admitted to quotation.

(b) A product issuer must notify Chi-X of any material change to the information it provided or relied upon in the application for an investment product to be admitted to quotation.

(c) A product issuer must publish on the product issuer’s web site, any material change to the information it provided or relied upon in the application for an investment product to be admitted to quotation, and that related to an index referenced by that investment product.

(d) A product issuer of a covered warrant must:

(i) ensure that the underlying assets that are the subject of the investment product are held in a trust, custodial or other similar arrangement approved by Chi-X and are only dealt with in accordance with the terms of that arrangement;

(ii) conduct an annual audit of compliance with the requirements in subparagraph (d)(i) of this rule 14.31 and provide a copy of the auditor’s report to Chi-X no later than the time at which the product issuer’s next annual report is lodged with Chi-X.

(e) A product issuer of a quoted fund ETF that has an underlying asset that is a leveraged OTC derivative must:

(i) monitor the notional exposure of the fund to all OTC derivative counter-parties on a daily basis; and

(ii) in the event the notional exposure of the fund to all OTC derivative counter-parties exceeds 10% of the net asset value of the ETF, take steps within one trading day to acquire further collateral to ensure that the
notional exposure is reduced to 10% or less of the net asset value of the ETF.

14.32 Investment Products – Ongoing Requirements – The Terms of Issue

(a) A product issuer must ensure an investment product it has issued complies on an ongoing basis with the terms of issue and any requirements contained in a disclosure document relating to that investment product.

(b) A product issuer must provide Chi-X with a copy of any new or amended terms of issue relating to an investment product that it has issued and has been admitted to quotation.

(c) A product issuer must provide Chi-X with at least four weeks’ notice of an amendment to the terms of issue that may result in operational changes to the trading, clearing or settlement of an investment product.

(d) A product issuer convening a meeting for the purpose of proposing a resolution to amend the terms of issue or an investment mandate must take reasonable steps to provide each holder with:

   (i) written notice of the meeting containing the substance of the proposed resolution 15 or more business days prior to the date of the meeting;

   (ii) a proxy form that enables the appointment of a person to vote for the holder and does not suggest a choice as to the identity of that proxy or voting intention.

14.33 Trading in Investment Products – Transfers

(a) The transfer of an investment product must comply with:

   (i) the Corporations Act;

   (ii) the Clearing Rules and the Settlement Rules;

   (iii) the rules; and

   (iv) any other requirements set out in the procedures.

(b) In respect of each investment product, a product issuer must establish and maintain a register of holders that:

   (i) contains the name and address of the holder;

   (ii) contains the date on which the holder’s details were entered into the register;

   (iii) complies with the Corporations Act requirements for maintaining a register as if:

       a. the investment products were shares in a company, in the case of an investment product that is a warrant or TraCR;

       b. the investment products were shares in a company or units in a scheme in the case of an investment product that is a quoted fund or ETF.
In respect of each investment product, a product issuer must issue and send out holding statements that comply with the Corporations Act as if the investment products were shares in a company.

A product issuer may establish an issuer sponsored subregister in respect of an investment product. An issuer sponsored subregister must comply with the Settlement Rules.

A product issuer must:

(i) have its register of holders audited at least once every 12 months by a registered company auditor;

(ii) provide Chi-X with a certificate from the registered company auditor, engaged pursuant to rule 14.33(e)(i), certifying that the processing of transfers is in accordance with the rules;

(iii) ensure that the places at which the transfer of investment products are to be lodged for registration are open during the times set out in the procedures;

(iv) comply with the Clearing Rules and the Settlement Rules.

14.34 Trading in Warrants Investment Products – Exercise and expiry of cash settled and deliverable warrants investment products

A product issuer must make any settlement payment or delivery on the exercise of a cash settled investment product or a deliverable warrant investment product:

(i) after it receives an effective notice of exercise; or

(ii) in the event it does not receive an effective notice of exercise, in accordance with the terms of issue and if the terms of issue do not provide for the calculation or dispatch of an assessed value payment in compliance with the requirements in rule 14.24, then the amount and dispatch of the payment must be completed according to rule 14.34(c).

The settlement payment made under rule 14.34(a) must be of an amount that is:

i. equivalent to the intrinsic value of the warrant investment product, in the case of cash settled warrants investment products; or

ii. the assessed value payment or the liquidated damages amount calculated in accordance with rule 14.34(c), in the case of deliverable warrants investment products.

If the holder of a deliverable warrant investment product exercises the warrant investment product and the product issuer fails to satisfy its obligations under the terms of issue within 20 business days following the date of the effective exercise, the product issuer must, without prejudice to any other rights the holder may have, pay to the holder, within 10 days of receiving a request to do so from Chi-X or the holder, liquidated damages no less than:

For warrants investment products, other than one involving a put option, with an underlying asset:

\[ L = 1.1 \times S \]
For all other warrants investment products (including puts):

\[ L = 1.1 \times E \]

Where:

- \( L \) is the liquidated damages amount;
- \( S \) is the arithmetic average of the daily volume weighted average prices of the underlying asset on the 5 Trading Days following the expiry date excluding special, late and overseas sales; and
- \( E \) is the exercise price of the warrant investment product.

(d) Any dispute in relation to the calculation of the intrinsic value of a cash settled warrant investment product, must be referred to Chi-X for resolution. The decision of Chi-X will be binding.

14.35 Trading in Investment Products – Halts and the Application of the Operating Rules

Generally

(a) Chi-X may, in its absolute discretion, halt or suspend the trading of any investment product on the Chi-X market if Chi-X considers it appropriate to do so, having regard to the protection of investors and the need to ensure the Chi-X market is fair, orderly and transparent.

(b) Trading in investment products which are admitted to quotation shall be conducted by participants in accordance with the rules.

14.36 Trading in Investment Products – Off Market Transactions

(a) A participant may execute an Exchange-Traded Fund Special Trade with the product issuer of an ETF where the participant is selling securities as part of the subscription process or buying securities as part of a redemption process and the transaction is reported in accordance with the procedures.

14.37 Obligation to Comply with a Direction or Request for Information

(a) Chi-X may direct a product issuer to take specified steps in relation to any investment product and the product issuer must comply with that direction without delay.

(b) Chi-X may require a product issuer and any guarantor to provide Chi-X with any information in relation to an investment product. The product issuer and any guarantor must comply with that request:

(i) without delay, if the requirement relates to disclosure under rules 14.28-14.30;

(ii) within a reasonable time depending on the circumstances of the case, if the request does not relate to the disclosure of information under rules 14.28-14.30.

(c) A product issuer may request a review of a direction issued by Chi-X under rule 14.37(a) but must comply with that direction without delay and continue to comply pending the outcome of the review.
14.38 Indemnity

(a) Each product issuer (and, if applicable, any guarantor) indemnifies Chi-X in relation to all claims arising from, or in relation to, an investment product issued by the product issuer including, without limitation, any claim from any person arising from or in relation to any disclosure document or supplementary disclosure document or any other disclosure by the product issuer and any failure by the product issuer or any guarantor of the product issuer to comply with its obligations under these rules, the terms of issue, the Corporations Act or other applicable laws.
ANNEXURE THREE: - PROPOSED CHANGES TO THE OPERATING RULES: PROCEDURES

In the following text procedures containing proposed changes are highlighted in red text. The proposed changes are indicated by:

(i) Double Underlining – indicating proposed insertions;

(ii) Strikethrough – indicating proposed deletions.

Procedures that are not being changed may still be reproduced to enable the impact of the proposed changes to be fully considered.

The presence of ‘….’ indicates existing procedures that continue in force but are not reproduced because they are not relevant to the consideration of the proposed changes outlined in this CP.

Contents: – sections of the Operating Rules: Procedures that are impacted by proposed changes to TraCRs and QMFs

1 Procedures on the Interpretation and Application of Rules: - page 55
4 Procedures on Trading: - pp56-65
5 Procedures on Fair and Orderly Market: - page 65
14 Procedures on Investment Products: - pp66-79
Section 1: INTERPRETATION & APPLICATION OF THE RULES

P1.1: Definitions

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

P Definitions: Active Continuous Trading

1. Trading Halt or Suspension in Underlying Assets

1.1 For the sake of clarity, the period during which no firm price is available for at least 10% by value of the underlying assets of the investment product will include, in the case of an investment product with a single underlying asset, when there is a trading halt or suspension in that underlying asset.

P Definitions: Exchange Traded Fund (ETF)

1. A Foreign Company Specified in the Procedures

1.1 An open ended management investment company registered with the US Securities and Exchange Commission under the Investment Company Act 1940 (USA) is a foreign company specified in the procedures, for the purposes of the definition of Exchange Traded Fund.

P Definitions: Quoted Managed Fund (QMF)

1. A Foreign Company Specified in the Procedures

1.1 An open ended management investment company registered with the US Securities and Exchange Commission under the Investment Company Act 1940 (USA) is a foreign company specified in the procedures, for the purposes of the definition of Quoted Managed Fund.
Section 4: TRADING

P4.2: Hours of Operations

1. Trading phases

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

<table>
<thead>
<tr>
<th>Phase</th>
<th>Time AEST</th>
<th>Supported Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Connectivity</td>
<td>06:00</td>
<td>• Commencement of technical connectivity to the Chi-X market.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Participants may login to the Chi-X technical infrastructure.</td>
</tr>
<tr>
<td>Pre-Market</td>
<td>06:35 until 09:59</td>
<td>• Participants may check connectivity and details concerning securities available for trading but will not be able to enter orders into the Chi-X market;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The Chi-X trading system will not match orders;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Participants may report trades under the rules by the time specified in the Market Integrity Rules (Competition in Exchange Markets).</td>
</tr>
<tr>
<td>Continuous Trading</td>
<td>10:00 until 16:12</td>
<td>• Participants may enter orders into the Chi-X market, including hidden but not visible MOC orders;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Orders are matched in accordance with the rules;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Trade reporting is supported in accordance with the rules.</td>
</tr>
<tr>
<td>@Last</td>
<td>16:12 until 16:20</td>
<td>• Participants may only enter visible and hidden MOC orders into the Chi-X market in this phase;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• MOC orders are matched in accordance with the rules.</td>
</tr>
<tr>
<td>Post-Trading Administration</td>
<td>16:13 until 18:55</td>
<td>• This phase initially operates in parallel with the @Last Trading phase and the following applies to non-MOC orders during this phase:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>o Participants cannot enter or amend orders but may cancel orders;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>o The Chi-X trading system does not match orders in this phase;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>o Participants may report trades under the rules;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>o All orders remaining in the Chi-X market at the end of this phase will automatically be cancelled.</td>
</tr>
</tbody>
</table>
P4.3: Trade Reporting

1. Reporting Requirements

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

2. Reporting Process

2.1 This section of Procedure 4.3 outlines the reporting process for equity market products. The executing participant (which is typically the seller under the Market Integrity Rules (Competition in Exchange Markets) but not in all cases) is to report the relevant transaction in accordance with and at the times specified in the Market Integrity Rules (Competition in Exchange Markets).

2.2 Where the off market transaction is a large principal transaction, the participant may delay reporting to the Chi-X market in accordance with the Market Integrity Rules (Competition in Exchange Markets).

2.3 Upon receipt of trade reports in respect of off market transactions, Chi-X will:

(a) send an unsolicited trade confirmation message to the counterparty if the counterparty to the off market transaction is a participant; and

(b) publish details of the trade on its market data feed.

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

3.1 This section of Procedure 4.3 outlines technical requirements for trade reports in equity market products. On each trade report submitted to the Chi-X market, participants must specify the details required in the Chi-X technical specifications, including one of the following pre-trade transparency exceptions under the Market Integrity Rules (Competition in Exchange Markets) that is relied upon for the off market transaction:

(a) Block trades;

(b) Large portfolio trades;

(c) Trades with price improvement;
3.2 **Relevant transactions executed:**

(a) during the Post-Trading Administration phase must, if reported to the Chi-X market, be reported immediately on the **business day** on which they are transacted; and

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

4. **Reporting of Foreign to Foreign transactions**

4.1 This part of procedure 4.3 applies to **securities** with foreign ownership limits, as specified in Schedule 1 of the ASX Settlement Operating Rules.

4.2 A foreign to foreign (FOR) transaction is one in which there is no increase in the foreign ownership of the relevant security. If reported as foreign to foreign, Chi-X will provide this information to the **designated central counterparty** so that settlement of the transaction can be effected in accordance with the ASX Settlement Operating Rules applicable to FOR financial products. In practical terms, this means that the transaction will be excluded from settlement so that ownership of the securities passes from one foreign owner to another foreign owner.

4.3 FOR trades may be submitted to Chi-X as a trade report using the appropriate identifier for FOR transactions details of which are set out in the technical specifications.

5. **Reporting Process – Off Market Transaction in Investment Products**

5.1 This section of procedure 4.3 applies to trade reports of **investment products**. A **participant** may report an **Exchange Traded Fund Special Trade** in accordance with **rule 14.36** and the associated **procedures**.

5.2 A **participant** may report an **off market transaction** in a **warrant** during the Post-Trading Administration trading phase where the **off market transaction**:

(a) completes an order received prior to 16:12 on the trading day;

(b) is a bona fide hedge; or
(c) executes an order received after 16:12 on the trading day.

**P 4.4: Classes of Financial Products**

1.1 For the purposes of rule 4.4, **financial products** in the following classes may be quoted on the Chi-X market for trading by participants if determined by Chi-X:

(a) securities quoted on ASX;

(b) listed managed investment products quoted on ASX, including ETFs;

(c) **investment products** granted quotation by Chi-X.

1.1 The list of specific **financial products** available for on-market trading and trade reporting will be published on the Chi-X website: [www.chi-x.com.au](http://www.chi-x.com.au).

**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 Chi-X market will be the following reference prices:

Table 1.1

<table>
<thead>
<tr>
<th>Pegged Order Types</th>
<th>Reference Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>NearPointX (Primary Peg), FarPointX (Market Peg) and Mid-PointX (Mid-Peg) orders</td>
<td>A national best bid and offer (NBBO) as calculated by Chi-X in accordance with ASIC guidance as published from time to time.</td>
</tr>
<tr>
<td>Market on Close (MOC) orders</td>
<td>The closing price of each <strong>equity market product</strong> 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 trading day.</td>
</tr>
</tbody>
</table>

1.2 As noted in procedure 4.2, participants may submit hidden MOC orders from the commencement of continuous trading. If hidden MOC order matches against another hidden 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. Hidden 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 visible and hidden MOC orders during the @Last trading phase. As such, unpriced visible MOC orders are only able to be entered during the @Last phase from 16:12 to 16:20. Visible MOC orders will display stock, size and side, but not price. Visible and hidden MOC orders will be able to interact in the @Last trading phase.

3. **Order Attributes**

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

- security code;
- price, for non-MOC orders;
- quantity;
- buy or sell;
- clearing participant.

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

- undisclosed quantity;
- iceberg;
(c) hidden provided the order value is above $0;

(d) minimum executable quantity;

(e) broker preferencing (for hidden orders only);

(f) time in force, including:

   (i) Immediate or cancel;
   (ii) Fill or kill;
   (iii) Preference and kill;
   (iv) Preference or kill;
   (v) Good till time;
   (vi) Good till cancel;
   (vii) Good till day; and
   (vii) Day order.

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:

   (i) hidden orders other than MOC orders will match on the basis of price/visibility/participant/time priority; and

   (ii) 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 visibility/time priority basis.
P4.6: Purging of orders

1.1 All unmatched orders in the Chi-X market at the end of Post Trade Administration phase will be purged by Chi-X unless they have the optional attribute of either GTC or GTD, in which case they will be purged upon a cancellation event.

P4.8: Short sale reporting

1.1 For the purposes of rule 4.8, participants must submit to an agent nominated by Chi-X the short sale information required by the Corporations Act in respect of relevant transactions it has executed on the Chi-X Market where the relevant transaction involves a short sale or partial short sale. Information required to be submitted under this procedure must be submitted by no later than 9:00 AM:

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

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

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

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

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

P4.9: Market Making Requirements

1. Process for Registration

1.1 The process for registration as a market maker is as follows:

(a) a participant that wants to be considered by Chi-X for registration as a market maker must provide Chi-X with a completed market maker undertaking;
(b) Chi-X will consider each market maker undertaking that it receives and then decide whether to exercise its discretion under rule 4.9(a) to register the participant as a market maker;

(c) the obligation to comply with the market maker undertaking will commence no later than the first day of the month following a participant's registration as a market maker;

(d) Chi-X will continuously monitor compliance with the market maker undertaking and may request information from a participant under rule 4.10 in respect of that participant's market making activities;

(e) Chi-X may deregister a participant as a market maker at any time.

2. Undertaking to Fulfil Affirmative Obligations

2.1 A market maker undertaking relating to an application to be registered as a market maker in investment products must contain an undertaking to:

(a) act in good faith when entering arrangements with product issuers that specify the price and volume of a reasonable bid in the investment products in which it may act as a market maker;

(b) enter and maintain orders that are in compliance with the market making arrangements agreed with the product issuer;

(c) comply on a daily basis with the requirements in paragraph 2.1(b) for at least the quoting obligation ratio of active continuous trading; and

(d) notify Chi-X immediately it becomes aware that it is failing to comply with paragraphs (a) – (c) above and provide a complete explanation for the failure to comply.

<table>
<thead>
<tr>
<th>Financial Product Group</th>
<th>Minimum Order Value</th>
<th>Maximum Spread: Price (P) : Maximum Spread (in tick size)</th>
<th>Quoting Obligation Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Products</td>
<td>The amount specified in the agency</td>
<td>The spread, if any, specified in the agency</td>
<td>90%</td>
</tr>
<tr>
<td>agency agreement between the <strong>product issuer</strong> and the <strong>market maker</strong> but not less than:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) a bid value of $1,000 when the bid price is $0.05 or greater;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) a bid value of $500 when the bid price is less than $0.05.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>agreement between the <strong>product issuer</strong> and the <strong>market maker</strong>.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 3 Consequences of Failing to Comply with a Market Maker Undertaking

3.1 A **participant** that fails to comply with a **market maker undertaking** it has provided to **Chi-X** is liable to be deregistered as a **market maker** and/or disciplinary action under **rules** 9 or 10 for a breach of the **rules**.

### P4.14: Chi-X powers and obligations on participants that are registered as market makers

1.1 It is important that **participants** registered as **market makers** comply with the obligations contained in the **market making undertaking** they have provided to **Chi-X**. Therefore it is also important that **participants** registered as **market makers** respond to requests from **Chi-X** for information in connection with their market making activities within the time specified by **Chi-X** in that request. Failure to comply with a request may amount to a breach of the **Rules**. A **participant** that believes that the time specified for compliance with a request is unreasonably short must notify **Chi-X** as soon as possible after it receives the request that more time will be needed to provide the information and/or documentation sought.
P4.15: Pre-Conditions for Trading in a TraCR

1. Investor Fact Sheets

1.1 A participant may satisfy rule 4.15(a) by providing a retail client with a single investor fact sheet relating to TraCRs that have underlying assets relating to the same specified market. That is, rule 4.15 can be satisfied by providing a retail client with an investor fact sheet on a single occasion if the investor fact sheet covers trading in TraCRs that have underlying assets that are restricted to the primary index of a single regulated market (for example, the New York Stock Exchange (NYSE)).

2. Distinguishing TraCRs from Ordinary Cash Equities

2.1 A participant that is clearly distinguishing TraCRs from ordinary cash equities will clearly separate the market analysis, pricing, research and asset allocation information provided to retail clients in relation to TraCRs from that information which it provides in relation to listed financial products.

Section 5: FAIR & ORDERLY MARKET

P5.1 Chi-X orderly markets powers

1. Trading halts and suspensions

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

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

(a) not accept new orders or allow existing orders to be amended; and

(b) allow a participant to cancel existing orders.

1.3 Chi-X will usually place a TraCR into a trading suspension if the underlying asset of the TraCR is subject to a trading halt, a trading suspension, or the equivalent process on the listing market for that underlying asset.
Section 14: INVESTMENT PRODUCTS

P14.2: Product Issuers – Registration as a Product Issuer

1. Approval

1.1 To be eligible for registration as a product issuer, an applicant must:

(a) complete and sign the Issuer Application Form (IAF) made available by Chi-X;

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

2. Deregistration and Suspension of Product Issuers

2.1 Chi-X may, in its absolute discretion, suspend or revoke the registration of a product issuer if Chi-X considers, acting reasonably, that the product issuer is or may be, or may become, unable or unwilling to comply with, or has failed to comply with, the rules, the procedures and any guidance notes, guides, trading notices, technical specifications, directions, decisions, requirements or conditions of Chi-X.

2.2 Chi-X may, in its absolute discretion, grant, suspend or revoke the registration of a product issuer by giving one month’s prior notice in writing, if the product issuer has no investment products currently admitted to quotation on Chi-X.

P14.3: Product Issuers – Eligibility Criteria

1. Adequate Resources

1.1 The eligibility criteria in rule 14.3 applies to prospective product issuers of the complete range of investment products able to be quoted by Chi-X. The way in which an applicant will be required to satisfy that criteria will depend on the investment products it is seeking to issue. For example:

(a) a product issuer of warrants that are not covered warrants, will be considered by Chi-X to be issuing investment products whereby the underlying assets or the economic performance of those underlying assets, are not held on trust or otherwise retained solely for the benefit of holders, and accordingly will be required to satisfy one of the requirements in rule 14.3(d)(i)-(iv);
(b) a responsible entity of a managed investment scheme registered under Chapter 5C of the Corporations Act may not, on its own, have sufficient resources to be registered as a product issuer of investment products that provide an option to the holder to acquire an underlying asset at some time in the future without the product issuer being required, under the terms of issue and at the time the holder acquires the option, to acquire the underlying asset and hold it on trust for the benefit of investors.

2. **Equivalent Regulatory Authorities under rule 14.3(b)(i)**

2.1 There are no such regulatory authorities currently specified.

### P14.6: Product Issuers – Ongoing Requirements – Material Change

1. **Notification Requirements**

1.1 The notifications required by rule 14.6 must be made immediately the product issuer becomes aware of the relevant information and must be provided to:

   The Compliance Department
   
   au.compliance@chi-x.com
   
   tel: + 61 (0) 2 8078 1718

1.2 Chi-X may require a product issuer that provides notice of a material change that would impact on the ongoing satisfaction of the eligibility criteria, to re-apply to be registered as a product issuer.

### P14.7: Product Issuers – Ongoing Compliance Requirements

1. **Notification Requirements**

1.1 The notification required by rule 14.7(a) must be provided to:

   The Compliance Department
   
   au.compliance@chi-x.com
   
   tel: + 61 (0) 2 8078 1718
P14.9: Investment Products – Approval

1. **The Suspension and Revocation of Investment Product Quotation**

1.1 Chi-X may, in its absolute discretion, suspend or revoke the quotation of an investment product if Chi-X considers that the relevant product issuer may be or may become, unable or unwilling to comply with, or has failed to comply with, the rules, the procedures and any guidance notes, guides, trading notices, technical specifications, directions, decisions requirements and conditions of Chi-X in respect of that investment product.

2. **Chi-X is not a Listing Market**

2.1 As stated in rule 14.9(c), Chi-X is not a listing market and investment products admitted to quotation by Chi-X are not listed products. The principal difference between listed products and investment products that are admitted to quotation, is the level of control and influence that the issuer of the product has over the listed or quoted product. An issuer that has a significant level of control over its securities is required to apply a greater degree of rigour to the disclosure, corporate governance and corporate control relating to those securities than an issuer of an investment product, such as a warrant or ETF, which tracks another underlying asset.

P14.11: Investment Products – Basic Eligibility Criteria for the Product Issuer

1. **Applications for Approval of an Investment Product**

1.1 Chi-X will make available a product application form (PAF) that may be used by an applicant to apply for the approval of an investment product.


1. **Corporations Act Requirements**

1.1 The disclosure requirements relating to the initial offering of an investment product are found in the Corporations Act and applicable offshore requirements and vary according to the type of product being issued. The Information Pack contains further information and guidance upon the eligibility criteria relating to the Corporations Act and disclosure documents.
1.2 Once a decision has been made to admit an investment product to quotation, Chi-X will publish each disclosure document in its possession relating to that investment product.

**P14.14: Investment Products – Eligibility Criteria – Liquidity Obligations**

1. **Transferable Custody Receipts (TraCRs)**

1.1 A TraCR is unlikely to satisfy the liquidity criterion in rule 14.14 unless the product issuer has engaged one or more Chi-X registered market makers to provide liquidity in compliance with the obligations specified in procedure 4.9.

**P14.15: Investment Products - Eligibility Criteria – How to Satisfy the Liquidity Obligations**

1. **An Adequate and Reasonable Spread of Holders**

1.1 An investment product that is an ETF must have

(a) at least 1000 separate holders; and

(b) a net asset value of $10million for a product issuer to satisfy the liquidity obligations in the eligibility criteria by having an ongoing spread of holders that ensures there is sufficient liquidity.

The investment product may satisfy this requirement after its launch, up to which time a product issuer must still satisfy the requirements in rule 14.14(a). A product issuer should record its methodology for determining what is an adequate and reasonable spread of holders and the application of that methodology to a particular investment product, including how it will ensure that the requirement is satisfied on an ongoing basis. Further information and guidance on liquidity obligations is contained in the Information Pack.

2. **Reasonable Bid and Volume**

2.1 A product issuer that proposes satisfying the liquidity requirement in rule 14.14(a) as outlined in rule 14.15(b) (that is by trading itself to maintain a reasonable bid and volume, or by entering an arrangement with a market maker to do so), must:

(a) ensure that an order of a reasonable bid and volume is maintained for 90% of the time during which the investment product is in active continuous trading;
(b) take all reasonable steps to ensure that the minimum value of the reasonable bid and volume order is no less than the minimum parameters set out in the Information Pack;

(c) provide information, in the application for an investment product to be admitted to quotation, on the systems and controls that will ensure that the product issuer maintains a reasonable bid and volume by either trading itself or through an arrangement with a market maker.

2.2 Active continuous trading is the aggregate time in which the Chi-X Market is in continuous trading for the investment product, but excluding:

(e) the period during which no firm price is available for at least 10% by value of the underlying assets of the investment product, including, in the case of an investment product with a single underlying asset, when there is a trading halt or suspension in that underlying asset;

(f) the first fifteen minutes of the continuous trading phase on the Chi-X market;

(g) the last thirteen minutes of the continuous trading phase on the Chi-X market;

(h) the time during which the theoretical value of the investment product is less than the minimum price step allowed for orders submitted to the Chi-X Market;

(i) the time during which a product issuer, or a market maker 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 product issuer and/or the market maker from submitting orders to the Chi-X market.

2.3 A product issuer must notify Chi-X Operations without delay, and in any event within 30 minutes, if the product issuer or a market maker with which it has an arrangement under rule 14.16, experiences an operational disruption or is subject to a regulatory requirement, pursuant to which orders cannot be submitted to the Chi-X market. The notification must be provided by email to au.ops@chi-x.com. The notification will be disclosed on the announcements page of the Chi-X web site.

2.4 An example of a regulatory requirement that may preclude a product issuer or market maker from submitting orders is a prohibition on short selling an investment product: this requirement may preclude the two way quoting required in an agreement entered by a product issuer under paragraph 3.1 of this procedure 14.15 or an arrangement entered under rule 14.16.
2.5 A product issuer or market maker that is experiencing operational difficulties or is subject to regulatory requirements that preclude it from submitting orders, must:

(a) take immediate steps to address the disruption/obtain regulatory relief respectively, in a way that will enable orders by the product issuer or market maker to be submitted as soon as possible; and

(b) upon being able to continue making a market in the relevant investment product(s), email au.ops@chi-x.com with the details of when the market making will recommence, which will be disclosed to the market on the announcements page of the Chi-X web site.

2.6 A product issuer is not required to be registered as a market maker in order to satisfy the liquidity requirements by trading itself as outlined in rule 14.15(b)(i), but it must satisfy Chi-X that it will have the systems and controls necessary to maintain a reasonable bid and volume in compliance with the rules, for example by:

(a) entering a written agreement with Chi-X to maintain a reasonable bid and volume order in compliance with the rules and procedures, for the relevant quoted investment products and specifying in that agreement the parameters for the reasonable bid and volume and how those parameters have been determined; or

(b) providing a written outline and any relevant certification of the systems that will be used to monitor trading and which incorporate the parameters by which a reasonable bid and volume will be determined.

2.7 A participant may be registered with Chi-X as a market maker in investment products by meeting the requirements relating to market makers in investment products in rules 4.9 to 4.14, and the applicable procedures.

3. Other arrangements

3.1 A product issuer may seek to satisfy the eligibility criterion in rule 14.14(a) by reaching an agreement with Chi-X on:

(a) a maximum bid-ask spread; and

(b) a minimum quantity of each bid and offer.

The spread and quantity that are agreed between the product issuer and Chi-X, may only be subsequently varied with the agreement of Chi-X.
P14.17: Investment Products - Eligibility Criteria – Underlying Assets

1. **Other financial products**

1.1 An investment product may satisfy the eligibility criteria in rule 14.7 by having an underlying asset that is linked to a financial product falling within the category of an “other financial product” in rule 14.7(a) or (b). Chi-X will specify in this procedure each financial product that, in these circumstances, falls within the “other financial product” category in rule 14.17(a) and (b). At present there are no such financial products.

2. **Regulated Market**

2.1 An investment product may satisfy the eligibility criteria in rule 14.7, by having an underlying asset that is linked to one of the financial products specified in rule 14.17(b), (c) or (d) provided that financial product is traded on a regulated market. Chi-X will specify in this procedure the regulated markets on which, in these circumstances, such a financial product is traded. At present there are no such regulated markets.

3. **An Index based on a Debenture or Bond**

3.1 There are no such indices currently specified.

P14.18: Investment Products - Eligibility Criteria – Underlying Assets - Indices

1. **Disclosures on the Product Issuer web site**

1.1 The product issuer must make the disclosures required by rule 14.18(c) prior to the investment product being quoted. For the sake of clarity, the disclosure must include:

   (a) the criteria for being a constituent of the index;

   (b) the methodology used to construct and maintain the index, including the timing of calculations; and

   (c) the governance arrangements for the index.
1. **Financial Products Excluded from being an underlying asset**

1.1 **Rule 14.20(a)(i)** states that to be eligible for approval, an **investment product** that is an **ETF** must not have an **underlying asset** that is a derivative that has the dominant purpose of providing the holder with a leveraged exposure to a further **underlying asset**. The following are non-exhaustive examples of a derivative that, in the case of a product that is an **ETF**, Chi-X will consider as having the dominant purpose of providing the holder with a leveraged exposure to a linked **underlying asset**:

(a) an OTC derivative that on an ongoing or regular basis has a level of notional exposure that exceeds 10% of the fund’s net asset value (with the exception of an OTC derivative falling within paragraph 1.2(b) of this Procedure 14.20);

(b) a derivative that is embedded into an **ETF** to provide exposure to a multiple of a standard delta 1 index for a defined period;

(c) a derivative that is embedded into an **ETF** to provide exposure to an index that itself provides exposure to a multiple of a standard delta 1 index.

1.2 The following are non-exhaustive examples of a derivative that does not, on its own, have the dominant purpose of providing the holder of the investment product with a leveraged exposure to a linked underlying asset:

(a) a call or put option over a share or standard delta 1 index;

(b) a derivative used for the dominant purpose of managing foreign exchange or interest rate risk.

1.3 **There may be edge cases where it is not apparent, on the face of the quoted fund, whether a derivative that is an underlying asset has the dominant purpose of providing leveraged exposure. In these cases Chi-X will have regard to whether the derivative is an over the counter derivative and the level of the notional exposure of the quoted fund to the derivative:**

– if the notional exposure exceeds 5% of the quoted fund’s net asset value then this may suggest that a purpose of the derivative is to provide leveraged exposure.
Rule 14.20(a)(ii) states that an underlying asset must not include an actively managed investment fund. The combination of rule 14.20(a)(ii) and the definition of an underlying asset as the financial product or other asset by reference to which an investment product is valued, has the outcome that no actively managed funds are able to be admitted to quotation as an investment product.

1.4 Rule 14.20(a)(iii) precludes an investment product from being based on an underlying asset that does not have a readily available price or value. This does not require an underlying asset to be trading at the same time that the investment product is trading. Investment products may be based upon underlying assets that are primarily traded offshore. In these instances, the criterion in rule 14.20(a)(iii) may be satisfied if the underlying asset is subject to a transparent pricing mechanism such as that provided by a regulated market or that is otherwise regularly available at the same or predictable times in a way that enables an investor in the investment product to make reasonable investment decisions on the price or value of that underlying asset.

1.5 The effect of rule 14.20 and the other eligibility criteria in the rules, is that Chi-X will not admit the following financial products to quotation as an investment product:
   (a) a listed investment company;
   (b) a real estate investment trust (REIT) or similar fund;
   (c) an infrastructure trust or fund;
   (d) a non-portfolio strategic investment vehicle (such as a private equity fund);
   (e) an unlisted company, artwork or another collectible, wine or another asset where the price or value is not set by a transparent mechanism.
2.1 An investor fact sheet may satisfy the requirement in rule 14.23(c) by outlining the information required in rules 14.23(c)(i) to (iv) in a way that covers all the constituents of a primary index in a regulated market. Doing so may mean that a product issuer is not required to issue a separate investor fact sheet each time it seeks to issue a new TraCR relating to a constituent of that primary index.

P14.26: Investment Products – Eligibility Criteria – Terms of Issue

1.1 The effect of the rule 14.26 is that the constituent documents of a QMF n ETF must:

(a) ensure state that the a product issuer of an investment product that is an ETF is will operate required on an ongoing daily basis to maintain off market redemption facilities on a daily basis that will be available to holders of ETF financial products in the ETF;

(b) outline in a way that is readily understandable by a reasonable investor, how holders can, on an ongoing basis, redeem those ETF QMF financial products.

P14.27: Investment Products – Eligibility Criteria – Disclosures upon Quotation

1.1 The disclosure documents and information received on the eligibility criteria relating to liquidity obligations, underlying assets and the investment mandate/constituent documents, will be disclosed by Chi-X on the announcements page of the Chi-X web site.


1. The Structure of the Rules Relating to Ongoing Disclosure Requirements

1.1 Rules 14.28 to 14.30 contain ongoing disclosure requirements and are structured so that:

(a) a general overarching requirement in rule 14.28 requires a product issuer to provide Chi-X with the information it is required to disclose in relation to a quoted investment product, under the Corporations Act or other applicable offshore requirement;

(b) a more specific continuous disclosure requirement in rule 14.29 requires product issuers to ensure that any information that may impact on the decision of a reasonable investor to invest in or dispose of an investment product, is provided to Chi-X and is disclosed on a continuous basis;
(c) a more specific periodic disclosure requirement is imposed by rule 14.30 to ensure that a base line of fundamentally important information is regularly provided to Chi-X and disclosed at the times specified.

1.2 As such, the same piece of information may be required to be disclosed under each of rules 14.28, 14.29 and 14.30. However, a single disclosure may be sufficient to satisfy each rule. This rule structure is intended to focus product issuers on compliance with the Corporations Act or equivalent requirements and to ensure that the information published under those requirements is disseminated equally to all current and prospective holders. It is also intended to ensure that the principles of disclosure are apparent to product issuers so that they can take responsibility for ensuring they make full and appropriate disclosures, including in any non-straightforward cases, where product issuers should err on the side of disclosing information to Chi-X.

2. The General Disclosure Requirement

2.1 The general disclosure requirement in rule 14.28 contains an overarching requirement for product issuers to provide Chi-X with all the information in relation to quoted investment products that it is required to provide under (a) the Corporations Act or applicable off shore requirements and (b) any exemption from or modified application of the requirements in the Corporations Act or any applicable off shore requirements.

2.2 The information must be provided to Chi-X without delay once it is provided under those other requirements.

3. Disclosure to the Chi-X Disclosure Interface

3.1 The requirements for lodging disclosures with Chi-X are outlined in the Technical Specification published on the Chi-X web site. A product issuer must ensure the process for lodging the information that has to be disclosed is completed within the time requirements specified in the rules and procedures.

4. Disclosure by Chi-X

4.1 Chi-X will disclose the information provided to it under rule 14.28 on the announcements page of the Chi-X web site, which will be accessible from the home page www.chi-x.com.au.
1. **Disclosure**

1.1 A **product issuer** must provide the information, required to be disclosed under **rule 14.29(a)**, to the **disclosure interface** without delay once it becomes available and in compliance with the **rules, procedures**, technical specifications and guidance notes issued by **Chi-X**.

1.2 The disclosure requirement contained in **rule 14.29** is intended to ensure that a **product issuer** complying with its obligations under the **Corporations Act**, will be complying with the **rules** by providing **Chi-X** with a copy of all the disclosures it has made under the relevant **Corporations Act** provisions.

1.3 For the sake of clarity, **rule 14.29(a)(iii)** applies to the situation where an exemption has been granted to a **product issuer** in respect of provisions of the **Corporations Act** other than sections 675 and/or 1017B and as a consequence sections 675 or 1017B do not directly apply to the **product issuer** and/or the **quoted investment product**. In this situation, if the exemption requires the product issuer to comply with section 675 and/or 1017B then that compliance is required by **rule 14.29(a)(iii)**, even though those sections do not apply directly to the **product issuer**.

1.4 **Chi-X** will disclose the information provided to it under **rule 14.29** on the announcements page of the Chi-X web site, which will be accessible from the home page **www.chi-x.com.au**.

---

**P14.30: Investment Products - Ongoing Requirements – Periodic Disclosure**

1. **Rule 14.30(a) - Providing Information to the Chi-X Disclosure Interface**

1.1 A **product issuer** that seeks to discharge the obligation in **rule 14.30(a)** by providing the net asset value to the **Chi-X** disclosure interface, must do so without delay once that information becomes available and in compliance with the **rules, procedures**, technical specifications and guidance notes issued by **Chi-X**. **Chi-X** will immediately disclose the information provided to it under **rule 14.30(a)** on the announcements page of the Chi-X web site, which will be accessible from the home page **www.chi-x.com.au**.

2. **Annual and Half Yearly Reports**

2.1 The annual report, half yearly report and statement of assets, liabilities and equity, required to be lodged with **Chi-X** under **rule 14.30(c)** must be lodged within 75 days of the end of the annual/half financial year with:
2.2 A product issuer or guarantor may lodge a copy of a report with Chi-X by notifying Chi-X of the place where the information is available in a way that enables Chi-X to obtain that report free of charge. Chi-X may disclose the reports provided to it under rule 14.30(c) on the announcements page of the Chi-X web site, which will be accessible from the home page www.chi-x.com.au.

3. Number of ETF financial products on Issue

3.1 A product issuer may satisfy the requirement in rule 14.30(d) by publishing the number of ETF financial products on issue in relation to the ETF at the end of the month, on the issuer’s web site within five days of the month’s end.

4. Disclosure by Chi-X

4.1 Chi-X will disclose the information provided to it under rule 14.30 on the announcements page of the Chi-X web site, which will be accessible from the home page: www.chi-x.com.au

P14.33: Trading in Investment Products - Transfers

1. Required Opening Times for the Lodging of Transfers

1.1 A product issuer must ensure that the place at which the transfer of an investment product may be lodged for registration, is open on all week days other than:

(a) gazetted bank holidays or public holidays in the State or Territory in which the office is located; and

(b) any other week day on which the Chi-X market is closed for trading.

P14.36: Trading in Investment Products - Exchange-Traded Fund Special Trade

1.1 A participant must complete the following steps when reporting an Exchange-Traded Fund Special Trade:
(a) The participant must submit a trade report, relating to the **Exchange-Traded Fund Special Trade**, in accordance with the Technical Specification that is published on the Chi-X website as the version in force at the time the report is submitted.

(b) At the same time that the report is submitted to Chi-X, email Chi-X Operations at au.ops@chi-x.com with the following information:

(i) the name of the Participant and applicable PID;

(ii) the **ETF** that is the subject of the **Exchange-Traded Fund Special Trade**;

(iii) the number of portfolios traded;

(iv) the total consideration;

(v) for each **financial product** in the **Exchange-Traded Fund Special Trade**:

   A. the identifier for the **financial product**;

   B. the number of the **financial product** that have been traded;

   C. the price of each trade;

   D. the consideration of each trade.