



ASIC

Australian Securities & Investments Commission

REGULATORY GUIDE 224

Guidance on ASIC market integrity rules for the Chi-X market

April 2011

About this guide

This guide is for market participants of the Chi-X Australia Pty Ltd (Chi-X) market.

It gives guidance for how market participants can comply with their obligations under the ASIC market integrity rules for this market. The operation of the ASIC market integrity rules for the Chi-X market is subject to final approval of Chi-X's Australian market licence application and the commencement of the Chi-X market.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This version was issued on 29 April 2011 and is based on legislation and regulations as at 29 April 2011.

Disclaimer

This guide does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this guide are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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A Overview

Key points

ASIC is responsible for supervising domestic licensed financial markets in Australia. As part of our supervisory responsibilities, we make market integrity rules and monitor compliance by market participants with those rules.

This regulatory guide is intended for market participants of the market to be operated by Chi-X Australia Pty Ltd (Chi-X market). Market participants of the Chi-X market should read this regulatory guide in conjunction with Regulatory Guide 214 *Guidance on ASIC market integrity rules for ASX and ASX 24 markets* (RG 214) for our commentary on broader topics, such as:

- background information on the supervision of domestic licensed financial markets;
- our approach in making market integrity rules; and
- our approach to supervising compliance with those rules.

Supervision of domestic licensed financial markets

RG 224.1 On 24 August 2009, the Australian Government announced its decision to transfer the responsibility for supervising Australia's domestic licensed financial markets from market operators to ASIC.

Note: This is in addition to our existing supervision of Australian financial services (AFS) licensees under the *Corporations Act 2001* (Corporations Act).

RG 224.2 To support this decision, the *Corporations Amendment (Financial Market Supervision) Act 2010* (Financial Market Supervision Act) was enacted in March 2010 to provide that responsibility for supervising trading on Australian domestic licensed financial markets be transferred from the operators of those markets to ASIC.

RG 224.3 The Financial Market Supervision Act, which commenced on 1 August 2010, inserted a new Pt 7.2A into the Corporations Act. From that date, we have had responsibility for supervising trading activities and conduct of business by market participants in relation to domestic licensed financial markets (i.e. those operated by persons licensed under s795B(1) of the Corporations Act).

Note: Transfer of supervision did not take place on 1 August 2010 for the following markets: BGC Partners (Australia) Pty Ltd; Bloomberg Tradebook Australia Pty Ltd;

Mercari Pty Ltd; and Yieldbroker Pty Ltd. See reg 10.14.02 of the Corporations Regulations 2001 (Corporations Regulations).

- RG 224.4 An Australian market licensee continues to be responsible for the operation of its market and for monitoring and enforcing compliance with its market's operating rules, which include its listing rules where relevant.
- RG 224.5 Under the Financial Market Supervision Act, a number of transitional arrangements are in place to make the transfer as smooth as possible.

ASIC market integrity rules

- RG 224.6 Part 7.2A of the Corporations Act establishes a new rule-making regime whereby ASIC is able to make market integrity rules dealing with activities and conduct in relation to licensed financial markets, including participants on the relevant market. For the Chi-X market, we have made the ASIC Market Integrity Rules (Chi-X Australia Market) 2011. The operation of the ASIC Market Integrity Rules (Chi-X) is subject to final approval of Chi-X's Australian market licence application and the commencement of the Chi-X market.

Note: Throughout this guide, we use 'ASIC Market Integrity Rules (Chi-X)' to refer to the ASIC Market Integrity Rules (Chi-X Australia Market) 2011 and 'ASIC Market Integrity Rules (ASX)' to refer to the ASIC Market Integrity Rules (ASX Market) 2010.

- RG 224.7 We are responsible for supervising compliance with the market integrity rules. We are also responsible for granting waivers from the obligation to comply with a provision of the market integrity rules. We will consider and determine all requests for a waiver of a market integrity rule on the basis of the facts, circumstances and merits of each request: see RG 224.56–RG 224.66.
- RG 224.8 Our approach in making market integrity rules for the Chi-X market has been to model the rules, as far as possible, on the ASIC Market Integrity Rules (ASX). The main consideration underlying this approach is that the same conduct in relation to the same equity market products should be treated in the same manner in the ASIC Market Integrity Rules (ASX) and the ASIC Market Integrity Rules (Chi-X).
- RG 224.9 Consistent with previous statements in Consultation Paper 131 *Proposed ASIC market integrity rules: ASX and SFE markets* (CP 131), we intend to review at a later time both the ASIC Market Integrity Rules (Chi-X) and the ASIC Market Integrity Rules (ASX), with a view to conducting a harmonisation exercise so that only one set of ASIC market integrity rules applies to all like markets.

Ongoing review and further consultation

- RG 224.10 We have consulted with stakeholders on the introduction of the ASIC Market Integrity Rules (Chi-X). Similarly, we expect to consult on future amendments to these rules.

Ministerial consent to market integrity rules

- RG 224.11 We may not make a market integrity rule unless we have the prior written consent of the Minister. An exception applies for the making of emergency market integrity rules that are necessary, or are in the public interest, to protect people dealing in a financial product.

Legislative instrument

- RG 224.12 Market integrity rules are legislative instruments and, as such, are subject to parliamentary scrutiny and possible disallowance by Parliament.

Other relevant guidance

- RG 224.13 We have previously published Regulatory Guide 214 *Guidance on ASIC market integrity rules for ASX and ASX 24 markets* (RG 214), which is aimed at market participants of the Australian Securities Exchange (ASX) and ASX 24 (formerly the Sydney Futures Exchange). RG 214 gives guidance on how ASX and ASX 24 market participants *can comply with their obligations under ASIC market integrity rules* for those markets.
- RG 224.14 RG 214 also provides general commentary on the following broader topics, which are of equal relevance to market participants of the Chi-X market:
- (a) background information on the supervision of domestic licensed financial markets (see Section B of RG 214);
 - (b) our approach in making market integrity rules (see Section C of RG 214); and
 - (c) our approach to supervising compliance with the market integrity rules (see Section E of RG 214).

Scope of this regulatory guide

- RG 224.15 This regulatory guide covers the ASIC market integrity rules for the Chi-X market only—that is, the ASIC Market Integrity Rules (Chi-X). The operation of the ASIC Market Integrity Rules (Chi-X) is subject to final approval of Chi-X's Australian market licence application and the commencement of the Chi-X market. This guide does not cover the

operating rules of clearing and settlement facility operators for the Chi-X market or any other market.

Note: As noted in RG 224.14, RG 214 covers the ASIC market integrity rules for the ASX and ASX 24 markets. Market participants of the Chi-X market should read RG 214 in conjunction with this guide for our commentary on broader topics.

- RG 224.16 This guide provides guidance on a number of topics, which will be expanded on with the benefit of experience. Section B includes guidance on:
- (a) complying with relevant pre-existing ASX guidance notes;
 - (b) complying with the market integrity rules for both the Chi-X market and the ASX market (for participants of both markets);
 - (c) issues specific to participants of the Chi-X market;
 - (d) significant breach reporting to ASIC;
 - (e) waivers to market integrity rules; and
 - (f) how ASIC and Chi-X are working together.
- RG 224.17 Section C provides guidance on communicating with ASIC, including:
- (a) what information should be submitted to ASIC; and
 - (b) how and when to contact ASIC.
- RG 224.18 The disciplinary process for breaches of market integrity rules is contained in a separate regulatory guide: see Regulatory Guide 216 *Markets Disciplinary Panel* (RG 216). The Markets Disciplinary Panel (MDP) exercises ASIC's power to issue infringement notices and accept enforceable undertakings relating to breaches of market integrity rules. RG 216 provides guidance on the processes by which matters are referred to, and dealt with by, the MDP.

B Complying with market integrity rules for the Chi-X market

Key points

This section provides guidance on a range of topics for participants of the Chi-X market, which will be expanded on with the benefit of experience. It includes guidance on:

- complying with relevant pre-existing ASX guidance notes;
- complying with the market integrity rules for both the Chi-X market and the ASX market (for participants of both markets);
- issues specific to participants of the Chi-X market;
- significant breach reporting to ASIC;
- waivers to market integrity rules; and
- how ASIC and Chi-X are working together.

Where we have not provided guidance on a topic, market participants should maintain compliance functionality as required under the pre-existing ASX Market Rules before commencement of the ASIC Market Integrity Rules (Chi-X).

Pre-existing ASX guidance notes

RG 224.19 In assessing a market participant's compliance with the ASIC Market Integrity Rules (Chi-X), we will seek to follow existing relevant published interpretation as contained in pre-existing ASX guidance notes. However, with the benefit of time, we are converting the substance of pre-existing ASX guidance notes, as appropriate, into ASIC regulatory guides: see Consultation Paper 152 *ASIC's conversion of ASX and SFE guidance: General operational obligations* (CP 152). When settling these regulatory guides, we will also have regard to any issues that may arise in relation to the Chi-X market.

RG 224.20 Table 1 lists the pre-existing ASX guidance notes that are relevant to the ASIC Market Integrity Rules (Chi-X).

Table 1: ASX guidance notes (GNs) relevant to the ASIC Market Integrity Rules (Chi-X)

Number	Title	Applicable ASIC Market Integrity Rules (Chi-X)
GN 1	Prevention of manipulative trading	Part 5.7 Manipulative trading
GN 3	Reporting to clients—Confirmations	3.3.1 Market Participant restrictions Part 3.4 Reporting to Clients
GN 4	New clients	Part 3.1 Clients trading in products for first time
GN 6	Management requirements	2.1.1 Management structure 2.1.3 Supervisory procedures
GN 7	Management requirements—Good fame and character—Reliance on APRA requirements	2.1.4 Persons involved in the business—Good fame and character requirement
GN 8	Insurance requirements	Part 2.2 Insurance and information requirements
GN 11	Client order priority	Part 5.1 Client order priority
GN 12	Client money and property—Client funds deposited with third parties	3.5.1 Trust accounts 4.2.1 General recordkeeping requirements
GN 13	Prohibition of advice to clients	Part 3.6 Prohibition of advice to Client
GN 19	Automated order processing: Certification	5.6.3 Automated Order Processing system requirements 5.6.4 Review of documentation and systems prior to use of Automated Order Processing system 5.6.5 Representations as to organisational and technical resources, trading management arrangements and security arrangements, prior to use of Automated Order Processing system 5.6.6 Certification of Automated Order Processing system 5.6.7 Material changes 5.6.8 Material change review 5.6.9 Material change confirmation 5.6.10 Material change further certification
GN 21	Automated order processing: Authorised persons	4.1.9 Records regarding Authorised Persons 5.6.2 Authorised Persons for Automated Client Order Processing
GN 22	Automated order processing: Operational requirements	Part 5.5 Participant's trading infrastructure Part 5.6 Automated Order Processing—Filters, conduct, and infrastructure Part 5.7 Manipulative trading

Number	Title	Applicable ASIC Market Integrity Rules (Chi-X)
GN 27	Ongoing compliance and supervision— Responsibilities of responsible executives	2.1.1 Management structure 2.1.3 Supervisory procedures 2.1.4 Persons involved in the business—Good fame and character requirement 2.1.6 Responsibility for individuals involved in business
GN 29	Managed discretionary accounts	3.3.2 Excessive trading
GN 31	Client agreements—Requirements: The requirement for participants to enter into client agreements with clients	3.1.1 Documents to be given to a client 3.1.3 Information to be given to a client: Execution arrangements 3.1.4 Information to be given to a client: Clearing arrangements
GN 32	Bulk authorisation of index arbitrage orders in ITS	Part 5.7 Manipulative trading 5.9.1 Market must remain fair and orderly
GN 33	Trading records	Part 4.1 Trading records
GN 37	Maintenance of an orderly market when closing out settlement failures	Part 5.7 Manipulative trading

Guidance for participants of both the Chi-X market and ASX market

RG 224.21 Market participants that are members of both the Chi-X market and the ASX market must comply with both the ASIC Market Integrity Rules (Chi-X) and the ASIC Market Integrity Rules (ASX). Table 2 provides guidance on how to satisfactorily meet obligations in both sets of market integrity rules. However, it is ultimately the responsibility of each market participant to determine whether a separate or single course of conduct is necessary in order to comply with equivalent obligations under the market integrity rules for both markets.

Table 2: Guiding principles for market participants of both the Chi-X and ASX markets

Guiding principle	Where principle applies in both the ASIC Market Integrity Rules (Chi-X) and the ASIC Market Integrity Rules (ASX)	Requirements on market participants
Single notification to ASIC and/or market operator	<p>Management requirements: rule 2.1.2</p> <p>Insurance and information requirements: rules 2.2.2, 2.2.3, 2.2.4 and 2.2.5</p> <p>Responsible executives: rules 2.3.1 and 2.3.5</p> <p>Client money and property: rule 3.5.10</p> <p>Business connections between market participants: rule 5.2.1</p> <p>Automated order processing: filters, conduct and infrastructure: rules 5.6.6, 5.6.7 and 5.6.11</p>	<p>Where structures and arrangements (including responsible executives) are the same/common across both the Chi-X market and the ASX market, a participant only needs to notify ASIC once.</p> <p><i>Exceptions:</i></p> <ul style="list-style-type: none"> • Where legal proceedings have commenced—either by a participant or against it—the participant needs to notify both Chi-X and ASX separately, in addition to notifying ASIC. • Where structures and arrangements are different for both the Chi-X market and the ASX market, a participant needs to notify ASIC in relation to each structure and each set of arrangements it has in place.
Single disclosure to client of market participant	<p>Clients trading in products for the first time: rules 3.1.1, 3.1.3, 3.1.4 and 3.1.9</p> <p>Trading as principal: rules 3.2.2, 3.2.3 and 3.2.4</p> <p>Reporting to clients: rules 3.4.1, 3.4.2 and 3.4.3</p> <p>Client order priority: rule 5.1.8</p> <p>Dealing in equity market products: rule 5.10.5</p>	<p>Where arrangements and disclosure requirements are the same/common across both the Chi-X market and the ASX market, a participant only needs to notify each client once.</p> <p><i>Exception:</i></p> <ul style="list-style-type: none"> • Where a participant has different execution or clearing arrangements for each market, a copy of each of those arrangements needs to be provided to the client. • If a client requests separate confirmations for trading on each market, and the market participant is able and willing to offer this service, then single notification is not necessary

Guiding principle	Where principle applies in both the ASIC Market Integrity Rules (Chi-X) and the ASIC Market Integrity Rules (ASX)	Requirements on market participants
Record keeping	<p>Designated trader representatives: rule 2.5.7</p> <p>Trading as principal: rule 3.2.6</p> <p>Trading records: rules 4.1.1, 4.1.2, 4.1.7, 4.1.8 and 4.1.9</p> <p>Records: general: rules 4.2.1 and 4.2.2</p> <p>Transactions by connected persons (including persons connected with other market participants): rule 5.4.2</p> <p>Participant's trading infrastructure: rule 5.5.4</p> <p>Clients trading in products for the first time: rule 3.1.11</p>	<p>Where the document to be maintained (e.g. client agreement, list of persons, trading records) applies across both the Chi-X market and the ASX market and the information is the same, only one version of the document needs to be kept. However, for trading records maintained by the market participant, it must be easily identifiable on which market(s) a trade was executed.</p>
Single participant review	<p>Responsible executives: rules 2.3.3 and 2.3.5</p> <p>Automated order processing: filters, conduct and infrastructure: rule 5.6.4</p>	<p>Where a participant is required to perform a review of their supervisory structures, policies and procedures, and those arrangements are the same across both the Chi-X market and the ASX market, a participant only needs to perform one review.</p> <p><i>Exceptions:</i></p> <ul style="list-style-type: none"> • Where a participant has an existing automated order processing system for the purposes of submitting orders to the ASX market and intends to use the same system for submitting orders to the Chi-X market, they need to notify ASIC of this as a material change. • Where a participant is implementing a new automated order processing system for the purposes of submitting orders to the Chi-X market only or to both the Chi-X market and the ASX market, they must provide a certification to ASIC.

Guiding principle	Where principle applies in both the ASIC Market Integrity Rules (Chi-X) and the ASIC Market Integrity Rules (ASX)	Requirements on market participants
Single trust account	Client money and property: rules 3.5.1, 3.5.9 and 3.5.11	<p>A participant may maintain one trust account that covers money received by it for trading on both the Chi-X market and the ASX market.</p> <p>For each trust account that is maintained, a participant must prepare one schedule showing the respective amounts held in the participant's trust account together with the names of the particular client in respect of each amount, as well as a daily and weekly reconciliation of the aggregate balances held by it at the close of business.</p>

Issues specific to participants of the Chi-X market

RG 224.22 To assist a market participant that is a member of the Chi-X market only in complying with its obligations under the ASIC Market Integrity Rules (Chi-X), we have identified the following issues, as well as providing accompanying guidance.

Management requirements

RG 224.23 A market participant must have appropriate management structures and supervisory policies and procedures in place in order to comply with the Corporations Act and the ASIC Market Integrity Rules (Chi-X).

RG 224.24 Rule 2.1.2(1) (Chi-X) imposes an obligation on a market participant to provide a copy of its management structure to ASIC within 10 business days of the commencement date (this being the date the ASIC Market Integrity Rules (Chi-X) are registered under the *Legislative Instruments Act 2003*). This should be emailed to market.participants@asic.gov.au.

Note: See Section C for further details.

RG 224.25 In assessing a market participant's compliance with Rule 2.1.1 (Chi-X) and Rule 2.1.3 (Chi-X), we will take into consideration:

- (a) Regulatory Guide 104 *Licensing: Meeting the general obligations* (RG 104);
- (b) Regulatory Guide 105 *Licensing: Organisational competence* (RG 105);
- (c) Australian Standard (AS) on compliance (AS 3806–2006 *Compliance programs*);

- (d) Australian Standard and International Organization for Standardization (ISO) on customer satisfaction (AS ISO 10002–2006 *Customer satisfaction—Guidelines for complaints handling in organizations*);
- (e) Australian Standard and New Zealand Standard (NZS) on risk management (AS NZS 4360:2004 *Risk management*);
- (f) ASX GN 6 *Management requirements*; and
- (g) the Stockbrokers Association of Australia (formerly known as the Securities and Derivatives Industry Association) and the Securities Institute *Best practice guidelines for research integrity*.

Note: See RG 104.14–RG 104.16 for more information on our existing approach to the extent that we place reliance on relevant standards.

RG 224.26 Subject to Rule 2.1.2(3) (Chi-X), a market participant must notify us within 10 business days of any significant change in their management structure. This notification must be in writing and can be emailed to market.participants@asic.gov.au.

RG 224.27 We consider that the following may constitute a significant change in a market participant's management structure:

- (a) a change in responsible executives, directors or key staff, including staff responsible for the compliance function;
- (b) a new business model;
- (c) new products;
- (d) rapid growth and expansion; and
- (e) takeovers and mergers.

Note: This is not intended to be an exhaustive list of examples.

RG 224.28 Determining whether a change is significant or not will depend on the individual circumstances of the market participant. We consider that the nature, scale and complexity of a market participant's business might also affect whether a particular change is significant or not. You will need to decide whether a change is significant and thus requires notification. When you are not sure whether a change is significant, we encourage you to notify us.

Business connections

RG 224.29 A market participant must avoid certain business connections with other market participants unless it has written consent from us. This includes such business connections as being a related body corporate, sharing employees or common computer facilities: see Rule 5.2.1 (Chi-X).

RG 224.30 A request for written consent from us should be provided in writing and emailed to:

Senior Executive Leader, Market and Participant Supervision, ASIC
market.participants@asic.gov.au.

Note: See Section C for further details.

RG 224.31 We will consider requests for business connections on a case-by-case basis and, where necessary, we will grant consent subject to specific conditions.

Automated order processing

RG 224.32 A market participant must have at all times appropriate automated filters and ensure that these do not interfere with the integrity of the market or the proper functioning of the trading platform.

RG 224.33 Before using its system for automated order processing (AOP), a market participant must ensure that it:

- (a) provides certification of its AOP system; and
- (b) receives a written confirmation from ASIC.

RG 224.34 This requirement applies only to the items set out in Rule 5.6.6(2) (Chi-X).

RG 224.35 Subject to Rule 5.6.7 (Chi-X), a market participant who proposes to make any material changes to its AOP systems must immediately notify us of the proposed change.

RG 224.36 All certifications and notifications (either in the form of a confirmation or a further certification) should be provided in writing and emailed to:

Senior Executive Leader, Market and Participant Supervision, ASIC
market.participants@asic.gov.au.

Note: See Section C for further details.

RG 224.37 For any notification made by a market participant concerning a material change to its AOP system, the market participant should wait for a written confirmation from us under Rule 5.6.7(2)(b) (Chi-X) before implementing the change.

RG 224.38 For the purposes of Rule 5.6.9(1)(c) (Chi-X) and Rule 5.6.10(1)(c) (Chi-X), we consider that the broad functional description of the material changes to the AOP system may be an internally drafted description or a description provided by the third party supplier of the AOP system. If the product release notes address all the material changes, this may be sufficient to satisfy this requirement.

RG 224.39 In assessing the market participant's compliance with Rule 5.6.1 to Rule 5.6.12 (ASX), we will consider pre-existing ASX GN 19 *Automated order processing: Certification*.

Professional indemnity (PI) insurance

RG 224.40 A market participant must at all times maintain an adequate level of professional indemnity (PI) (or equivalent) insurance cover having regard to the nature and extent of its participation in the market, and the risks and responsibilities assumed in relation to this: see Rule 2.2.1 (Chi-X).

RG 224.41 Notifications should be provided in writing and emailed to:

Senior Executive Leader, Market and Participant Supervision, ASIC
market.participants@asic.gov.au.

Note: See Section C for further details.

Responsible executives

RG 224.42 A market participant must notify ASIC within 10 business days if it appoints a new responsible executive. However, a new responsible executive must not be appointed by a market participant unless Rule 2.3.1(2) (Chi-X) is satisfied.

RG 224.43 For the purposes of Rule 2.3.1(3) (Chi-X), a list of approved courses will be published on our website.

RG 224.44 In complying with Rule 2.3.4 (Chi-X), we consider that if the responsible executive is a member of certain professional bodies, the responsible executive will meet the continuing education requirement by successfully completing eight hours (or eight hours equivalent) of education or professional development that meets the quality and measurement standards of continuing education or continuing professional development established by that professional body. The professional bodies are:

- (a) the Australian Compliance Institute (ACI);
- (b) the Australasian Financial Markets Association (AFMA);
- (c) the Financial Planning Association (FPA);
- (d) the Stockbrokers Association of Australia (SAA);
- (e) an accountant professional standards scheme recognised under Australian state or federal professional standards legislation; and
- (f) a solicitor professional standards scheme recognised under Australian state or federal professional standards legislation.

RG 224.45 We consider that the responsible executive will otherwise meet the continuing education requirement by successfully completing eight hours (or eight hours equivalent) of education or professional development that meets the quality and measurement standards of continuing education or continuing professional development established by ACI or SAA for their members.

- RG 224.46 We expect foreign market participants to meet continuing education requirements equivalent to a measurement standard and quality that is currently expected of them.
- RG 224.47 Rule 2.3.5 (Chi-X) imposes an obligation on a market participant to notify ASIC by 31 July each year of specific information relating to its responsible executives.
- RG 224.48 Notifications subject to Rule 2.3.1 (Chi-X) (appointment or resignation of responsible executives) and Rule 2.3.5 (Chi-X) (annual continuing education and compliance self-assessment) should be made in writing and emailed to:
Senior Executive Leader, Market and Participant Supervision, ASIC
market.participants@asic.gov.au

Designated trading representatives

- RG 224.49 Under Rule 2.5.1 (Chi-X), a market participant must ensure that all trading is carried out either by a designated trading representative (DTR) or in accordance with the AOP requirements. If a market participant chooses to conduct all its trading in accordance with the AOP requirements, it will still need to appoint at least one DTR who will be in charge of supervising the trading activities of the market participant.
- RG 224.50 While we do not require DTRs to be registered with Chi-X or to pass an examination in order to become a DTR, a market participant is required under the ASIC Market Integrity Rules (Chi-X) to ensure that DTRs are sufficiently trained and have adequate experience, training and competency.
- RG 224.51 A market participant must determine how to meet the DTR requirements, taking into consideration any limits imposed on a DTR's access to the trading platform and the financial products in which the DTR is authorised to trade. A market participant may wish to consider:
- (a) providing its DTRs with a copy of, or access to, any documentation published by Chi-X in relation to its trading platform; and
 - (b) providing or arranging training for, and testing of, the DTR on:
 - (i) the operation of the market participant's order entry system;
 - (ii) the operation of the trading platform; and
 - (iii) the relevant market integrity rules and market operating rules.
- RG 224.52 A market participant is responsible for allocating unique identifiers to its DTRs, with Chi-X being responsible for issuing those unique identifiers to market participants.

Significant breach reporting to ASIC

- RG 224.53 Breaches (or likely breaches) of market integrity rules may constitute reportable breaches for AFS licensees under s912D of the Corporations Act. If certain breaches of the market integrity rules are required to be reported under s921D, they need to be reported to ASIC. The process for reporting breaches to ASIC under s912D and reporting breaches of market integrity rules to ASIC is the same.
- RG 224.54 Guidance on how to notify ASIC of significant breaches (or likely breaches) by AFS licensees under s912D is set out in RG 78 *Breach reporting by AFS licensees* (RG 78). Written breach reports may be:
- (a) lodged at any ASIC office, addressed to Stakeholder Services, Misconduct and Breach Reporting, ASIC; or
 - (b) emailed to fsr.breach.reporting@asic.gov.au.
- RG 224.55 A market participant should also note the specific obligation that Rule 3.5.10 (Chi-X) imposes on it to notify ASIC within two business days in relation to reconciliation of its trust accounts. These notifications should be given to us by the same process we require for reporting of significant breaches: see RG 224.53–RG 224.54.

Waivers to ASIC market integrity rules

Power to grant a market integrity rule waiver

- RG 224.56 We have responsibility for granting waivers from the obligation to comply with a provision of the market integrity rules. Any such waiver may be general, or limited to a particular case or category, and may be limited by such conditions as we think fit. If conditions are imposed on a waiver, all of the conditions must be complied with for the waiver to be effective. Failure to comply with a condition imposed on a waiver is a contravention of Rule 1.2.2 (Chi-X). Further, failure to comply with a condition on a waiver may amount to a possible breach of the relevant market integrity rule.
- RG 224.57 We may withdraw a waiver at any time. The waiver will cease to be effective from the time it is expressed to be withdrawn in writing. We will not grant a waiver retrospectively.

Our approach to a market integrity rule waiver

- RG 224.58 We will consider and determine all requests for a waiver of a market integrity rule on the basis of the facts, circumstances and merits of each request. In determining whether such a request should be granted, we will

take into account commercial considerations against the need to maintain the integrity of the market.

RG 224.59 Where appropriate, we may grant a waiver to a class of persons.

How to request a market integrity rule waiver

RG 224.60 Any request for a waiver must be in writing and emailed to:

Senior Executive Leader, Market and Participant Supervision, ASIC
market.participants@asic.gov.au.

RG 224.61 The request should include details of the market integrity rule to be waived, the requested start and end dates, the rationale for the waiver, all relevant facts and circumstances in support of the request, and any other relevant information.

RG 224.62 A market participant may be refused a request if it fails to address all of the relevant issues and, similarly, failure to supply relevant information may cause a delay in finalising the request.

RG 224.63 Should a commercially time-sensitive situation arise, we can consider such requests on an urgent basis, providing the market participant has clearly demonstrated that the urgency results from factors beyond its reasonable control and that those factors could not reasonably have been foreseen. Self-imposed deadlines will not be a sufficient basis for urgent consideration.

Publication of market integrity rule waivers

RG 224.64 We may publish notice of a waiver on a public register of waivers on our website at www.asic.gov.au, with details of:

- (a) the date the waiver takes effect;
- (b) the person or persons relieved from the obligation in the market integrity rule;
- (c) the provision of the market integrity rule to which the waiver applies;
- (d) brief reasons for the waiver; and
- (e) any conditions that apply to the waiver.

Amending or revoking a market integrity rule waiver

RG 224.65 Should we propose to make a determination that a waiver is no longer appropriate, and amend or revoke the waiver, we will give reasonable notice to the market participant before making such a determination.

Transitional arrangements

- RG 224.66 The arrangements for waivers outlined above are transitional and for the purposes of ensuring a smooth transition. In time, we may consider a uniform approach for applications to ASIC for relief that is more in line with Regulatory Guide 51 *Applications for relief* (RG 51). We expect to consult on any changes to the current approach at the relevant time.

How ASIC and Chi-X are working together

- RG 224.67 We are working with Chi-X on an ongoing basis to ensure that there is no undue regulatory burden placed on market participants.
- RG 224.68 There is an ongoing dialogue with Chi-X to ensure cooperation in managing supervision and establishing protocols on the monitoring and enforcement of market integrity rules and operating rules to minimise unnecessary duplication.

C Communicating with ASIC

Key points

A market participant can contact ASIC directly to ensure that market integrity matters are known and addressed in an efficient and timely manner.

Contact points include direct email and telephone access to the relevant ASIC teams to communicate issues and queries in relation to markets, trading and market participant conduct.

Breaches of the market integrity rules and/or provisions of the Corporations Act should not be reported using the direct contact points listed in this section. For correct procedures for breach reporting, see RG 224.53–RG 224.54.

Information that should be submitted to ASIC

- RG 224.69 Details about the type of information that should be submitted to ASIC in writing are contained in the ASIC Market Integrity Rules (Chi-X). The substance of the information is consistent with what is required in relation to the ASX market. As with the ASIC Market Integrity Rules (ASX), the ASIC Market Integrity Rules (Chi-X) do not currently prescribe forms or a format in which to submit such information.
- RG 224.70 Over time, we may develop forms or specify a format that must be used by market participants. Any forms or specified formats that are developed are likely to be standardised so that they apply to both the ASX market and the Chi-X market. In the meantime, we will accept information by any reasonable means, including the submission of information in the format in which it was previously prepared to comply with the pre-existing ASX Market Rules.
- RG 224.71 Table 3 lists the topics for which information should be sent to ASIC.

Table 3: What market participants should notify ASIC about

Topics	Relevant legislation/market integrity rule
Significant breaches	s912D of the Corporations Act
Management structure	Rule 2.1.2 (Chi-X)
Insurance requirements: Insurance with related body corporate	Rule 2.2.2 (Chi-X)

Topics	Relevant legislation/market integrity rule
Insurance requirements: Notification of amount and period of cover	Rule 2.2.3 (Chi-X)
Insurance requirements: Notification of claims	Rule 2.2.4 (Chi-X)
Information requirements: Obligation to notify of legal proceedings	Rule 2.2.5 (Chi-X)
Appointment or resignation of responsible executives	Rule 2.3.1 (Chi-X)
Annual continuing education and compliance self-assessment	Rule 2.3.5 (Chi-X)
Obligation to notify ASIC in respect of reconciliation	Rule 3.5.10 (Chi-X)

How to contact ASIC

- RG 224.72 The ASIC Market Integrity Rules (Chi-X) require a market participant to provide ASIC with various pieces of information in certain circumstances and other notifications. Information should be provided in the manner detailed in the relevant market integrity rule.

Written applications and requests

- RG 224.73 When certain requests and applications are to be made to ASIC (e.g. requests for approval and waiver applications), these should specifically identify the market that the application relates to and should be made in writing and emailed to:

Senior Executive Leader, Market and Participant Supervision, ASIC
market.participants@asic.gov.au.

Telephone hotline

- RG 224.74 Market participants are able to directly contact the relevant ASIC teams on a hotline (1300 029 454) between 9 am and 5 pm Eastern Standard Time on market trading days. This is for communicating with ASIC about live market trading issues, non-live market queries, general market participant queries, notifications and exemptions.

Email

- RG 224.75 There are two email addresses set up for use by market participants for all domestic licensed financial markets for the purposes of market-related and participant-related matters: see Table 4.

Table 4: ASIC email addresses for use by market participants

Email address	To be used for:	Examples of information, applications and notifications
markets@asic.gov.au	Matters relating to markets and trading	<p>Concerns or queries about trading anomalies.</p> <p>Queries about unexplained market events.</p> <p>Reports of suspicious market trades or behaviour.</p> <p>Concerns about misconduct in the market.</p>
market.participants@asic.gov.au	Participant-related matters	<p>Applications, including:</p> <ul style="list-style-type: none"> • business connection consent applications; • waiver applications; and • AOP certification. <p>Notifications, including:</p> <ul style="list-style-type: none"> • details about insurance; • management structure; • responsible executives; • commencement of legal proceedings that may impact on ASIC Market Integrity Rules (Chi-X); and • any other notifications to ASIC required under the ASIC Market Integrity Rules (Chi-X) or other market integrity rules relating to the participant's business. <p>Any other information relating to the participant.</p>

When to contact ASIC

RG 224.76 As noted above, we are responsible for supervising trading activities by market participants to ensure market integrity. As such, we can be contacted in relation to activities and conduct that occur on licensed financial markets. Australian market licensees retain responsibility for the operation of their markets. Queries pertaining to the operations and processes of markets should be directed to the relevant market operator. In general terms, if your issue relates to an obligation or conduct covered by market integrity rules or provisions of the Corporations Act, you should contact ASIC.

Where to find further information

RG 224.77 For up-to-date information about the transfer of market surveillance powers to ASIC, market participants should refer to www.asic.gov.au/markets.

Key terms

Term	Meaning in this document
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries out a financial services business to provide financial services Note: This is a definition contained in s761A of the Corporations Act.
AFS licensee	A person who holds an Australian financial services licence under s913B of the Corporations Act Note: This is a definition contained in s761A of the Corporations Act.
AOP	automated order processing
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASIC Market Integrity Rules (ASX)	ASIC Market Integrity Rules (ASX Market) 2010—rules made by ASIC under s798G of the Corporations Act for trading on ASX
ASIC Market Integrity Rules (ASX 24)	ASIC Market Integrity Rules (ASX 24 Market) 2010—rules made by ASIC under s798G of the Corporations Act for trading on ASX 24
ASIC Market Integrity Rules (Chi-X)	ASIC Market Integrity Rules (Chi-X Australia Market) 2011—rules made by ASIC under s798G of the Corporations Act for trading on Chi-X
ASIC Market Integrity Rules (Competition)	ASIC Market Integrity Rules (Competition in Exchange Markets) 2011—rules made by ASIC under s798G of the Corporations Act that are common to markets dealing in equity market products quoted on ASX
ASX	The exchange market known as ASX, operated by ASX Limited
ASX 24	The exchange market formerly known as the Sydney Futures Exchange (SFE), operated by Australian Securities Exchange Limited
ASX 24 Operating Rules	ASX Limited's new operating rules, which replace the pre-existing SFE Operating Rules
ASX guidance notes	Guidance notes providing assistance to ASX market participants on ASX's interpretation of the former ASX Market Rules
ASX Limited	The market licensee that operates the exchange market known as 'ASX'
ASX Market Rules	Previous operating rules made by ASX Limited dealing with activities or conduct of its market and of persons in relation to the market

Term	Meaning in this document
ASX Operating Rules	ASX Limited's new operating rules, which replace the pre-existing ASX Market Rules
Australian domestic licensed financial market	A financial market licensed under s795B(1) of the Corporations Act
Australian market licence	Australian market licence under s795B of the Corporations Act that authorises a person to operate a financial market
Australian Securities Exchange Limited	Formerly known as Sydney Futures Exchange Limited, the market licensee that operates ASX 24 (formerly known as SFE)
automated order processing (AOP)	As defined in Rule 1.4.3 (Chi-X)
CDI (CHES Depository Interest)	As defined in rule 2.13.1 of the operating rules of ASX Settlement Pty Ltd
Chi-X	Chi-X Australia Pty Ltd
Chi-X market	Means the market known as Chi-X, operated by Chi-X Australia Pty Ltd
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
Corporations Regulations	Corporations Regulations 2001
designated trading representative (DTR)	As defined in Rule 1.4.3 (Chi-X)
enforceable undertaking	An enforceable undertaking that may be accepted by ASIC under reg 7.2A.01 of the Corporations Regulations
equity market product	Shares, managed investment schemes and CDIs admitted to quotation on ASX
exchange market	A market that enables trading in listed products, including via a 'central limit order book' Note: Not all exchange markets offer primary listings services.
Financial Market Supervision Act	<i>Corporations Amendment (Financial Market Supervision) Act 2010</i>
GN 6 (for example)	An ASX guidance note (in this example, numbered 6)
infringement notice	An infringement notice issued under reg 7.2A.04 of the Corporations Regulations
market integrity rules	Rules made by ASIC, under s798G of the Corporations Act, for trading on domestic licensed markets
market licensee	Holder of an Australian market licence
market participant	As defined in s761A of the Corporations Act

Term	Meaning in this document
Markets Disciplinary Panel (MDP)	ASIC's Markets Disciplinary Panel, through which ASIC exercises its power to issue infringement notices and to accept enforceable undertakings in relation to breaches of the market integrity rules
PI insurance	professional indemnity insurance
Pt 7.2A (for example)	A part of the Corporations Act (in this example, numbered 7.2A), unless otherwise specified
reg 7.2A.02 (for example)	A regulation under the Corporations Regulations (in this example, numbered 7.2A.02), unless otherwise specified
responsible executive	As defined in Rule 1.4.3 (Chi-X)
RG 214 (for example)	An ASIC regulatory guide (in this example, numbered 214)
Rule 4.1.4 (ASX) (for example)	A rule of the ASIC Market Integrity Rules (ASX) (in this example, numbered 4.1.4)
Rule 2.2.1 (Chi-X) (for example)	A rule of the ASIC Market Integrity Rules (Chi-X) (in this example, numbered 2.2.1)
s795B (for example)	A section of the Corporations Act (in this example, numbered 795B), unless otherwise specified

Related information

Headnotes

financial markets, licensed financial markets, market integrity rules, market operators, participants, supervision, transitional arrangements

Regulatory guides

RG 51 Applications for relief

RG 78 Breach reporting by AFS licensees

RG 104 Licensing: Meeting the general obligations

RG 105 Licensing: Organisational competence

RG 214 Guidance on ASIC market integrity rules for ASX and ASX 24 markets

RG 215 Guidance on ASIC market integrity rules for APX, IMB, NSXA and SIM VSE markets

RG 216 Markets Disciplinary Panel

Legislation

ASIC Act

Corporations Act, Pt 7.2A, Pt 9.4B, s5, 791A, 793B, 795B(1), 795B(2), 798G, 912D, 913B

Corporations Regulations, regs 7.2.07, 7.2A.01, 7.2A.04, 10.14.02

Financial Market Supervision Act

Market integrity rules

ASIC Market Integrity Rules (ASX Market) 2010

ASIC Market Integrity Rules (ASX 24 Market) 2010

ASIC Market Integrity Rules (APX Market) 2010

ASIC Market Integrity Rules (Chi-X Australia Market) 2011

ASIC Market Integrity Rules (Competition in Exchange Markets) 2011

ASIC Market Integrity Rules (IMB Market) 2010

ASIC Market Integrity Rules (NSXA Market) 2010

ASIC Market Integrity Rules (SIM VSE Market) 2010

Consultation papers and reports

CP 131 Proposed ASIC market integrity rules: ASX and SFE markets

CP 136 Markets Disciplinary Panel

CP 148 Proposed market integrity rules: Chi-X market

CP 152 ASIC's conversion of ASX and SFE guidance: General operational obligations

REP 204 Response to submissions on CP 131 Proposed ASIC market integrity rules: ASX and SFE markets

REP 207 Response to submissions on CP 136 Markets Disciplinary Panel