Cboe BIDS Australia
Sell-side FAQs

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Contents

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. General Product, Service, Connectivity and Pricing Information

2.1 What is Cboe BIDS Australia?

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 the markets in both the US and subsequently Europe. 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 indicates that executing in a conditional venue saves users, on average, 6bps [1].

2.3 What is a BIDS Instruction?

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

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.

[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 Australia of any of the products, services or opinions of the cited corporation or individual.*

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.

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 for additional protection.

2.9 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.

2.10 How do I connect to Cboe BIDS Australia?

Cboe Australia market participants connect directly to Cboe BIDS Australia via their existing physical connections. They can then serve as a Sponsoring Participant for buy-side users who trade through the BIDS Trader software, provided they meet certain requirements under the Cboe Australia operating rules.

2.11 What are the benefits of using Cboe BIDS Australia for the Sell Side?

Cboe BIDS Australia is designed to allow sell-side users to anonymously trade large blocks of equities while minimising information dissemination and capture additional market share through the Cboe BIDS Australia Sponsoring Participant model.

Benefits of Cboe BIDS Australia for sell-side users include:

❯ Sponsored access brings buy-side and sell-side together:

- Buy-side users allocate trades to sell-side users when firming up a conditional trade. From here, commission is negotiated and paid bilaterally with the sell-side user thus creating a potential new revenue channel for brokers in the captured commission. Cboe BIDS Australia is a market, not a broker, so we do not take market share from brokers for messages firmed up on BIDS Trader software;

- The BIDS Trader software provides a risk-management system to brokers for maintenance of trading and credit limits per client;

- This model allows Broker and Dealer relationships to strengthen through the Sponsoring Participant function; and

❯ Direct sell-side trading via algorithm suites:

- Cboe BIDS Australia provides sell-side algos with access to diverse broker-neutral liquidity;

- Cboe BIDS Australia provides conditional optionality for opportunistic algorithms. Algorithms posting in BIDS have the potential to activate latent liquidity by placing conditional messages on BIDS without any execution and opportunity cost.

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

Yes, this is possible. Buy-side users can elect to have one or multiple default Sponsoring Participants. This can include electing to have a "wheel" of 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.

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

Cboe BIDS Australia applies systematic and unbiased policing of its pool. Using BIDS Scorecards℠ and Filters℠, 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.

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

Cboe 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.

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

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

2.16 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.

2.17 What is the cost to use Cboe BIDS Australia?

As with all of Cboe Australia's pricing, Cboe BIDS Australia's pricing is competitive, transparent and publicly available on our website. Please refer to the **Cboe BIDS Australia Service Description**, **Product Manual for Cboe Products** and **Payment Schedule for Cboe Products**.

2.18 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.

2.19 What algorithmic strategies are most effective on Cboe BIDS Australia?

BIDS conditional messages can be used across a wide range of algos. From an execution perspective, opportunistic and liquidity seeking algos are best suited for the Cboe BIDS Australia market. Such algos may include but are not limited to, implementation shortfall and dark only strategies.

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 3.3).

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

3.2 What message types are available on Cboe BIDS Australia?

The different message types are outlined in the **Cboe BIDS Australia Service Description**.

3.3 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. Cboe BIDS Australia trades will appear with a unique MIC code specific to BIDS and the conditions of execution. See the table below.

Term	Description	Acronym	Detail
CXAI	CBOE AUSTRALIA - BIDS PRICE IMPROVEMENT VENUE	CXA BIDS 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.

3.4 What are the Bloomberg condition codes for Cboe BIDS Australia?

All firmed-up orders accepted into Cboe Australia will be reported to the market on the public trade feed. Cboe BIDS Australia trades will appear on Bloomberg QR <GO> with a unique condition code specific to BIDS and the trade type.

MIC	Description	Detail
BB	BIDS Block Size Trade	Executed trades that are **at or above** the ASIC MIR (6.2.1) block tier thresholds.
BI	BIDS Price Improved Trade	Executed trades that are **below** the ASIC MIR (6.2.1) block tier thresholds.

3.5 What risk management controls will Cboe BIDS Australia have in place to assist brokers?

The BIDS Admin GUI allows Sponsoring Participants to manage various filters and filter parameters to manage their customer exposure. As part of the onboarding of buy-side users, Sponsoring Participants must set risk limits for buy-side customers through the BIDS Admin GUI.

3.6 Can I get a demo of the BIDS Admin GUI?

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

3.7 Can any sell-side firm become a Sponsoring Participant on Cboe BIDS Australia?

Only Cboe Australia market participants can become Sponsoring Participants. Note that brokers who are not participants of Cboe Australia may be able to become Introducing Brokers, which allows them to be represented on the BIDS Trader Sponsoring Participant drop-down (See question 2.5).

3.8 How does matching happen in Cboe BIDS 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.

3.9 How does clearing work?

Market Side: As trades are executed on-market through Cboe Australia these are simply passed to CHESS through the normal channel for clearing and settlement.

Broker Side: While the Clearing and Settlement process remains the same, there are two separate flows that brokers need to be aware for Cboe BIDS Australia executions:

- Unsponsored executions: This will be part of the traditional clearing and settlement workflow. Brokers algorithms (conditional or committed) or directed orders that execute in Cboe BIDS Australia will clear and settle in the usual way.

- Sponsored Access executions: These executions will flow to the Sponsoring Participants middle office through a FIX Drop copy. From this point, the clearing and settlement process is standard.

3.10 How do we get notified of orders being cancelled if they fall below $20,000 minimum notional value for order?

Sell-side participants will receive a FIX message confirming messages in Cboe BIDS Australia have been cancelled due to size restrictions.

3.11 Does BIDS support trade cancellation?

Yes, Cboe BIDS Australia allows trade cancellations as set out in the **Cboe Trade Cancellation Policy**.

4. Certification

4.1 How do I certify my Cboe BIDS Australia integration?

Certification for Cboe BIDS Australia occurs within the Cboe Australia Certification environment (CERT). This process is supported by the Cboe Australia Trade Desk, **tradedeskau@cboe.com**, who will guide Participants through scenarios covering conditional messages and firm orders, or firm orders only.

5. Regulatory

5.1 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.