Consultation Paper 1/2019 on:

- Proposed Rules and Procedures Amendments to Accommodate the Move to Membership of the SEGC;

- The removal of visible MOC orders.

Friday 1 November 2019

Updated Tuesday 12 November with the proposed text for Procedure 11.11 in Attachment Three

Consultation Closes: Friday 15 November 2019

Chi-X Australia Pty Ltd

ABN 47 129 584 667
1. Introduction

1.1.1 This Consultation Paper outlines proposed changes to the Chi-X Operating Rules (Rules) and Operating Rules: Procedures (Procedures), that are necessary to:

(a) accommodate a change in the compensation arrangements that apply to the Chi-X market, from those under division 3 of Part 7.5 of the Corporations Act to those covered by division 4 of Part 7.5;

(b) remove visible Market on Close orders.

1.1.2 Proposed changes to the Rules are set out in attachment one, which commences on page 6. Proposed changes to the Procedures are set out in attachment two, which commences on page 24, and attachment three, which commences on page 34 and contains the proposed new text of the disclosure required by rule 11.11.

1.1.3 Submissions will not be treated as confidential unless that is expressly requested in the submission.

1.1.4 Submissions and any queries concerning this CP should be directed to:

Michael Somes
General Counsel
Legal & Compliance
T: + 61 2 8078 1718
E: michael.somes@chi-x.com
2. **Compensation Arrangements**

2.1.1 The current compensation arrangements for the Chi-X market are fidelity fund arrangements under division 3 of Part 7.5 of the Corporations Act. Trading on Chi-X in ASX listed/quoted products by a Chi-X participant that is also an ASX participant, is also covered by NGF compensation arrangements under Division 4 of Part 7.5. Chi-X is of the view that it is beneficial for investors and other stakeholders in Australia’s regulated markets, for a single set of compensation arrangements under Part 7.5 to apply to all trading on Australia’s two main market operators. Chi-X has therefore applied to become a member of the Securities Exchanges Guarantee Corporations, which is the statutory trustee of the National Guarantee Fund. A consequence of Chi-X being a member of the SEGC is that all trading on Chi-X will be covered by the NGF. Chi-X will pay a fee and other consideration to become a member of the SEGC.

2.1.2 The process for Chi-X becoming a member of SEGC has involved multiple steps already. Before the final steps can be taken, it is necessary for Chi-X to amend its Rules and Procedures to accommodate the change in compensation arrangements. This CP is consulting on those proposed changes.

2.1.3 The publication of this CP should not be taken as indicating that membership of the SEGC has been finalised, rather it indicates that the final stages of that process have been entered.

### Consultation Question 1 – Membership of the SEGC

(a) Do you agree that it is beneficial for investors and other stakeholders in Australia’s regulated markets, for a single set of compensation arrangements to apply to all trading on Australia’s two main market operators?

2.2 **The Proposed Amendment of Sections 11 and Section 11A of the Rules**

2.2.1 Section 11 of the Rules currently sets out the existing compensation arrangements and will have to be amended to facilitate a move to those arrangements applying on a run off basis. The proposed amendments do this by setting out a date, defined in the Rules as the NGF transition date, from which the NGF arrangements will apply. The existing Fidelity Fund arrangements will continue to apply to losses that arise because of defalcation or fraudulent misuse that takes place prior to the transition date.

2.2.2 The proposed amendments include a new Section 11A of the Operating Rules, which sets out:

1. The compensation arrangements under the NGF and circumstances in which trading on Chi-X is covered, are set out on the SEGC’s web site at www.segc.com.au.
(a) Where to find the provisions which set out the circumstances in which claims may be made on the NGF;

(b) Some cases in which the NGF compensation arrangements may not apply – the terminology used in these Section 11A rules is similar to that used in the equivalent ASX Operating Rules so that the descriptions are the same and aligned with the exclusions in the Corporations Act and the Corporations Regulations;

(c) administrative arrangements on the payments of levies and which reflects the current arrangements for the payments of levies;

(d) transactions that are reported to Chi-X for the purposes of Part 7.5 of the Corporations Regulations.

**Consultation Question 2 – Proposed Changes to Sections 11 and 11A of the Operating Rules**

(a) Do you agree with the proposed approach of having a transition date as set out in the proposed amendments?

(b) Do you agree with the proposed rules in Section 11A?

(c) Do you agree there is a benefit in ASX and Chi-X using similar terminology to describe the same exclusions?

### 2.3 The Disclosures Required by Procedure 11.11

2.3.1 The transition to NGF arrangements will also require Participants to amend the disclosure they provide to clients in respect of the compensation arrangements that apply to trading on Chi-X. This disclosure is currently set out in Procedure 11.11, a copy of which is at attachment three. Chi-X is proposing to amend this disclosure to cover the following:

(a) the two sets of arrangements that may provide compensation for retail investors;

(b) when those two sets of arrangements may apply.

2.3.2 Chi-X is particularly interested in feedback from Participants on the time to change their systems to accommodate any changes in the disclosure that is required.
Consultation Question 3 – Disclosures by Participants

(a) Do you agree with the proposed changes to the disclosures Participants are required to make to Retail Investors?

(b) Do you have any comments on how Chi-X may assist in enabling Participants to make any required system changes to accommodate a new disclosure requirement?

2.4 Operating Rule 14.36 – Exchange Traded Fund Special Trades

2.4.1 Chi-X is using this opportunity to also amend rule 14.36 to make it clearer that ETF special trades are not reportable transactions for the purposes of Part 7.5 of the Corporations Act and Corporations Regulations. This is the same situation that applies to similar transactions under the ASX Operating Rules.

Consultation Question 4 – Exchange Traded Fund Special Trade

(a) Do you agree with the proposed further clarification that transactions notified to Chi-X under rule 14.36 are not reportable transactions under regulation 7.5.01 of the Corporations Regulations?

3. Removal of Visible MOC Orders

3.1.1 In 2014, Chi-X launched the Market on Close (MOC) order type. In 2015, Chi-X introduced a visible MOC order type for trading in the 1612 to 1620 @Last trading phase. The visible MOC order type has not been commonly used. Hidden MOC orders types have increased in popularity and are an important part of MatchPoint. Chi-X is therefore interested in feedback from participants on whether visible MOC orders should be removed. Doing this would require some minor amendments to Section 4 of the Procedures and these are set out in attachment two.

Consultation Question 5 – Visible MOCs

(a) Do you have a view on the removal of visible MOCs?

(b) Do you have any comments on the proposed amendments to accommodate the removal of visible MOCs?
ATTACHMENT ONE - CHANGES TO THE CHI-X OPERATING RULES
TO ACCOMMODATE THE TRANSITION FROM DIVISION 3 TO
DIVISION 4 COMPENSATION ARRANGEMENTS

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

1. INTERPRETATION AND APPLICATION OF RULES

1.1 Definitions

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

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Continuous Trading</td>
<td>The aggregate time in which the Chi-X market is in continuous trading for the investment product but excluding:</td>
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<tr>
<td></td>
<td>(a) the period during which no firm price is available for at least 10% by value of the underlying assets of the investment product;</td>
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<td></td>
<td>(b) the first fifteen minutes of the continuous trading phase on the Chi-X market;</td>
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<td>(c) the last thirteen minutes of the continuous trading phase on the Chi-X market;</td>
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<td>(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;</td>
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<td>(e) 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;</td>
</tr>
<tr>
<td>Actively managed fund</td>
<td>A QMF managed by a person that has day to day discretion in the investment strategy and/or selection of underlying assets, for the fund.</td>
</tr>
<tr>
<td>Alternative central counterparty</td>
<td>An alternative clearing and settlement facility to the designated central counterparty, in respect of which Chi-X has given consent under rule 6.2.</td>
</tr>
<tr>
<td>Approved financial product</td>
<td>A financial product approved by ASX Settlement in accordance with section 8 or section 13 of the Settlement Rules.</td>
</tr>
<tr>
<td>ASIC</td>
<td>The Australian Securities and Investments Commission.</td>
</tr>
<tr>
<td>ASX</td>
<td>ASX Limited ABN 98 008 624 691 or the market for financial products operated by ASX Limited (as applicable).</td>
</tr>
<tr>
<td>Board</td>
<td>The board of directors of Chi-X.</td>
</tr>
</tbody>
</table>
Business Day  
A day on which the Chi-X market is open and any other day notified by Chi-X to participants.

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  
In relation to the fideliify fund, 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.

Corporate action  
Depending on the context, the corporate action taken by:

(a) the issuer of a financial product traded on Chi-X, to provide an entitlement to the holders of that financial product; and/or

(b) the issuer of the underlying asset(s) of an investment product traded on Chi-X, to provide an entitlement to the holders of that underlying asset.

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.

ETR reference price

The reference price determined by Chi-X pursuant to the application of the extreme trade range rules in the Market Integrity Rules².

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:

² This term only appears in the Operating Rules: Procedures and is provided here for ease of reference.
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**.

### Fixed income security (eligible portfolio)

A **security** that is or is proposed to be a constituent of a portfolio in a **QMF** where either:

(a) the **QMF** is or will be issued by a **product issuer** that has proven systems and controls; or

(b) the portfolio in which the security is held is a **minority portfolio**.

### Foreign Company

As defined in the **Corporations Act**.

### 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**.

### Illiquidity Event

The event described in **rule 14.23A(c)**.
Independent calculation agent
An entity that is independent of any product issuer and that is widely regarded as having expertise in assessing the net asset value of a quoted fund or part thereof.

Investment product
A warrant, quoted 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.

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.

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
Any one or more the following sets of Market Integrity Rules, made by ASIC, that are in force at the time in question:

(a) ASIC Market Integrity Rules (Securities Markets);

(b) ASIC Market Integrity Rules (Competition in Exchange Markets); and/or

(c) ASIC Market Integrity Rules (Chi-X Australia Market).

Match, matching
The electronic matching on the Chi-X market of buy and sell orders submitted to the Chi-X market.

Maximum Spread
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.

Minimum Order Value
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.

Minister
The Minister that at the relevant time has portfolio responsibility for the regulation of the Chi-X market.
Minority portfolio | A portfolio of fixed income securities (eligible portfolio) held or proposed to be held in a QMF and that:
---|---
| (a) is valued on a portfolio basis by an independent calculation agent; and
| (b) under the investment mandate of the QMF will provide:
| (i) not more than 10% of the net asset value of the QMF when valued in aggregate with any other minority portfolios; and
| (ii) not more than 10% of the net asset value of the QMF, when valued as a single portfolio.

NGF | The National Guarantee Fund administered by the SEGC.
NGF transition date | The date on which Chi-X becomes a member of SEGC.
Order | An electronic message submitted to the Chi-X market to buy or sell a financial product.
Off market transaction | A transaction executed (a) other than by a match and (b) in compliance with the Market Integrity Rules.
OTC derivative | An OTC derivative that is or is proposed to be an underlying asset in a quoted fund and that:
| (a) in accordance with paragraph 1.1 of procedure 14.20, does not, on its own or in aggregate with other OTC derivatives, result in the quoted fund having an exposure to all OTC derivative counterparties of more than 10% of the net asset value of the quoted fund;
| (b) on an initial and ongoing basis satisfies those rules expressed to apply to OTC derivatives.
Participant | An entity admitted as a participant of Chi-X under these rules and whose admission has not been terminated or whose resignation has not taken effect.
Procedures | The procedures made by Chi-X under rule 1.7.
Product Application Form, PAF | A Product Application Form approved and made available by Chi-X for the purpose of applying to have an investment product admitted to quotation.
Product issuer | In relation to an investment product, the entity which issues the investment product.
Quotation | Admitted to quotation by Chi-X pursuant to rule 14.9.
Quoted financial product | A financial product issued by a product issuer and traded on the Chi-X market pursuant to the quotation of an investment product.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted fund</td>
<td>An investment product that is an Exchange Traded Fund (ETF) or a Quoted Managed Fund.</td>
</tr>
<tr>
<td>Quoted Managed Fund (QMF)</td>
<td>An open ended 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 money, that enables those taking part through the contribution of money or otherwise, to receive profits or income arising from that property; and</td>
</tr>
<tr>
<td></td>
<td>(ii) those taking part do not have day to day control over the operation of the property.</td>
</tr>
<tr>
<td>QMF financial product</td>
<td>A financial product issued or provided pursuant to a QMF.</td>
</tr>
<tr>
<td>Quoted investment product</td>
<td>An investment product that has been admitted to quotation by Chi-X pursuant to rule 14.9.</td>
</tr>
<tr>
<td>Quoting obligation ratio</td>
<td>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.</td>
</tr>
<tr>
<td>RCTI</td>
<td>A Recipient Created Tax Invoice as described in rule 13.5.</td>
</tr>
<tr>
<td>Reference price</td>
<td>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.</td>
</tr>
<tr>
<td>Regulated Market</td>
<td>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.</td>
</tr>
<tr>
<td>Related Body Corporate</td>
<td>As defined in the Corporations Act.</td>
</tr>
<tr>
<td>Relevant Transaction</td>
<td>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.</td>
</tr>
</tbody>
</table>

3 Note that while the only quoted funds at present are exchange traded funds and quoted managed funds, the term ‘quoted funds’ will be a drafting aid in facilitating the streamlined addition of other fund types to the rules as the Chi-X quoted fund market develops.

4 This defined term is only found in the procedures and is included here for ease of reference.
Reliable Pricing Framework (RPF) A framework for pricing the underlying assets of a QMF that consists of either:

(a) an entity that is widely regarded as providing reliable and independent pricing for the relevant asset class of proposed underlying assets and is specified in the procedures; or

(b) a trading platform that is subject to a regulatory framework, specified in the procedures, that covers pricing quality and transparency.

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.

SEGC Securities Exchange Guarantee Corporation Limited (ABN 19 008 626 793).

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

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 issued by a registered product issuer;

(b) has an underlying asset that is held by a custodian on behalf of the product issuer and, ultimately, the holder of the TraCR;

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

(d) satisfies the eligibility criteria that is specifically related to TraCRs.

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.

1.2 Rules of Interpretation

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

(b) A reference to:

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

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

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

(iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and

(v) anything (including a right, obligation or concept) includes each part of it.

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

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

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

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

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

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

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

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

(iii) any other reference to that party or term is a reference to each of those persons separately, so that (for example) a representation, warranty or undertaking relates to each of them separately.
(i) A rule is not to be interpreted against the interests of Chi-X merely because Chi-X prepared these rules or because Chi-X relies on a provision of these rules to protect itself.

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

1.3 Application and Effect of these Rules

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

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

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

(b) These rules should be read in conjunction with the procedures, the Corporations Act and the Market Integrity Rules. To the extent of any inconsistency between these rules and the procedures, the terms of these rules will prevail. To the extent of any inconsistency between these rules and the Corporations Act and the Market Integrity Rules, these rules should be read down and interpreted in a manner that is consistent with the Corporations Act and the Market Integrity Rules.

1.4 Changes to the Rules

(a) The rules may only be added to, amended or deleted by Chi-X. Unless otherwise provided in this rule any new rule or variation shall be effective from the date determined by Chi-X. Chi-X shall cause all new rules and variations to be made publicly available. Failure to give such notice will not invalidate a new rule or vary or delay its operation.

(b) The conduct of a participant will, unless otherwise specified, be governed by and subject to the rules and procedures in force at the time of the conduct.

1.5 Waiver of the Rules

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

1.6 Reviews

(a) A decision by Chi-X or any delegate of Chi-X under these rules may only be reviewed in accordance with these rules and the procedures.

(b) A review conducted by the Review Committee pursuant to these rules must be conducted in accordance with these rules and the procedures.
Subject to rule 1.6(d), a participant and product issuer can only request a review by:

(i) notifying Chi-X in accordance with these rules and procedures, including as to the time by which a notification must be made, of the request for a review;

(ii) including the following information and material with the notification:

A. the name of the participant or product issuer, as appropriate, seeking the review, the decision in respect of which the review is sought, and all material facts;

B. all relevant documents including all those upon which the participant will rely; and

(iii) lodging with Chi-X the applicable filing fee set out in the procedures, prior to or at the same time as the participant or product issuer, as appropriate, notifies Chi-X of the request for a review.

(d) For the sake of clarity, a notification under rule 5.5(a) may be provided by telephone or email.

(e) A participant/product issuer must comply with any procedural direction by the Review Committee.

(f) The Review Committee may dismiss a request for a review on the basis that the participant/product issuer has failed to comply with a direction.

1.7 Procedures

(a) Chi-X may approve written procedures relating to the operation of these rules, the Chi-X market and the conduct of participants and product issuers.

(b) If a rule requires compliance with the procedures then failure to comply with the procedures as required is a contravention of that rule.

(c) The procedures do not form part of the rules other than as outlined in rule 1.7(b).

(d) Chi-X may change the procedures and will give notice before those changes take effect.

1.8 Governing Law and Jurisdiction

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

11.1 Introduction

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

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

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

(d) This rule 11 applies only to claims in relation to losses covered by rule 11.7. A person who does not have a claim under this rule 11, may have a claim on the NGF, in accordance with Rule 11A.

11.2 Establishment of the fidelity fund and insurance coverage

(a) [Deleted]

(b) Subject to paragraph (c), Chi-X will also obtain and maintain an insurance policy to support the fidelity fund and which will be set at a level of $10million (subject to the limits in rule 11.10(d)).

(c) Chi-X will maintain an amount of cash, and/or a level of insurance cover, to at least the amount and level required by Chi-X’s licence, or such other amount or level as may be specified by the Minister.

11.3 General administration of the fidelity fund

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

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

(c) Chi-X may pay out of the fidelity fund, as permitted by the Corporations Act:

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

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

(iii) any other amounts permitted by this rule 11, Chi-X’s licence or the
Corporations Act.

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

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

(i) monitoring the adequacy of the fidelity fund;

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

(iii) reporting to the board on the need for, or desirability of, changes to the fidelity fund.

(iv) Chi-X will give the independent person or persons such assistance as they reasonably require in this regard.

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

11.4 Audit

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

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

11.5 Levies

(a) If at any time the amount of the fidelity fund falls below $200,000, or such other amount that the Minister states should be in the fidelity fund, Chi-X may raise a levy on one or more participants to ensure that adequate funds are held by the fidelity fund.

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

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

(d) Subject to rule 11.5(b), the amount of the levy shall be determined in accordance with the following formula:

\[ L = \frac{A}{P} \]

where:

\[ A = \text{the amount by which the fidelity fund has fallen below either:} \]
(a) $200,000; or
(b) the amount specified by the Minister;

\[ P = \text{the number of participants; } \]
\[ L = \text{the amount of the levy.} \]

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

11.6 Excess money in the fidelity fund

(a) If the amount of money in the fidelity fund together with the amount of cover provided by the insurance arrangements referred to in rule 11.2(c)(b) at any time exceeds the minimum amount of cover required by the conditions to Chi-X’s licence, Chi-X may pay the amount of the excess into a designated financial industry development account.

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

11.7 Losses covered

A loss is a loss covered by the fidelity fund and/or the insurance arrangements referenced in rule 11.2(b), if it is not an excluded loss and:

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

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

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

(d) the client suffers a loss because of the defalcation or fraudulent misuse, prior to the NGF transition date, of the money, other property, or the authority given by the client (as applicable), by the participant.

For the avoidance of doubt a claim relating to an alleged loss caused by defalcation or fraudulent misuse may be allowed even if the person against whom the defalcation or misuse is alleged has not been convicted or prosecuted, or the evidence on which the claim is allowed would not be sufficient to establish the guilt of that person on a criminal trial in respect of the defalcation or criminal misuse.

11.8 Making a Claim

(a) A client who has suffered a loss may make a claim on the fidelity fund and/or the insurance arrangements referenced in rule 11.2(b), by completing the

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

(c) A claim must be made within six months of the latter of the claim arising and the client becoming aware of its ability to make a claim. No claim may be made following the seventh anniversary of the NGF transition date.

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

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

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

11.9 Determination of Claims

(a) Chi-X, or a delegate of Chi-X, may determine a claim.

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

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

(d) Without limiting anything else in this rule 11.9, a claim may be disallowed if a person making a claim refuses to exercise any available right of set off.

11.10 Amount and payment of compensation

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

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

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

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

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

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

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

(e) If the fidelity fund and insurance arrangements referenced in rule 11.2(b) are insufficient, either together or alone, is insufficient to meet all claims, claims will be reduced on a pro rata basis or in such other manner as Chi-X considers appropriate.

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

(g) If the fidelity fund makes a payment in relation to a claim, is paid out of the fidelity fund or pursuant to the insurance arrangements referenced in rule 11.2(b), then Chi-X may recover from the participant or participants who caused the relevant loss the costs or expenses incurred by Chi-X in determining the claim and the amount of any payments in relation to the claim. Each participant indemnifies and must keep indemnified Chi-X in relation to any such amounts.

(h) If a claim is allowed, the fidelity fund must make the relevant payment in relation to the Claim within 28 days of the determination under rule 11.9.

11.11 Disclosure

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

11.12 [Deleted] Termination and Winding up of Compensation Arrangements

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

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

(c) The compensation arrangements under paragraph (a) may consist of an undertaking by Chi-X to pay any valid claim which arose before the date on which Chi-X ceased to have compensation arrangements in place.
11A COMPENSATION ARRANGEMENTS – NATIONAL GUARANTEE FUND (NGF)

11A.1 Introduction

(a) The NGF is a compensation fund that is independently administered by the SEGC. Chi-X is a member of SEGC, with effect from the NGF transition date, which means that in certain circumstances a person may be entitled to claim compensation from the NGF.

(b) The circumstances in which claims may be made on the NGF, and the administration of claims, are governed by Division 4 of the Part 7.5 of the Corporations Act, the Corporations Regulations, and the operating rules of SEGC.

11A.2 Loans and Provision of Property to Participants

(a) Where a person:

(i) lends money to a participant or entities which are managed or controlled by a participant; or

(ii) provides property to a participant or to entities which are managed or controlled by the participant, other than in the course of, or in connection with the participant or entity’s business of dealing in financial products,

the participant will give written notification to each such person that the general protection of the NGF provisions of the Corporations Act will not apply to the money lent or the property provided, or any income which may have been derived from property which had been provided by the person to the participant to be managed on trust by the participant. A copy of the written notification will be retained by the participant until such money or property has been returned to the person.

(b) Where a person is an excluded person as defined at Corporations Regulation 7.5.04, the participant will give written notification to each such person that the general protection of the NGF provisions of the Corporations Act will not apply to the money lent or the property provided, or any income which may have been derived from property which had been provided by the person to the participant to be managed on trust by the participant.

(c) A copy of the written notification will be retained by the participant until such money or property has been returned to the person.

(d) For the purpose of the sub-sections (a) and (b), "property" includes money, financial products and documents of title to and instruments of transfer relating to financial products.

(e) A participant may satisfy the obligations in this rule by having previously provided a notice to the effect required in rules 11A.2(a) and/or 11A.2(b) to the relevant client, whether pursuant to the rules of another market operator or otherwise.

11A.3 Payment of Compensation Arrangement Levies

(a) If Chi-X is required to pay a levy to the SEGC under section 889J(1) of the...
Corporations Act, Chi-X may determine in writing that participants must pay a contributory levy in accordance with section 889K of the Corporations Act. A participant must pay the contributory levy to Chi-X within the period, and in the manner, required by section 889K(3) of the Corporations Act.

(b) A participant must, if the SEGC levies that participant directly under section 889J(1) of the Corporations Act, pay the levy to the SEGC in accordance with the levy notice.

11A.4 Reportable Transactions

For the purposes of Part 7.5 of the Corporations Regulations:

(a) all transactions in respect of securities (as that term is defined in Corporations Regulation 7.5.09) that arise upon the matching of orders on the Chi-X market must be (and are taken to have been) reported to Chi-X; and

(b) a participant is permitted to report to Chi-X any off-market transaction in respect of securities in accordance with rule 4.4,

provided that Exchange Traded Fund Special Trades are not "reportable transactions" under this rule 11A.4.

14 INVESTMENT PRODUCTS

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 a Quoted Fund 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 notified to Chi-X reported in accordance with the procedures.

(b) A transaction notified to Chi-X under rule 14.36(a) is not a ‘reportable transaction’ under regulation 7.5.01 of the Corporations Regulations.
ATTACHMENT TWO

CHANGES TO THE CHI-X OPERATING RULES: PROCEDURES TO:

(A) ACCOMMODATE THE TRANSITION FROM DIVISION 3 TO DIVISION 4 COMPENSATION ARRANGEMENTS; AND

(B) REMOVE LIT MARKET ON CLOSE ORDERS

In this attachment, double underlining indicates text to be inserted and strikethrough indicates text to be deleted. Red text indicates relevant terms, text or procedures directly impacted by the proposed amendments. Procedures in black text are included to provide context for and assist in any consideration of, the proposed amendments.

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></td>
<td>(Applicable products)</td>
<td></td>
</tr>
<tr>
<td>Technical Connectivity</td>
<td>06:00 (All products)</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 10:00 (All products except currency, commodity and index warrants)</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>06:35 until 09:50 (currency, commodity and index warrants)</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.</td>
</tr>
<tr>
<td>Continuous Trading</td>
<td>09:50 until 16:13 (currency, commodity and index warrants)</td>
<td>• Participants may enter orders into the Chi-X market, including hidden but not visible MOC orders for ASX listed equity market products;</td>
</tr>
<tr>
<td></td>
<td>10:00 until 16:13 (All products except currency, commodity and index warrants)</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>
</tbody>
</table>
@Last | 16:12 until 16:20 (ASX listed equity market products) (warrants) | Participants may only enter visible and hidden MOC orders into the Chi-X market in this phase; Participants may report off market transactions in warrants in accordance with the rules; MOC orders are matched in accordance with the rules.

Post-Trading Administration | 16:13 until 18:55 (All products) | This phase initially operates in parallel with the @Last trading phase and the following applies to non-MOC orders during this phase:
- Participants cannot enter or amend orders but may cancel orders;
- The Chi-X trading system does not match orders in this phase;
- Participants may report trades under the rules;
- All orders remaining in the Chi-X market at the end of this phase will automatically be cancelled.

Technical Connectivity Ends | 19:00 (All products) | All participant connections to Chi-X are closed. Intraday trade cancellations no longer possible.

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 but not in all cases) is to report the relevant transaction in accordance with and at the times specified in the Market Integrity Rules.

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.

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 that is relied upon for the off market transaction:

(a) Block trades;

(b) Large portfolio trades;

(c) Trades with price improvement;

(d) Permitted trades during the post-trading hours period;

(e) Permitted trades during pre-trading hours period; and

(f) Out of hours trades.

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.

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 16:13 on the business day;

(b) is a bona fide hedge; or

(c) executes an order received after 16:13 on the business day.

Participants may use the warrants trade report facility to submit a trade report for an off market transaction in a warrant but must comply with the requirements of the technical specification in force at that time when doing so. A trade report submitted through the warrants trade report facility may involve:

(a) a negotiated off market transaction between a participant and the product issuer of the warrant;

(b) hidden MOC messages submitted to the Chi-X market by both the participant and on behalf of the product issuer, during the continuous trading and/or @Last trading phases;

(c) a reference price for the off market transaction which is determined by the product issuer and is based on the closing price of the underlying asset of the warrant;
(d) matching of the trade reports contained in the hidden MOC messages submitted by the participant and on behalf of the product issuer.

5.3 A participant may report an off market transaction in a TraCR, during the Post Trading Administration trading phase, where the off market transaction:

(a) completes an order received prior to 16:13 on the business day;
(b) is a bona fide hedge; or
(c) executes an order received after 16:13 on the business 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.

**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>Pegged Order Types</td>
<td>Reference Price</td>
</tr>
</tbody>
</table>
NearPointX (Primary Peg), FarPointX (Market Peg) and Mid-PointX (Mid-Peg) orders

| NearPointX (Primary Peg), FarPointX (Market Peg) and Mid-PointX (Mid-Peg) orders | A national best bid and offer (NBBO) as calculated by Chi-X in accordance with ASIC guidance as published from time to time. |
| Market on Close (MOC) orders | The closing price of each equity market product as published by ASX at the conclusion of its closing auction. If no closing price results from the closing auction, the last traded price on that business day. |

1.2 As noted in procedure 4.2, participants may submit 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:

- (a) security code;
- (b) price, for non-MOC orders;
- (c) quantity;
- (d) buy or sell;
- (e) 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:

- (a) undisclosed quantity;
- (b) 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) 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:

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

(b) MOC orders will match on the basis of visibility/participant/time priority.

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

**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 in ASX listed products that 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 business day but before 7pm – on the next business day after entering into an agreement to sell;

(b) if the sale occurs after 7pm but before the start of the next business day – on the second business 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:
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.

1.4 For the purposes of **rule 4.8**, **participants** must submit to **Chi-X** the short sale information required by the **Corporations Act** in respect of relevant transactions it has executed on the **Chi-X Market** in investment products, where the relevant transaction involves a short sale or partial short sale. Information required to be submitted under this paragraph 1.4 of procedure 4.8 must be submitted by no later than 9:00 AM:

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

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

1.5 The report submitted to **Chi-X** may be submitted in the format specified on the **Chi-X** website and must contain the following information required by regulation 7.9.100 of the Corporations Regulations:

   - **Chi-X** code;

   - **investment product** name;

   - the total number of each **investment product** that will vest in the buyer under the arrangement.
1.1 **A participant** must complete the following steps when notifying reporting an **Exchange-Traded Fund Special Trade**:

(a) The participant must submit a trade **notification report**, relating to the **Exchange-Traded Fund Special Trade**, in accordance with the Technical Specification that is published on the Chi-X web site as the version in force at the time the report is submitted.

(b) At the same time that the **notification report** is submitted to Chi-X, email Chi-X Operations at au.support@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.
ATTACHMENT THREE

CHANGES TO THE CHI-X OPERATING RULES: PROCEDURES ON THE DISCLOSURE REQUIREMENT AFTER THE TRANSITION FROM DIVISION 3 TO DIVISION 4 COMPENSATION ARRANGEMENTS

In this attachment, strikethrough indicates text to be deleted and replaced with the text as indicated below. Red text indicates relevant terms, text or procedures directly impacted by the proposed amendments.

Section 11: COMPENSATION ARRANGEMENTS

P11.11: Disclosure by Participants

1.1 For the purposes of rule 11.11, participants must provide the following disclosure to any client:

“Chi-X and ASX operate different compensation funds that provide protection for retail investors in the circumstances defined in the Corporations Act and Regulations.

The Chi-X compensation fund covers losses resulting from defalcation or fraudulent misuse of your money, property or authority by a Chi-X participant, subject to certain exceptions. In circumstances where your stockbroker is also an ASX participant, the following applies in relation to such a loss:

If you do not expressly or impliedly instruct your stockbroker, who is a Chi-X participant, to execute your trading instructions on the Chi-X market, and it is not reasonably apparent from the usual business practice of your stockbroker which of the ASX or Chi-X market the participant would use when acting for you, the Chi-X fund will not apply. In this case, the National Guarantee Fund (NGF) may apply, provided the loss is connected to the ASX market and is covered by the NGF claims provisions. The NGF claims provisions are set out in Division 4 of Part 7.5 of the Corporations Act and Regulations (for further information see the legislation and the NGF Information Booklet available at www.segc.com.au). Note that if your stockbroker is not an ASX participant, the NGF will not apply in any circumstance.”

Insert the following text:

There are two different compensation arrangements that may provide protection for retail investors trading on Chi-X, depending on when a transaction took place and/or the date of the insolvency of a Chi-X participant. This is because on 1st day of January 2020, Chi-X became a member of the SEGC, which operates the National Guarantee Fund (NGF).
When do the NGF Arrangements apply? From the 1st day of January 2020, the National Guarantee fund may apply:

(a) in the case of a retail investor who has suffered a loss because of either:
   (i) the failure of a Chi-X participant to complete the settlement of a transaction on the Chi-X market; or
   (ii) an unauthorised transfer of shares or funds by a Chi-X participant;

to transactions which took place on or after this date; or

(b) in the case of an investor who may have suffered a loss because of the insolvency of a Chi-X participant, when that insolvency occurred on or after this date.

Section 11A of the Chi-X Operating Rules outlines the NGF compensation arrangements.

When do the Division III Compensation Arrangements apply? Where a retail investor suffers a loss in respect of a transaction or insolvency that occurred before the 1st day of January 2020 that loss may be covered by the division 3 compensation arrangements. Section 11 of the Chi-X Operating Rules outlines the Division III compensation arrangements, including the cessation of the arrangements on 31 December 2026 and the requirement, while the arrangements are in place, to make a claim no later than six months after becoming aware of the loss to which the claim relates.