

Cboe BIDS Australia

Buy-side FAQs

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1. A Brief History of Cboe BIDS Australia

BIDS (**Block Interest Discovery Service**) Trading was established in 2006 by a consortium of bulge bracket brokers, as a registered broker-dealer and the operator of the BIDS Alternative Trading System (ATS). BIDS Trading's aims were to bring institutional counterparties together to anonymously trade large blocks of shares and strengthen relationships between fund managers and their trusted brokers. BIDS is the largest block-trading venue by volume* in the U.S.

BIDS, in partnership with BATS, launched the platform in Europe ahead of the MiFIDII regulations that went live in 2018. BATS was subsequently acquired by Cboe Global Markets and Cboe BIDS Europe and is now the largest dark trading venue in the UK and EMEA.

In January 2021, BIDS Trading was acquired by Cboe Global Markets. The acquisition allowed for expansion into Canada, and in February 2022, BIDS Trading integrated into Cboe MatchNow, where it is now the leading dark trading platform in that market.

Chi-X Asia Pacific Holdings, Ltd. was acquired by Cboe Global Markets in 2021, which led to the launch of Cboe BIDS Australia on March 27th, 2023.

*A block is defined as 10,000+ shares in the U.S, for Australia this is defined by reference to the ASIC Market Integrity Rules block tiers (MIR 6.2.1).

2. Product and Service

2.1 What is Cboe BIDS Japan?

Cboe BIDS Australia is a block and large-sized trading execution service that allows Cboe Australia market participants (**sell-side users**) and their clients (**buy-side users**) to submit messages indicating trading interest (called conditional messages - see question 2.2) and provides an opportunity to firm-up that trading interest, after it is matched, by submitting a firm order. It includes measures to minimise information leakage by keeping conditional message firm-up rates at or above appropriate levels. Matched firm orders result in an on-exchange trade execution on Cboe BIDS Australia.

The service supports Block Trades and Trades with Prices Improvement (as those terms are defined in the ASIC Market Integrity Rules). Cboe BIDS Australia also applies its own conditions such that Block Trades are priced at or between the prevailing National Best Bid and Offer (NBBO), and Trades with Price Improvement are priced at midpoint. All Cboe BIDS Australia trades are executed as on-market transactions on Cboe Australia.

2.2 What is a conditional message?

BIDS invented and patented Conditionals in 2008 which helped revolutionise markets in the US and around the world. Conditionals allow orders to seek out block or large in size liquidity without any execution opportunity cost as the underlying execution method continues uninterrupted until a contra has been found in the conditional venue.

BIDS Conditionals also have the benefits of exposing very low levels of information and reducing execution costs. A recent paper by Cowen shows that executing in a conditional venue saves users, on average, 6bps¹.

2.3 What is a BIDS Instruction?

A **firm order** or **conditional message** submitted to Cboe BIDS Australia.

¹ Cowen Market Structure. (2017). *The Value of the Block*. Cowen and Company, LLC. <https://tabbforum.com/opinions/the-value-of-the-block/> This content is cited for informational purposes only and is not an endorsement or promotion by Cboe

2.4 Is Cboe BIDS Australia a dark pool?

Cboe BIDS Australia is a type of dark pool, specifically an exchange dark venue. It is an unlit exchange-based order book for the placement of conditional messages and firm orders. Cboe BIDS Australia does not publish Pre-Trade Information (as that term is defined in the ASIC Market Integrity Rules). Conditional messages and orders match according to the conditions outlined in the [Cboe BIDS Australia Service Description](#). Once a trade is agreed, it is executed on-exchange via Cboe Australia and reported via the CXA market data, trade feeds and drop copies in real time.

2.5 What is an Introducing Broker?

Introducing Brokers are brokers who are not Cboe Australia market participants but are available to be selected on the BIDS Trader Sponsoring Participant drop down menu. For this to occur, a Sponsoring Participant facilitates the transaction for the Introducing Broker. This gives buy-side users more flexibility when allocating trades and commissions.

2.6 What are the trading hours for Cboe BIDS Australia?

The hours are 10:00am* – 4:00pm Australian Eastern Standard or Daylight Time.

**For ASX symbols, invitations will not be issued and firm orders will not match until after 10:00 and the ASX opening auction for that symbol has completed. The actual commencement for these symbols is variable rather than fixed at 10:00.*

It is important to note that Cboe BIDS Australia will be open prior to the opening auction of stocks on the ASX. Pricing in the service will be reflective of this, and, during this period, the NBBO used for BIDS trading will be formed by quotes from the CXA lit market.

2.7 What symbols are available for trading on Cboe BIDS Australia?

All equity and ETF symbols available on Cboe Australia will be available for trading on Cboe BIDS Australia.

2.8 Do any minimum notional values apply to BIDS instructions?

Cboe BIDS Australia is tailored towards large-sized and block trading. The minimum notional value of a BIDS Instruction is \$20,000 AUD, as is the minimum execution size. Any BIDS Instruction, including partially traded resting firm orders, will be cancelled once they fall below this value. Users can also set their own Minimum Executable Quantities (MEQs – see question 2.9) for additional protection.

2.9 Can Minimum Executable Quantities (MEQs) be applied to Cboe BIDS Australia instructions?

MEQ's can be applied both to sponsored and unsponsored orders and messages. Cboe BIDS Australia can apply a default MEQ for buy-side users in the BIDS Trader Front-End, which can be overwritten during the mirroring of orders into the pool or at the point of "firm-up".

2.10 What type of pricing is supported in Cboe BIDS Australia?

Block Trades are priced at or between the NBBO, and Trades with Price Improvement are priced at midpoint.

Please consult the [Cboe BIDS Australia Service Description](#) for more details on how order matching and trade price discovery is managed.

2.11 How do I connect to Cboe BIDS Australia?

Cboe BIDS Australia seamlessly integrates with a buy-side user's Order Management System (OMS) and Execution Management System (EMS) platform. This allows buy-side users to use Cboe BIDS Australia in a way they are accustomed to through the BIDS Trader GUI. BIDS Trader allows firms to submit, amend and cancel conditional messages and agree to the final terms of the transactions once it has been negotiated.

2.12 How does Cboe BIDS Australia work?

Cboe BIDS Australia has a simple and straightforward workflow:

1. Liquidity is submitted to Cboe BIDS Australia via two avenues
 - a. Buy-side users using the BIDS Trader software and,
 - b. Sell-side users (using algorithmic suites or direct market access) submit conditional messages and/or firm orders into Cboe BIDS Australia to identify potential matches
2. BIDS matches and issues invitation
The platform invites marketable conditional messages to “firm up”. For a buy-side user, a Sponsoring Participant must be selected to represent the firm order.
3. User firms up and selects broker
If the Sponsoring Participant’s pre-trade risk controls are passed, a firm order is generated, submitted to the market, and reported to the Sponsoring Participant via a drop copy.
4. Order accepted by Cboe and matched
Matched firm orders result in an on-market trade execution on Cboe Australia, which is reported to the Sponsoring Participant via a drop copy.
5. Trade Finished
The trade is sent to CHESSE for clearing and the selected Sponsoring Participant clears and settles their market side of the transaction. The trade is reported through the CXA PITCH market data feed as an on-market trade in real time.

2.13 What are the benefits of using Cboe BIDS Australia for the Buy Side?

Cboe BIDS Australia offers several unique benefits for buy-side users:

- Commission management: Cboe BIDS Australia’s unique sponsored access models allowed buy-side users to pay commission dollars to the broker of their choice allowing granular, opportunistic commission management. This enables:
 - more effective use of commission dollars
 - maintaining and enhancing key broker and dealer relationships
- Minimise Information Leakage and Order Protection: Information disclosure and interaction is controlled by the user via customisable trading tools. This includes minimum \$ threshold to enter and execute in BIDS, defaulted and user configurable Minimum Executable Quantities (MEQs) and counterparty scorecarding & filtering based on past trading behaviour, allowing users to customize their experience.
 - Scorecards identify potential counterparties based on their past trading behaviour in key areas.
 - Customisable filters allow traders to restrict interactions with traders who have exhibited undesirable behaviour based on their scorecard reading.
 - There is a minimum value threshold of \$20,000 for all messages and trades and users can further protect themselves by setting MEQs. No counterparty with a size less than the specified MEQ receives information about the conditional message.
 - No information about conditional messages is exposed unless there is a bona fide opportunity to trade.

- When there is an interaction, counterparties are only aware that it meets the user's MEQ and is marketable.
- Potential for execution savings without opportunity cost: Cboe BIDS Australia allows users to control their parent order while waiting for block liquidity to appear. A recent paper by Cowen indicates that executing in a conditional venue saves users, on average, 6bps, and that this can be significantly higher in less liquid securities¹.
- Buy-sides control what's submitted into BIDS: Cboe BIDS Australia allows buy-side users to maintain control over their conditional message via the BIDS Trader software, which reads from their OMS or EMS. BIDS Trader does not blotter scrape, instead it allows the user to mirror open trades in their OMS or EMS for representation in BIDS. The buy-side trader maintains control until their conditional message is firmed up, which is a key improvement over some other block trading platforms operating today.

2.14 Can a Sponsoring Participant be a default broker on a buy-side user's BIDS Trader profile?

Yes, it is possible. Buy-side users can elect to have one or multiple default Sponsoring Participants. This can include electing to have a "wheel" or rotating brokers that they allocate BIDS Trader executions to. The duration of the wheel is customisable and buy-side users maintain override capabilities on each order for specific commission allocation and management.

2.15 Is there policing of Cboe BIDS Australia to ensure appropriate behaviour?

Cboe BIDS Australia applies systematic and unbiased policing of its pool. Using BIDS ScorecardsSM and FiltersSM, tuned over 15 years, buy-side and sell-side users are given a score that allocates them into one of three tiers. Depending on their medium to long term behaviour in the pool, users are promoted or demoted to different tiers. Although users' scores are purposely opaque to them, they can apply tier filters that allow for more productive interactions. This incentivises positive behaviour amongst users, promotes market integrity, and helps reduce information leakage within the pool.

2.16 Who can I use as a Sponsoring participant?

Cboe Australia maintains a list of participants that are Sponsoring Participants on our website.

2.17 Will Cboe BIDS be expanding to other markets in APAC?

BIDS is intending to launch in Japan on 13 November 2023. Cboe BIDS is also investigating the potential to expand into other Asian markets after Japan goes live.

2.18 How many buy-side users are connected to BIDS Trader globally?

Over 500 fund and asset managers connect to BIDS Trader globally and this number continues to grow.

2.19 How many brokers are connected to BIDS globally?

There are approximately 100 sell-side brokers connected to BIDS globally and the number continues to grow with our expansion into other markets.

2.20 Does my company need to sign any legal agreements in order to use Cboe BIDS Australia?

To access Cboe BIDS Australia as a buy-side user or firm, there is no requirement to sign a legal agreement. We will send you a one-way Welcome Letter which describes how sponsored access in Cboe BIDS Australia works and the basis on which you may use the service.

2.21 Can I add a Sponsoring Participant that is not a Cboe Australia Participant?

Sponsoring Participants must be participants of Cboe Australia.

If a buy-side user or firm wishes to have a non-clearing and settling broker (e.g. a research or offshore broker) added to BIDS Trader, Cboe BIDS Australia may be able to support this via an Introducing Broker.

2.22 Can invites be seen by other members of my team?

BIDS Trader supports a “Team View”, which allows other designated users in your team to see the same invites that you do. This is helpful if a colleague is away from their desk when an invite occurs. Please contact your Cboe BIDS Australia representative for more details.

2.23 Can I trade other markets through BIDS Trader?

Buy-side users can trade all markets in which BIDS Trading is available, provided they have a sponsorship arrangement in each market. Please reach out to your Cboe BIDS Australia representative for details.

2.24 Is Self-Trade Prevention (STP) supported on Cboe BIDS Australia?

STP is supported for all flow types – sponsored-to-sponsored; unsponsored-to-unsponsored; sponsored-to-unsponsored. Please ask your Cboe BIDS Australia representative for details.

3. Technical

3.1 Is Cboe BIDS Australia a separate order book on Cboe Australia?

Cboe BIDS Australia is a new, separate order book on Cboe Australia and has two MIC codes designated to it (See question 3.4).

All Cboe BIDS Australia trades are printed on-market. The trade is then sent through to CHESSE for clearing and reported through the CXA trade feed in real time.

3.2 What message types are available in Cboe BIDS Australia?

The different message types are available in the [Cboe BIDS Australia Service Description](#).

3.3 How does matching happen in Australia? How is the trade price discovered?

Please consult the [Cboe BIDS Australia Service Description](#) for details on how order matching and trade price discovery is managed.

3.4 What are the MIC codes for Cboe BIDS Australia?

All firmed-up orders accepted into Cboe Australia will be reported to the market on the public trade feed. BIDS Trading matched trades will appear with a unique MIC code specific to BIDS and the conditions of execution. See table below for the MIC and relevant condition for application.

MIC	Description	Detail	Detail
CXAI	CBOE AUSTRALIA - BIDS PRICE IMPROVEMENT VENUE	CXA BIDS TWPI	Executed trades that are below the ASIC MIR (6.2.1) block sized trade thresholds.
CXAB	CBOE AUSTRALIA - BIDS BLOCK TRADE VENUE	CXA BIDS BLOCK	Executed trades that are at or above the ASIC MIR (6.2.1) block sized trade thresholds.

3.5 Can I get a demo of BIDS Trader?

Please reach out to your Cboe BIDS Australia representative to set-up a demo of BIDS Trader. Contact details are at the end of this FAQ.

3.6 How do I get BIDS Trader installed on my desktop?

Please contact the Cboe Australia BIDS AU Desk team for assistance in installing the BIDS Trader system, **+61 2 8078 1750** or bidsau@cboe.com

3.7 What EMS and OMS platforms are supported for BIDS Trader access?

BIDS Trader is integrated into the vast majority of the main EMS and OMS platforms are used globally. To confirm that your trading system is supported, please reach out to your Cboe BIDS Australia representative.

3.8 Do buy-side users get notified by BIDS Trader if their message gets cancelled if order balance falls below the \$20,000 minimum notional value?

When a conditional message in BIDS Trader falls below the minimum notional value it will be cancelled and updated in their respective buy-side OMS or EMS platform.

3.9 Does BIDS Trader have the functionality to merge conditional messages?

BIDS Trader supports “Merge” functionality which allows BIDS Trader users to combine conditional messages of the same symbol and side to trade as a singular message. Post-trade allocation can be allocated according to Equal Lots or Pro Rated according to original size. Please contact your Cboe BIDS Australia representative for more details.

4.Regulatory

4.1 What legal and contractual arrangements are required for different Cboe BIDS Australia users?

The table below provides an overview of the legal and contractual agreements required for each user:

Firm	Notification to Cboe	Sponsoring Participant Agreement	Connectivity Agreement	Welcome Letter	Risk Limits
Cboe Australia Market Participant	Yes	Only if seeking to act as Sponsoring Participant	Yes*	N/A	Managed by Participant
Introducing Broker	Yes	N/A	Yes	N/A	Set by Sponsoring Participant
Sponsored User	Yes	N/A	N/A	Issued by Cboe	Set by Sponsoring Participant and/or Introducing Broker

*See the Cboe Australia Customer Contract. This contract will have already been signed by participants for their connectivity to the Cboe Market.

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Please note: For brokers who wish to discuss trades from their Sponsored Users, please contact Cboe Australia Trade Desk.

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