

Appendix 2 to CP 131: Overview of proposed supervisory responsibility—current SFE Operating Rules and proposed ASIC/SFE Market Integrity Rules

× = no proposed supervisory responsibility ✓ = proposed supervisory responsibility (in some cases, we propose that both SFE and ASIC will have supervisory responsibilities)

Existing SFE rule	SFE	ASIC	Nature and extent of redrafting in proposed ASIC/SFE Market Integrity Rules
Section 1: The Exchange			
1.1. Governing law and submission to jurisdiction	✓	✓	<p>ASIC has drafted a framework rule covering:</p> <ul style="list-style-type: none"> • application • scope of entities that must comply • waivers • notices and service of documents • general principles of interpretation • conduct by officers, employees or agents • state of mind of a person. <p>Only those framework provisions which are required in addition to existing Corporations Act and Acts Interpretation Act provisions will be included. We are continuing to analyse these rules to see if any other content can be deleted. Minimal redrafting to reflect ASIC supervision of ASIC/SFE Market Integrity Rules rather than SFE supervision.</p> <p>ASIC will have a definitions section.</p> <p>ASIC will establish and maintain a register of waivers.</p>
1.2. Effect and amendment of Operating Rules	✓	✓	
1.3–1.14	✓	×	N/A
Section 2: Participants			
2.1 The Participants	✓	×	N/A
2.2 Full participation	✓	×	N/A

Existing SFE rule	SFE	ASIC	Nature and extent of redrafting in proposed ASIC/SFE Market Integrity Rules
Continuous obligations	✓	✓	<p>ASIC/SFE Market Integrity Rules will deal with:</p> <ul style="list-style-type: none"> • minimum content of written agreements between participants and their clients, and connection of clients to the platform • clients' segregated account obligations, recordkeeping, and mandatory electronic recording of conversations relating to client instructions. <p>No operational content in ASIC rules.</p> <p>SFE will continue to be responsible for rules dealing with:</p> <ul style="list-style-type: none"> • approval, admission, suspension of trading rights, termination and resignation of participants • participants' obligations to communicate with the exchange, prudent risk management, and operational rules for client connections, and • margin calls by participants, payment of fees, indemnities, capitalisation and registration of trades.
2.3 Local Participants	✓	×	N/A
2.4 Use of SFE systems	✓	×	N/A
Section 3: Trading principles			
3.1 Trading principles for orders entered on the trading platform	✓	✓	<p>ASIC/SFE Market Integrity Rules will deal with market manipulation, misleading acts and dealing with client orders, with minimal redrafting.</p> <p>SFE responsible for rules on information to be input when entering orders.</p>
3.2 Strategy trading	✓	✓	<p>ASIC/SFE Market Integrity Rules relate to allocation and recordkeeping. Only selected elements of rule kept with minimal redrafting.</p> <p>SFE operational rules on strip, spread and option strategy trades.</p>

Existing SFE rule	SFE	ASIC	Nature and extent of redrafting in proposed ASIC/SFE Market Integrity Rules
3.3–3.5 Pre-negotiated orders, block trades and EFPs	✓	✓	ASIC/SFE Market Integrity Rules deal with the relationship between participant and client (allocation, disclosure to client, client's instructions) exemptions from trading prohibitions and recordkeeping. Only selected elements of rule kept with minimal redrafting. SFE operational rules on pre-negotiated orders, block trades and EFPs.
Section 4: Allocation and clearing of trades			
4.1–4.2	✓	×	N/A
Section 5: Market regulation			
5.1–5.13	✓	✓	ASIC will have its own panel procedures and investigative powers.
Section 6: Contract specifications and associated rules			
6.1–6.4	✓	×	N/A
Section 7: Definitions and interpretations			
	✓	✓	ASIC will have definitions and interpretation of the rules it administers.