



Consultation Paper 3/2013 on:

- **amendments to the Operating Rules: Procedures to accommodate the introduction of Market on Close orders and Broker Preferencing;**
- **a minor amendment clarifying the calculation of the quoting obligation ratio contained in CP2/13.**

24 October 2013

Consultation Closes: Monday 18 November 2013

Chi-X Australia Pty Ltd

ABN 47 129 584 667

1. Introduction

1.1.1 Chi-X is proposing to amend the Operating Rules: Procedures (“Procedures”) as follows:

- (i) amend procedure 4.5, as outlined in **attachment one**, to include:
 - (a) references to market on close (MOC) orders in section 1 on pegged orders;
 - (b) changes to execution priority pursuant to the introduction of MOC orders and broker preferencing;
- (ii) amend procedure 4.2, as outlined in **attachment two**, to introduce a post close trading phase for the entry and matching of MOC orders;
- (iii) amend procedure 4.9 and the definition of active continuous trading, as outlined in **attachment three**, to make it clearer how the ratio is calculated and ensure it is aligned with what was originally intended .

1.1.2 The proposed amendments to procedures 4.5 and 4.2 follow the announcements that have been made on the introduction of MOC orders and broker preferencing. The proposed amendments to procedure 4.9 and the definition of active continuous trading are to clearly align the calculation of the quoting obligation ratio of Chi-X market makers with what was originally intended.

1.1.3 The consultation period is open until **Monday 18 November 2013** and participants are invited to provide comments on or before that date on any aspect of the proposals. The closing date is set so that the changes relating to MOC orders and broker preferencing can take effect from **25 November 2013**. The changes to the definition of active continuous trading and procedure 4.9 will come into effect when the market making rules and procedures come into force, which will take place on a date to be announced.

1.1.4 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 – MOC Orders and Broker Preferencing

2.1.1 Technical Notice 20/13 contains details on the introduction of MOC orders and broker preferencing. These enhancements are scheduled to be introduced into production on 25 November 2013 and will require minor amendments to the Procedures to ensure they are aligned with the way in which the new products will work. The amendments to procedure 4.5 clarify the following:

- (i) MOC orders will be pegged to the ASX closing price;
- (ii) MOC orders will match on time priority, unless a participant has enabled broker preferencing logic;

- (iii) if a participant has enabled broker preferencing logic then:
 - (a) hidden orders other than MOC orders will match based on price/visibility/participant/time priority; and
 - (b) MOC orders will match on the basis of participant/time priority.

2.1.2 The amendments to procedure 4.2 introduce the post close trading phase for MOC orders.

3. The Proposed Amendments – Definition of Active Continuous Trading and Calculation of the Quoting Obligation Ratio

3.1.1 Consultation Paper 2 of 2013 outlined the proposed rules and procedures containing the Chi-X market maker regime. As outlined in Compliance Notice 5/13, these rules and procedures have received regulatory approval and the current versions of the relevant Operating Rules and Procedures are at **attachment four**. However there are some minor amendments proposed to the Procedures to ensure the obligations imposed on market makers are aligned with what was intended. The procedures outlined in CP2 of 2013 included the obligation that market makers quote for a minimum period of time described as the **quoting obligation ratio**. The quoting obligation ratio is defined as a specified percentage of **active continuous trading** during which a market maker must maintain bid and offer orders complying with the market maker undertaking. The definition of “active continuous trading” contained in CP 2 stated:

active continuous trading – the aggregate time in which the **Chi-X market** is in continuous trading for an **equity market product** but excluding:

- (a) the period during which the **equity market product** is in an opening or closing auction or a regulatory halt on the listing market;
- (b) the first fifteen and last ten minutes of the continuous trading phase on the **Chi-X market**.

3.1.2 Paragraph (b) of the above definition contains an error in that it is the last twenty two minutes of the continuous trading phase (ie from 3:50pm to 4:12pm) that is intended to be excluded from the calculation. The exclusion of this period reflects the nature of trading on Chi-X in the period 3:50 to 4:12pm, whereby liquidity, in relative terms, moves to the primary market.

3.1.3 There is also a minor amendment proposed to paragraph 2.2(b) of procedure 4.9 to clarify the basis on which the quoting obligation ratio is calculated. The proposed amendment makes it clearer that this ratio is calculated on a monthly in arrears basis by aggregating each daily active quoting obligation ratio in a month for a participant and dividing that figure by the number of days in the month.

4. Responses

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

Michael Somes
Head of Compliance and Regulatory Counsel
+ 61 2 8078 1718
michael.somes@chi-x.com

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.

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 ~~a national best bid and offer (NBBO). The NBBO has been mandated as a reference price by ASIC and may be the subject of guidance and/or other requirements issued by ASIC.~~ the following reference prices:

Insert the following table (Table 1.1) and text (paragraph 1.2) at the end of paragraph 1.1 of procedure 4.5

Table 1.1

Pegged Order Types	Reference Price
NearPoint X (Primary Peg), FarPoint X (Market Peg) and Mid-Point X (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 MOC orders from 10am. If an MOC order matches against another MOC order before the applicable **reference price** is available, both sides of the transaction will receive a message, in accordance with the technical specification,

confirming that the orders have been matched. 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.

The following proposed amendments revert to being indicated by strikethrough (deleted text) and double underlining (text to be inserted).

2. **Order Attributes**

2.1 **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;
- (c) quantity;
- (d) buy or sell;
- (e) clearing participant.

2.2 **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.

3. **Execution Priority**

3.1 This part of **procedure** 4.5 contains the only~~ere are presently no~~ exceptions to the matching priority specified in the **rules**.

3.2 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 based on price/visibility/participant/time priority; and
- (ii) MOC orders will match on the basis of participant/time priority.

3.3 MOC orders for which broker preferencing is not enabled will be matched on a time priority basis.

DEFINITIONS

It is proposed to add the following definition to the definitions in the Operating Rules and Operating Rules: Procedures (the term only being used in the Procedures).

Reference Price The reference source for Chi-X pegged orders that is set out in column two of table 1.1 for each of the pegged orders specified in column one of that table.

Attachment Two

PROPOSED AMENDMENT OF PROCEDURE 4.2

The proposed amendment to procedure 4.2, in relation to the introduction of a Post Close MOC Trading phase, is set out below with strikethrough indicating text to be deleted and double underlining indicating text to be inserted.

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, <u>including MOC orders</u>; Orders are matched in accordance with the rules; Trade reporting is supported in accordance with the rules.
<u>Post Close MOC Trading</u>	<u>16:13 until 16:20</u>	<ul style="list-style-type: none"> <u>Participants may only enter MOC orders into the Chi-X market in this phase</u>; <u>MOC orders are matched in accordance with the rules</u>;
Post-Trading Administration	16:13 until 18:55	<ul style="list-style-type: none"> <u>This phase initially operates in parallel with the Post Close MOC Trading phase and the following applies to non-MOC orders during this phase</u>: <ul style="list-style-type: none"> Participants cannot enter or amend

		<p>orders but may cancel orders;</p> <ul style="list-style-type: none"> ○ 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.

Attachment Three

PROPOSED AMENDMENT OF THE DEFINITION OF ACTIVE CONTINUOUS TRADING

Definitions – it is proposed to amend the definition of active continuous trading contained in CP2/13 as follows, with strikethrough indicating text to be deleted and double underlining indicating text to be inserted:

active continuous trading – the aggregate time in which the **Chi-X market** is in continuous trading for an **equity market product** but excluding:

- (a) the period during which the **equity market product** is in an opening or closing auction or a regulatory halt on the listing market;
- (b) the first fifteen and last ~~ten~~ twenty two minutes of the continuous trading phase on the **Chi-X market**.

PROPOSED AMENDMENT OF PROCEDURE 4.9 OUTLINING THE CALCULATION OF THE QUOTING OBLIGATION RATIO

The proposed amendment to procedure 4.9, in relation to a clarification of the way in which the quoting obligation ratio is calculated, is set out below with strikethrough indicating text to be deleted, double underlining indicating text to be inserted and a dotted line indicating text in the procedure that is not relevant to the proposed amendment.

P4.9: Market Making Requirements

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2. Undertaking to Fulfil Affirmative Obligations

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2.2 A **market maker undertaking** submitted to Chi-X may be in the form of the template published on the Chi-X web site and must contain an undertaking:

.....

- (b) to comply with the requirements in paragraph 2.2(a) for at least the **quoting obligation ratio of active continuous trading**, calculated over a monthly period by summing the ratio of active continuous trading ~~period of time~~ on each trading day that the participant has submitted orders complying with the requirements in 2.2(a), and dividing that figure by the number of **trading days** in the month;

.....

Attachment Four

CURRENT VERSION OF THE RELEVANT OPERATING RULES AND OPERATING RULES: PROCEDURES FOR THE CHI-X MARKET MAKING PROGRAMME

The following text will be inserted into the Operating Rules immediately following the current rule 4.8.

4.9 REGISTRATION AS A MARKET MAKER

- (a) **Chi-X** may register a **participant** as a **market maker**.
- (b) **Chi-X** may, in its absolute discretion:
 - (i) refuse to register a **participant** as a **market maker**; and/or
 - (ii) deregister a **participant** as a **market maker**.
- (c) A **participant** may request a review of a decision by **Chi-X** to refuse to register a **participant** under rule 4.9(b)(i) and/or to deregister a participant as a market maker under rule 4.9(b)(ii).
- (d) The process by which **Chi-X** will register a **participant** as a **market maker** is set out in the **procedures** and requires a **participant** to provide a completed **market maker undertaking** to **Chi-X**.

4.10 MARKET MAKER OBLIGATIONS

- (a) A **participant** that is registered as a **market maker** must comply with the **market maker undertaking** that it has provided to **Chi-X** unless and until:
 - (i) the **participant** has been deregistered as a **market maker**; or
 - (ii) the **market maker undertaking** has been amended pursuant to rule 4.11.

4.11 AMENDMENT OF AND TEMPORARY RELIEF FROM THE MARKET MAKER OBLIGATIONS

- (a) A **participant** may propose to **Chi-X** that the undertaking it has provided be amended but the original undertaking will continue to apply until **Chi-X** has agreed to and specified the date on which the amended **market maker undertaking** will take effect, after which a participant must comply with the **market maker undertaking** as amended.
- (b) A **participant** that is a registered market maker and is seeking temporary relief from the obligation to comply with a **market making undertaking**, should apply under **rule 1.5** for a waiver from the obligation under **rule 4.10**.

4.12 DEREGISTRATION

- (a) A participant that is registered as a market maker but does not comply with the **market maker undertaking** is liable to be deregistered as a **market maker** either totally or partially in respect of a particular subset of the **specified market maker securities** in which it has been registered as a **market maker**.
- (b) A **participant** may, three months or more after it has been registered as a **market maker** under rule 4.9(a), apply to be deregistered as a **market maker** from the beginning of the second month following the date on which **Chi-X** received the application. The application for de-registration may be made in respect of either:
 - (i) one or more **securities** on the list of **specified market maker securities** that it has specified in its **market maker undertaking**, so long as deregistering from the listed **securities** does not take the number of **specified market securities** in which it is registered below 50; or
 - (ii) all the **securities** in which it is registered as **market maker**.

4.13 THE REGISTER

- (a) The register of **market makers** will be published on the **Chi-X** web site. The register shall list each **specified market maker security** in which the **participant** is a **market maker**.

4.14 CHI-X POWERS AND OBLIGATIONS ON PARTICIPANTS THAT ARE REGISTERED

- (a) **Chi-X** may require a **participant** that is registered as a **market maker** to provide any information and material in connection with its activities as a **market maker**.
- (b) A **participant** must provide any information and material required by **Chi-X** pursuant to this rule within the time limits specified by **Chi-X**.

PROCEDURES 4.9 AND 4.10 ON MARKET MAKING

The following text will be inserted into the Procedures immediately following the existing procedure 4.8.

P4.9: Market Making Requirements

1. Process for Registration

1.1 The process for registration as a market maker is as follows:

- (a) A **participant** that wants to be considered by **Chi-X** for registration as a **market maker** must provide **Chi-X** with a completed **market maker undertaking**;
- (b) **Chi-X** will consider each **market maker undertaking** that it receives and then decide whether to exercise its discretion under rule 4.9(a) to register the **participant** as a **market maker**;
- (c) the obligation to comply with the **market maker undertaking** will commence no later than the first day of the month following a participant's registration as a **market maker**;
- (d) **Chi-X** will continuously monitor compliance with the **market maker undertaking** and may request information from a **participant** under rule 4.10 in respect of that **participant's** market making activities;
- (e) **Chi-X** may deregister a **participant** as a **market maker** at any time.

2. Undertaking to Fulfil Affirmative Obligations

2.1 In this section of procedure 4.9, paragraph 2.2 sets out the matters that must be contained in the **market maker undertaking** (eg the obligation to maintain a spread), while paragraph 2.3 specifies the metrics in relation to those matters (eg the required size of that spread).

2.2 A **market maker undertaking** submitted to Chi-X may be in the form of the template published on the Chi-X web site and must contain an undertaking:

- (a) to enter and maintain bid and ask orders that are each in excess of the **minimum order value** specified in table 2.2 and that create a bid-ask spread that is not more than the **maximum spread** specified in table 2.2;

- (b) to comply with the requirements in paragraph 2.2(a) for at least the **quoting obligation ratio of active continuous trading**, calculated over a monthly period by summing the period of time on each trading day that the participant has submitted orders complying with the requirements in 2.2(a) and dividing that figure by the number of **trading days** in the month;
 - (c) to comply with the requirements in 2.2(a) and (b) in respect of a subset of the **securities** traded by **Chi-X**¹, the subset having been agreed between **Chi-X** and the **participant** prior to the **market maker undertaking** being made but consisting of not less than 50 of the **securities** traded on the **Chi-X** central limit order book;
 - (d) to separate market making activities from all other activities in respect of the **Chi-X** market; and
 - (e) to notify **Chi-X** immediately it becomes aware that it is failing to comply with paragraphs (a) – (d) above and provide a complete explanation for the failure to comply.
- 2.3 Chi-X will allocate each **security** traded on the central limit order book into one of three groups for the purposes of specifying the **minimum order value**, the **maximum spread**, and the **trading obligation ratio** that will apply to market making in each **security**. Table 2.2 contains the value of each of these measures in respect of each **security** traded on the Chi-X central limit order book.

¹ A list of the securities traded will be available on the Chi-X Australia web site: www.chi-x.com.au

TABLE 2.2

Security Group	Minimum Order Value	Maximum Spread: Price : Maximum Spread (in tick size)	Quoting Obligation Ratio
Group one (Top 50 by market capitalisation)	\$10,000.00	\$0 < \$20: 4 \$20 < \$40: 5 \$40 < \$50: 6 \$50 < \$60: 7 \$60 < \$70: 8 \$70 < \$80: 8 \$80 ≤ : 9	65%
Group Two (remainder of ASX 200)	\$7,500.00	\$0 < \$20: 4 \$20 < \$30: 5 \$30 ≤ : on a case by case basis (but ≥ 6)	65%
Group Three (remainder)	\$5,000.00	\$0 < \$20: 4 \$20 ≤ : on a case by case basis (but ≥ 5)	50%

3. Consequences of Failing to Comply with a Market Maker Undertaking

3.1 A **participant** that fails to comply with a **market maker undertaking** it has provided to **Chi-X** is liable to be deregistered as a **market maker** and/or disciplinary action for a breach of the **rules**.

P4.14: Chi-X powers and obligations on participants that are registered as market makers

1.1 It is important that **participants** registered as **market makers** comply with the obligations contained in the **market making undertaking** they have provided to **Chi-X**. Therefore it is also important that **participants** registered as **market makers** respond to requests from **Chi-X** for information in connection with their market making activities within the time specified by **Chi-X** in that request. Failure to comply with a request may amount to a breach of the **Rules**. A **participant** that believes that the time specified for compliance with a request is unreasonably

short must notify **Chi-X** as soon as possible after it receives the request that more time will be needed to provide the information and/or documentation sought.

AMENDMENT OF PROCEDURE 1.6 ON THE RIGHT TO REVIEW A CHI-X DECISION
REGISTERING/DEREGISTERING A PARTICIPANT AS A MARKET MAKER

Procedure 1.6 will be amended as set out below with:

- (a) double underlining indicates text to be inserted;
- (b) strikethrough indicates text to be deleted; and
- (c) “.....” indicates text in the original which is not relevant to the proposed amendment.

P1.6: Reviews

1. Requesting a Review

1.1 A **participant** can only request a review of a decision if the **rules** state that the decision may be reviewed.

1.2 The following **rules** state that a **participant** may request a review of the decisions that are specified:

(a) rule 4.9(c) states that a **participant** may request a review of a decision by **Chi-X** under rule 4.9(a) to register or deregister a **participant** as a **market maker**;

~~(a)(b)~~ rule 5.2 states that a **participant** may request a review of a decision by **Chi-X** under rule 5.1(e) to modify or restrict a **participant's** access to the market in order to ensure a fair, orderly and transparent market;

~~(b)(c)~~ rule 5.5 states that a **participant** may request a review of the exercise by **Chi-X** of the powers in rule 5.4(d) in respect of a market-related **dispute**;

~~(e)(d)~~ rule 9.1(b) states that a **participant** may request a review of disciplinary action taken by **Chi-X** under rule 9.1(a);

~~(d)(e)~~ rule 9.6 states that a **participant** may request a review of a decision by **Chi-X** under the default powers in rule 9.5 to restrict, suspend or terminate a **participant's** access to the **Chi-X** market.

1.3 Notification of a request for a review must comply with **procedure** 13.7 and be given to:

(a) **Chi-X** Compliance in the case of a notification of a request for a review made under **rules** 4.9(c), 5.2, 9.1(b) or 9.6;

- (b) Market Operations in the case of a notification of a request for a review made under **rule 5.5(a)**.

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8. Interim Measures

- 8.1 Lodging a request for a review pursuant to **rules 4.9(c), 5.2, 5.5, or 9.6** has no impact on the decision in respect of which the request is made. That decision will remain in force unless and until it is changed by the Review Committee.

9. Review Outcomes

- 9.1 In the case of a review conducted pursuant to a request made under **rules 4.9(c), 5.2, 5.5, or 9.6**, the **Review Committee** may confirm, vary or quash the decision in respect of which the review is being sought.
- 9.2 In the case of a review conducted pursuant to **participant** objection under **rule 9.1(b)** or a referral from **Chi-X** under **rule 9.1(d)**, a **Review Committee** may impose or utilise one or more of the sanctions in **rule 9.3** and as outlined in **procedure 9.1**.
- 9.3 There is no appeal from a decision of the **Review Committee**.
- 9.4 The decision of the **Review Committee** may be enforced by **Chi-X** as if it were the decision that was reviewed.

10. Review Fees

- 10.1 The fees for lodging a request for a review are as follows:
 - (a) a review under **rule 4.9(c)** of a decision under **rule 4.9(b)** to register or deregister a participant as a market maker - \$5,000.
 - ~~(a)~~(b) a review under **rule 5.2** of a decision under **rule 5.1(e)** to restrict/modify a participant's access to the market for the purpose of maintaining a fair, orderly and transparent market - \$5,000.
 - ~~(b)~~(c) a review under **rule 5.5** of the exercise by **Chi-X** of the powers in **rule 5.4(d)** in respect of a market **dispute** - nil;
 - ~~(c)~~(d) a review under **rule 9.1(b)** of disciplinary action taken by **Chi-X** under **rule 9.1(a)** - \$5,000;

~~(d)~~(e) a review under **rule** 9.6 of a decision by **Chi-X** under the default powers in **rule** 9.5 to restrict suspend or terminate a **participant's** access to the **Chi-X market** - \$5,000. :

10.2 A **Review Committee** has the discretion to order the refund of a fee paid by a **participant** for a review of under rule 9.1(b) of disciplinary action taken by **Chi-X** under **rule** 9.1(a).

PROPOSED AMENDMENT OF PROCEDURE 13.7 ON THE NOTIFICATION REQUIREMENTS FOR A
REQUEST TO REVIEW A CHI-X DECISION REGISTERING/DEREGISTERING
A PARTICIPANT AS A MARKET MAKER

Procedure 13.7 will be amended as set out below with double underlining indicating text to be inserted and strikethrough indicating text to be deleted.

P13.7: Notifications

1. **Written notice**

1.1 Unless otherwise specified in the exceptions listed in paragraph 1.2 below, notifications to **Chi-X** by a **participant** under the **rules** should be addressed to:

Market Operations
Chi-X Australia
Level 23 Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Tel: +61 2 8078 1700
Email: operations-cxa@chi-x.com

1.2 The following exceptions to paragraph 1.1 apply:

- (a) The notice is in relation to a request for a review pursuant to **rules** ~~4.9(c)~~, 5.2, 9.1(b) or 9.6;
- (b) The notice is in respect of actual or contemplated disciplinary proceedings under the **rules**;
- (c) The notice relates to a confidential matter, complaint or allegation of conflict of interest concerning the operation of the **Chi-X market**;

- (d) Specific correspondence with a **participant** directs how notices are to be provided.

1.3 Notifications that fall within the exceptions specified in paragraph 1.2 should be addressed to:

Compliance

Chi-X Australia

Level 23 Governor Phillip Tower

1 Farrer Place

Sydney NSW 2000

Tel: +61 2 8078 1700

Email: compliance-cxa@chi-x.com

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

active continuous trading – the aggregate time in which the **Chi-X market** is in continuous trading for an **equity market product** but excluding:

- (a) the period during which the **equity market product** is in an opening or closing auction or a regulatory halt on the listing market;
- (b) the first fifteen and last ten minutes of the continuous trading phase on the **Chi-X market**.

market maker – a **participant** that has been registered as a market maker by **Chi-X** under rule 4.9

market maker undertaking – an undertaking by a participant made to **Chi-X** to comply with the affirmative obligations contained in the **procedure 4.9**

maximum spread – the number of ticks specified in table 2.2 in procedure 4.9 and that is the maximum allowable number of ticks between the bid and offer that must be maintained by a market maker in order to comply with its **market maker undertaking**.

minimum order value – the minimum order size specified in table 2.2 in procedure 4.9 and that is the minimum order size of the bid and offer orders that must be maintained by a **market maker** in order to comply with its **market maker undertaking**.

security – As defined in section 761A of the Corporations Act

specified market maker securities depending on the context, either the list of **securities** in which a participant may be a **market maker** and which is published by **Chi-X** on its web site or the subset of that list in respect of which a particular participant has undertaken to meet the requirements listed in paragraph 2.2 of procedure 4.9.

quoting obligation ratio – the percentage of **active continuous trading** on the Chi-X market specified in table 2.2 and for which a **market maker** must maintain bid and offer orders in order to comply with its **market maker undertaking**.