

TMX AUSTRALIA EXCHANGE

Anomalous Order Thresholds, Extreme Trade Range & Trade Cancellation





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1. INTRODUCTION

1.1. Purpose

This policy outlines arrangements of TMX Australia Exchange, which is the trading name of TMX Australia Exchange Pty Ltd (previously Cboe Australia Pty Ltd) ("TMX"), for (1) the validation of orders against the Anomalous Order Thresholds ("AOT"), (2) the validation of orders and proposed trades against the Extreme Trade Range ("ETR"), and (3) the cancellation of trades, in order to meet TMX's obligations under the [Corporations Act 2001 \(Cth\)](#) and the [ASIC Market Integrity Rules \(Securities Markets\) 2017](#) ("MIRs").

In particular, this policy outlines:

- (a) the AOT arrangements, including the determination of AOT Reference Prices, the AOT Threshold Groups and the parameters associated with each group, and the validation process;
- (b) the ETR arrangements, including the determination of ETR Reference Prices, the ETR defined under the MIRs, the validation process, and management of ETR Events;
- (c) procedures for trade cancellations, including circumstances in which trade cancellations may be requested and those in which requests for trade cancellations will not be accepted; and
- (d) functionality referred to as Self-Trade Protection ("STP") to enable a Participant to prevent its own buy order and sell order from matching.

TMX will administer this policy in accordance with its license obligations, including the management of conflicts of interest.

1.2. Applicability

This document is intended for participants admitted under the TMX Operating Rules ("Participants").

2. ANOMALOUS ORDER THRESHOLDS

2.1. Market Operator Obligations

Under Part 8.1 of the MIRs, TMX is required to have arrangements in place to prevent Anomalous Orders, as defined in the MIRs, from entering the TMX order book at all times on a trading day, other than a time during which:

- (a) orders are not matched and transactions are not executed on a continuous basis on the TMX order book; or
- (b) an auction is being conducted on the TMX order book.

To meet this requirement, TMX has implemented arrangements to validate orders entered into the TMX trading system during continuous trading against an AOT Reference Price using two parameters (see Section 2.4).

For the avoidance of doubt, these AOT arrangements are in place in addition to the arrangements to prevent transactions in the ETR required under Part 8.2 of the MIRs. See Section 3 for more details on TMX's ETR arrangements.

2.2. Applicable Products

The AOT arrangements apply to equity market products as defined under the MIRs. On the TMX order book, securities and exchange traded funds ("ETFs") are captured in this definition, while warrants are not captured.

2.3. Determination of AOT Reference Prices

A reference prices used for the purpose of calculating the AOT bands ("AOT Reference Price") for each equity market product is determined on each trading day in accordance with the reference price hierarchy applicable to the relevant security type. It is a dynamic price and is updated throughout the continuous trading session.



Security Type	AOT Reference Price Determination
TMX-listed securities	TMX will determine the AOT Reference Price as follows: (a) at the start of each trading day, the most recent closing price on the TMX order book; and then the price of the most recent trade executed on the TMX order book (including by an auction) on that trading day.
TMX-quoted ETFs	TMX will determine the AOT Reference Price as follows: (a) at the start of each trading day, the most recent closing price on the TMX order book; and then (b) the price of the most recent trade executed on the TMX order book (including by an auction) on that trading day. Note: If TMX, acting reasonably, determines the price above is invalid, TMX may use an estimated net asset valuation provided by the relevant product issuer.
ASX-listed securities and ASX-quoted ETFs traded on the TMX order book	TMX will determine the AOT Reference Price as follows: (a) at the start of each trading day, the most recent closing price from ASX; and then (b) the price of the most recent trade executed on ASX TradeMatch (including by an auction) or the TMX order book on that trading day. Note: If ASX market data (ITCH) is not available, TMX will use the price of the most recent trade executed on the TMX order book only.

In limited circumstances, TMX may be required to manually change the AOT Reference Price to take into account matters such as corporate actions or overnight market sensitive news.

2.4. AOT Threshold Groups and Parameters

Prior to the commencement of each trading day, TMX assigns a threshold group ("AOT Threshold Group") to each equity market product available on the TMX order book based on the last AOT Reference Price determined on the previous trading day.

TMX then applies, for each AOT Threshold Group, a permitted price range derived from a percentage-based parameter ("Relative Threshold Value") and a dollar-based parameter ("Absolute Threshold Value").

The table below outlines the AOT Threshold Groups and the corresponding AOT Reference Price ranges, Relative Threshold Values and Absolute Threshold Values applicable to each group.

Threshold Group	Lower AOT Reference Price (\$ (Inclusive))	Upper AOT Reference Price (\$ (Exclusive))	Relative Threshold Value (%)	Absolute Threshold Value (\$)
A ¹	\$0	\$1.00	15%	\$0.10
B	\$1.00	\$2.00	12%	\$0.20
C	\$2.00	\$5.00	11%	\$0.50
D	\$5.00	\$10.00	10%	\$1.00
E	\$10.00	\$30.00	9%	\$3.00
F	\$30.00	—	8%	\$5.00

Prior to the commencement of each trading day, TMX publishes the applied parameters in the Securities List (CXATSL) and Extended Securities List (CXALSL) reference data files on the TMX website at

¹ For products at or below 9.9 cents, the threshold value may be rounded down to align with the relevant tick size value.



<https://www.tmxaustralia.com/equities/support/reference-data>. See the Percentage Threshold and Absolute Threshold columns.

If required, TMX may change the threshold group for an equity market product based on market event factors.

2.5. AOT Validation

The TMX trading system validates the limit price of each new order and order amendment message received against **both** the applicable Relative Threshold Values and Absolute Threshold Values set out in the table above, except for order types that incorporate their own price validation controls (such as pegged orders and Market-on-Close orders). The TMX trading system will **reject** any order message if the limit price exceeds **both** the applicable Relative Threshold Values and Absolute Threshold Values. Further details of the validation process are outlined below.

- (a) **Check 1 – Relative Threshold Value:** The Relative Threshold Value sets the maximum percentage by which the price of an order may deviate from the AOT Reference Price. An order will fail the relative check if it deviates from the Reference Price in the following circumstances.
 - (i) A buy order fails the relative check if: $\text{Price of order} > \text{AOT Reference Price} \times (1 + \text{Relative Threshold Value})$.
 - (ii) A sell order fails the relative check if: $\text{Price of order} < \text{AOT Reference Price} \times (1 - \text{Relative Threshold Value})$.
- (b) **Check 2 – Absolute Threshold Value:** The Absolute Threshold Value sets the maximum value the price of an order may deviate from the AOT Reference Price. An order will fail the absolute check if it deviates from the AOT Reference Price in the following circumstances.
 - (i) A buy order fails the absolute check if: $\text{Price of order} > \text{AOT Reference Price} + \text{Absolute Threshold Value}$.
 - (ii) A sell order fails the absolute check if: $\text{Price of order} < \text{AOT Reference Price} - \text{Absolute Threshold Value}$.

3. EXTREME TRADE RANGE

3.1. Market Operator Obligations

Under Part 8.2 of the MIRs, TMX is required to have arrangements in place to prevent transactions in the ETR at all times on a trading day, other than a time during which:

- (a) orders are not matched and transactions are not executed on a continuous basis on the TMX order book; or
- (b) an auction is being conducted on the TMX order book.

To meet this requirement, TMX has implemented arrangements to validate orders entered into and matched on the TMX trading system during continuous trading against the ETR (see Section 3.5).

3.2. Applicable Products

The ETR arrangements apply to equity market products as defined under the MIRs. On the TMX order book, securities and ETFs are captured in this definition, while warrants are not captured.

3.3. Determination of ETR Reference Prices

The ETR Reference Price for an equity market product is determined on each trading day in accordance with the reference price hierarchy applicable to the relevant security type. It is only updated after a trading reset (i.e., trading halt, trading pause and the end of trading).



Security Type	AOT Reference Price Determination
TMX-listed securities	TMX will determine the ETR Reference Price as follows: (a) the price established by an auction on the TMX order book; or (b) if the above price is not available or invalid, the price of the first trade executed after an auction on the TMX order book on that trading day. Note: if TMX, acting reasonably, determines the price above is invalid, TMX will use a price that it considers to be not invalid.
TMX-quoted ETFs	TMX will determine the ETR Reference Price as follows: (a) the price established by an auction on the TMX order book; or (b) if the above price is not available or invalid, the price of the first trade executed after an auction on the TMX order book on that trading day. Note: if TMX, acting reasonably, determines the price above is invalid, TMX will use a price that it considers to be not invalid, including based on an estimated net asset valuation provided by the relevant product issuer.
ASX-listed securities and ASX-quoted ETFs traded on the TMX order book	TMX will determine the ETR Reference Price as follows: (a) the ETR Reference Price determined by ASX and notified to TMX in accordance with the MIRs; or (b) if the above price is not available, the price of the first trade executed after the commencement or resumption of continuous trading on the TMX order book. Note: if TMX, acting reasonably, determines the price referred to at (2) above is invalid, TMX will use a price that it considers to be not invalid. For clarity, if there is an ETR Reference Price notified by ASX, TMX will always use the price as required under the MIRs.

3.4. Extreme Trade Range under MIR 8.2.1

The ETR for an equity market product is defined in MIR 8.2.1 and outlined in the table below.

ETR Reference Price	Extreme Trade Range
0.1–9.9 cents	> 10 cents
10–99.5 cents	> 30 cents
100–199.5 cents	> 50 cents
200–499 cents	> 50.0%
500–699 cents	> 40.0%
700–999 cents	> 35.0%
1000–1999 cents	> 30.0%
2000–4999 cents	> 25.0%
5000 cents	> 20.0%

3.5. ETR Validation

The limit price of a new order or order amendment message received by the TMX trading system (excluding a Market on Close order which does not have a price until the ASX closing price is assigned) is validated against the ETR, and the order message will be rejected if it would be in the ETR if it were to be accepted.



Further, prior to any on-market execution, the price of a proposed trade (i.e., matched orders pending execution validation) is validated against the ETR, and the proposed trade will be rejected if it would be in the ETR if it were to be executed.

If an order or proposed trade fails the ETR validation, it will be treated as an ETR Event (as defined under the MIRs)² by TMX.

3.6. ETR Events

In accordance with MIR 8.2.2C, TMX imposes and lifts a trading pause or trading halt in response to an ETR Event in the following circumstances.

Security Type	Trading Pause
TMX-listed securities and TMX-quoted ETFs	TMX imposes a trading pause (i.e., pre-open state whereby new orders can be entered but are not matched) for two minutes immediately after an ETR Event occurs on the TMX order book. After the two-minute trading pause, TMX will resume trading by an auction.
ASX-listed securities and ASX-quoted ETFs traded on the TMX order book	<u>ETR Event takes place on the TMX order book</u> TMX notifies ASX of an ETR Event that occurs on the TMX order book. Upon receiving such notification, ASX imposes a trading pause and notifies TMX that the relevant product has been placed into a “regulatory halt”. TMX imposes a trading halt (i.e., new or amend orders are unable to be entered) immediately after it receives a regulatory halt notification from ASX. TMX will lift the halt immediately after it receives a notification from ASX that trading has resumed. <u>ETR Event takes place on ASX</u> ASX imposes a trading pause and notifies TMX that the relevant product has been placed into a “regulatory halt”. TMX imposes a trading halt (i.e., new or amend orders are unable to be entered) immediately after it receives a regulatory halt notification from ASX. TMX will lift the halt immediately after it receives a notification from ASX that trading has resumed.

4. TRADE CANCELLATION

4.1. Market Operator Obligations

Under Part 8.3 of the MIRs, TMX is required to have policies and procedures for the cancellation of transactions in equity market products. TMX’s Operating Rules: Procedures (“Procedures”) outline the procedures a Participant must follow for requesting to cancel a relevant transaction to ensure the continued operation of a fair, orderly and transparent market.

4.2. Procedures for Trade Cancellation

Under Operating Rule 5.6, a Participant wishing to request a relevant transaction to be cancelled must comply with the Procedures. Under Procedure 5.6, TMX specifically requires Participants to submit a request to cancel an error trade within 15 minutes of the relevant error trade. As a general rule, TMX will not cancel an error trade unless the requesting Participant complies with the 15-minute time requirement.

Further, TMX may contact the counterparty Participant to determine whether it consents to the cancellation of the relevant error trade. Even if the counterparty Participant agrees to cancel the relevant error trade, TMX may prevent that cancellation if TMX considers that is necessary to ensure that the market for the relevant financial product is fair, orderly and transparent.

² Under the MIRs, an “ETR Event” is defined as when an order with the price in the ETR is received by a market operator and is **not prevented** from entering the relevant market’s order book by the AOT controls. While all orders failing the AOT validation are prevented from entering the TMX order book, TMX nevertheless treats an order or a proposed trade in the ETR that is rejected as a result of the ETR validation as an ETR Event.



TMX may, at its discretion, cancel a clearly erroneous transaction up to 6:00 p.m. on the same day, regardless of whether the 15-minute time requirement was met or whether the counterparty participant consented to the cancellation. For example, if a product was traded by error while it was meant to be in a trading halt or a transaction has occurred at a price far from the last traded price of the relevant product, TMX will cancel the transaction as a clearly erroneous trade.

Any requests for and queries about the cancellation of transactions on the TMX order book should be addressed to TMX Trade Desk at tradedeskau@cboe.com or +61 2 8078 1701.

If a cancellation relates to a market-related dispute, Participants may apply for a review of a decision made by TMX under Operating Rule 5.5. See the TMX Operating Rules and Procedures for more details.

4.3. Unintended Wash Transactions

TMX considers an unintended wash transaction to be a clearly erroneous transaction and therefore may be cancelled under Operating Rule 5.6(b). For the purposes of this policy, TMX applies the same approach to matched MOC orders that would result in an unintended wash transaction if or when the applicable reference price becomes available.

In order to cancel an unintended wash transaction under Operating Rule 5.6(b), a Participant must notify TMX as soon as possible and no later than 6pm by emailing the following details to tradedeskau@cboe.com.

- (a) Symbol
- (b) Price
- (c) Executed quantity
- (d) Transaction time
- (e) Order ID
- (f) Execution ID
- (g) Trade Link ID for ETF Special Trades and Large Portfolio Trades

TMX further notes that, as a preventative measure, the TMX trading system enables a Participant to use a NoTradeKey to prevent unintended wash transactions. For further information, see Section 5 and the TMX technical specifications available at <https://www.tmxaustralia.com/equities/notices/technical>.

4.4. Cancellation of Off-Market Transactions

TMX supports the technical capability for a Participant to cancel its two-sided off-exchange trade reports directly via their FIX port and strongly encourages the use of this functionality.

For further information, refer to the TMX technical specifications available at <https://www.tmxaustralia.com/equities/notices/technical>.

5. SELF-TRADE PREVENTION

5.1. Functionality

As outlined in the technical specifications, TMX provides STP functionality to enable a Participant to prevent its own buy order and sell order from matching if both order messages satisfy both conditions below:

- (a) being sent using the same first 3 digits of the Trading PID; and
- (b) having the same 'NoTradeKey' specified under the relevant 'NoTradeKey' tag/ field.

Participants are encouraged to use this functionality to help prevent unintended wash transactions.



5.2. Technical Specification

A Participant may specify one of the following Self-Trade Protection outcomes per order under the relevant 'NoTradeFeat' tag/ field.

NoTradeFeat Value	Description
U	NoTradeKey will be ignored and STP would not apply
N	The resting order remains unchanged, and the new taker order is rejected
O	The resting order is cancelled, and the new taker order is entered
B	Both orders will be cancelled
S	The smaller order will be cancelled
D	The smaller order is cancelled, and the larger order is reduced by the smaller order's quantity. The reduced quantity is reflected in OrderQty as well as LeavesQty (in the message back to the Participant).
D	The smaller order is cancelled, and the larger order is reduced by the smaller order's quantity. The reduced quantity is reflected in LeavesQty only (in the message back to the Participant).
X	The matched orders will be reported as a Booking Purpose trade

If the NoTradeFeat is not populated, the port default is applied.



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