



Consultation Paper 2/2015 on:

- **amendments to the Operating Rules: Procedures to accommodate the introduction of visible Market on Close orders during the @Last trading phase**

12 May 2015

Consultation Closes: Tuesday 9 June 2015

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1. Introduction

- 1.1.1 Chi-X is further developing its innovative market on close (MOC) product in response to participant demand for a visible market on close order during the current Post Close MOC trading phase, which runs from 16:13 to 16:20. It will be possible to continue entering hidden MOC orders during the continuous trading phase, but from 16:12 to 16:20, participants will be able to enter visible MOC orders during a new trading phase: @Last.
- 1.1.2 This exciting proposed development will require the following amendments to the Operating Rules: Procedures (“Procedures”):
- (i) amend procedure 4.2 to include:
 - (a) a reference to hidden market on close (MOC) orders in the continuous trading row of the trading phase table to clarify that only hidden MOC orders are permissible during this phase;
 - (b) a reference to the new @Last trading phase, which will run from 16:12 to 16:20;
 - (ii) amend procedure 4.5, to outline the way in which visible MOC orders will work in the @Last trading phase, including as to execution priority.
- 1.1.3 The proposed amendments to the procedures follow communications with participants on the introduction of the new @Last trading phase and visible MOC orders.
- 1.1.4 The consultation period is open until **Tuesday 9 June 2015** and participants are invited to provide comments on or before that date on any aspect of the proposals. In keeping with procedure 1.7 of the Procedures, Chi-X is consulting with participants on the proposed amendments at least four weeks prior to the amendments becoming effective and it is currently proposed that the changes relating to the @Last trading phase and visible MOC orders can take effect from **Monday 22 July 2015**.
- 1.1.5 All submissions will be treated confidentially unless a submitting entity expressly states otherwise. The basis of each of the proposed amendments is outlined in the following section.

2. The Proposed Amendments – Visible unpriced MOC Orders and the @Last Trading Phase

- 2.1.1 Participants are currently able to submit hidden MOC orders from the commencement of continuous trading at 10:00:00 through to the end of the current Post Close MOC phase at 16:20:00. Chi-X has received consistent feedback from participants that they would benefit from additional trading opportunities and enhanced risk management if MOC orders were visible from the close of continuous trading to the end of the current Post Close MOC phase.

2.1.2 Accordingly, Chi-X is proposing to launch a new '@Last' trading phase during which participants will be able to submit unpriced visible MOC orders which show stock/side and size. Participants will continue to be able to submit hidden MOCs during the @Last phase. A new '@Last' System Event Code will be disseminated via the System Event Message across the Chi-X Market Data feed "CHIXMD" to denote the commencement of the @Last trading phase.

2.1.3 These new proposals require some minor amendments to the Procedures.

2.2 The Proposed Amendments - @Last Trading Phase

2.2.1 Currently the Chi-X market has a Post Close MOC trading phase that runs from 16:13:00 to 16:20:00 and during this phase participants may only enter hidden MOC orders. Chi-X is proposing to change this phase to an @Last trading phase which will now run from 16:12:00 and during which hidden and visible MOC orders may be submitted and matched. The reference price for hidden and visible MOC orders will remain the closing price of each equity market product as published by the ASX at the conclusion of its closing auction, and if no closing price results from the closing auction, the last traded price on that trading day.

2.2.2 These proposed changes require the amendment of the trading phases table in procedure 4.2. These are outlined in **attachment one**.

2.3 The Proposed Amendments – Orders and matching

2.3.1 With the proposed changes it is necessary to clarify in the Procedures that:

- (i) MOC orders submitted during the continuous trading phase will always be hidden – see the amendment to the existing paragraph 1.2 of Procedure 4.5 in **attachment one**;
- (ii) MOC orders submitted during the @Last trading phase may be hidden or visible – see the proposed new inserted paragraph 2.1 of Procedure 4.5 in **attachment one**;
- (iii) the 'price' attribute is not mandatory for MOC orders – see the proposed addition to the existing paragraph 2.1(b) (renumbered to paragraph 3.1(b)) of Procedure 4.5 in **attachment one**;
- (iv) hidden and visible MOC orders will be able to interact with each other on either a:
 - a. visibility/participant/time priority (when broker preferencing is enabled) - see the proposed amendment to the existing paragraph 3.2 (renumbered to 4.2) of Procedure 4.5 in **attachment one**; or
 - b. visibility/time priority (when broker preferencing is not enabled) - see the proposed amendment to the existing paragraph 3.3 (renumbered to 4.3) of Procedure 4.5 in **attachment one**.

3. Responses

3.1.1 Submissions and any queries concerning this consultation should be directed to:

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Attachment One

PROPOSED AMENDMENT OF PROCEDURE 4.5

The proposed amendment to procedure 4.5, in relation to MOC orders and broker preferencing, is set out below with strikethrough indicating text to be deleted and text to be inserted indicated by either double underlining or explanatory italicised text. “.....” indicates text in the original procedures that is not relevant to the proposed amendments.

P4 Section 4: TRADING

P4.2: Hours of Operations

1. Trading phases

1.1 The trading phases for the **Chi-X market** are set out below:

Phase	Time AEST	Supported Functions
Technical Connectivity	06:00	<ul style="list-style-type: none"> Commencement of technical connectivity to the Chi-X market. Participants may login to the Chi-X technical infrastructure.
Pre-Market	06:35 until 09:59	<ul style="list-style-type: none"> Participants may check connectivity and details concerning securities available for trading but will <u>not</u> be able to enter orders into the Chi-X market ; The Chi-X trading system will not match orders; Participants may report trades under the rules by the time specified in the Market Integrity Rules (Competition in Exchange Markets).
Continuous Trading	10:00 until 16:12	<ul style="list-style-type: none"> Participants may enter orders into the Chi-X market, including <u>hidden but not visible</u> MOC orders; Orders are matched in accordance with the rules; Trade reporting is supported in accordance with the rules.
<u>@Last Post Close MOC</u>	16:12 3 until 16:20	<ul style="list-style-type: none"> Participants may only enter <u>visible and hidden</u> MOC orders into the Chi-X market in this phase; MOC orders are matched in accordance with the rules.

Post-Trading Administration	16:12 until 18:55	<ul style="list-style-type: none"> This phase initially operates in parallel with the @Last Post Close MOC Trading phase and the following applies to non-MOC orders during this phase: <ul style="list-style-type: none"> Participants cannot enter or amend orders but may cancel orders; The Chi-X trading system does not match orders in this phase; Participants may report trades under the rules; All orders remaining in the Chi-X market at the end of this phase will automatically be cancelled.
Technical Connectivity Ends	19:00	<ul style="list-style-type: none"> All participant connections to Chi-X are closed. Intraday trade cancellations no longer possible.

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P4.5: Orders and matching

1. Pegged Orders

1.1 For the purposes of **rule 4.5(a)(ii)**, the reference source for **pegged orders** on the **Chi-X market** will be the following **reference prices**:

Table 1.1

Pegged Order Types	Reference Price
NearPointX (Primary Peg), FarPointX (Market Peg) and Mid-PointX (Mid-Peg) orders	A national best bid and offer (NBBO) as calculated by Chi-X in accordance with ASIC guidance as published from time to time.
Market on Close (MOC) orders	The closing price of each equity market product as published by ASX at the conclusion of its closing auction. If no closing price results from the closing auction, the last traded price on that trading day.

1.2 As noted in **procedure 4.2**, participants may submit hidden MOC **orders** from the commencement of continuous trading. If an hidden MOC **order matches** against another hidden MOC **order** before the applicable **reference price** is available, both sides will receive a message, in accordance with the technical specification, confirming that the **orders** have been **matched**. Hidden MOC **orders matched** before the applicable **reference price** becomes available will result in a **relevant transaction** unless:

- (i) no **reference price** eventuates for the MOC **orders**; or
- (ii) the security in question is placed in a regulatory halt that prevents the closing auction taking place on the ASX.

1.3 An event of default by a **participant**, under the rules of a **designated central counterparty** or an **alternate central counterparty**, may result in a **relevant transaction** arising from a matched MOC **order** submitted by that **participant** being rejected by the **designated central counterparty** or an **alternate central counterparty**. Any such rejection may occur even if the event of default takes place after the matching of MOC **orders** submitted by that **participant** but prior to it being known whether the conditions in paragraph 1.2(i) and (ii) above have been satisfied.

2. MOC Orders during the @Last Trading Phase

2.1 Participants are able to enter visible and hidden MOC orders during the @Last trading phase. As such, unpriced visible MOC orders are only able to be entered during the @Last phase from 16:12:00 to 16:20:00. Visible MOC orders will display quantity, size and side, but not price. Visible and hidden MOC orders will be able to interact in the @Last trading phase.

~~2.3.~~ Order Attributes

23.1 Orders submitted to the **Chi-X market** must comply with the technical specifications. Those specifications provide an exhaustive list of mandatory attributes, which include:

- (a) security code;
- (b) price, for non-MOC orders;
- (c) quantity;
- (d) buy or sell;
- (e) clearing participant.

23.2 **Orders** submitted to the **Chi-X market** must comply with the technical specifications. Those specifications provide an exhaustive list of optional attributes, which include:

- (a) undisclosed quantity;
- (b) iceberg;
- (c) hidden provided the order value is above \$0;
- (d) minimum executable quantity;
- (e) broker preferencing (for hidden **orders** only);
- (f) time in force, including:
 - (i) Immediate or cancel;
 - (ii) Fill or kill;
 - (iii) Preference and kill;
 - (iv) Preference or kill;
 - (v) Good till time;
 - (vi) Day order.

34. **Execution Priority**

34.1 This part of **procedure** 4.5 contains the only exceptions to the **matching** priority specified in the **rules**.

34.2 **Orders** submitted by **Participants** that opt-in to broker preferencing, in accordance with the requirements in the technical specifications, will be matched as follows:

- (i) hidden **orders** other than MOC **orders** will **match** on the basis of price/visibility/participant/time priority; and
- (ii) MOC **orders** will match on the basis of visibility/participant/time priority.

34.3 MOC **orders** for which broker preferencing is not enabled will be matched on a visibility/time priority basis.

Definitions – each of the following definitions will be added to the definitions for the Operating Rules and Operating Rules: Procedures

There are no new definitions.