



Participant Self-Assessment

Issue date: April 6, 2017

Due date: May 12, 2017

Introduction

1.1.1 Chi-X Australia Participants are being asked to undertake a self-assessment that will help Chi-X and its Participants continue working together to ensure that we maintain a fair, orderly and transparent market. This year's self-assessment focuses on:

- (i) Ongoing requirements for Chi-X Participants;
- (ii) Ongoing compliance with the Chi-X Operating Rules and Procedures;
- (iii) Interacting with the Chi-X market;
- (iv) Supervision and monitoring of activity on Chi-X; and
- (v) General participant and market issues affecting Chi-X Participants.

1.1.2 The self-assessment is confidential. The answers provided will be used as an important feedback tool for Chi-X to better understand how our Participants interact with our market so that we can ensure the maintenance of a fair, orderly and transparent market. It may also highlight areas where Chi-X may need to enhance systems and procedures, or work more closely with Participants to achieve that same goal.

1.1.3 Responses to the self-assessment are due by **Friday 12 May 2017** and should be clearly segmented according to the questions to which they are responding.

1.1.4 Some of the questions in this year's assessment cover the same ground as previous self-assessments. Participants are welcome to incorporate previous responses, to the extent they remain accurate and applicable, when responding to this year's assessment.

1.1.5 Completed assessments and any queries should be addressed to:

Email: au.compliance@chi-x.com

Michael Somes
Head of Compliance and Regulatory Counsel
T: 02 8078 1718
E: Michael.Somes@Chi-X.com

Mwela Kapapa
Legal Counsel, Compliance and Regulation
T: 02 8078 1738
E: Mwela.Kapapa@Chi-X.com

Address: Chi-X Australia
Level 23 Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000

1.1.6 Chi-X will continue to visit Participants in 2017 as part of the ongoing supervision programme. Please do not hesitate to contact Chi-X Compliance at any time if you have any queries or feedback.

The Chi-X Australia Participant Self-Assessment

1. ONGOING REQUIREMENTS FOR CHI-X PARTICIPANTS

This section seeks information that will assist in ensuring Chi-X Participants are meeting necessary ongoing requirements to remain eligible as Participants of the Chi-X market, including management structure and allocation of responsibilities that provide the basis for adequate internal procedures and controls.

- (i) Please confirm your organisation's Chi-X Compliance contact for the purposes of operating rule 3.1(h).
- (ii) Please provide an organisational chart outlining the relevant functional business areas of your organisation that interact with Chi-X Australia, including supervisory responsibility and designated operations / post trade contacts for Chi-X.
- (iii) Please provide any suggestions you have on how ASIC, Chi-X and other market operators may take a more collegiate based approach to the ongoing supervision of Chi-X Participants.

2. ONGOING COMPLIANCE WITH THE CHI-X OPERATING RULES AND PROCEDURES

This section seeks general feedback on the steps that Participants take to ensure they are aware of and complying with any new rule and / or procedure requirements and assurance that Participant's internal procedures and / or systems have been updated as a consequence of the changes.

- (i) Please provide an outline of any recent updates to your systems to ensure compliance with the most recent changes to the Chi-X Operating Rules on:
 - a) 7 March 2016 to accommodate the move to a T+2 settlement cycle for cash market trades; and
 - b) 25 November 2015 following the product launch of Chi-X warrants and introduction of Exchange Traded Fund creation and redemption.

3. INTERACTING WITH THE CHI-X MARKET

This section seeks information about how Participants interface with the Chi-X market, in particular the systems and controls that ensure that methods of accessing the Chi-X market are in keeping with the requirement to maintain a fair, orderly and transparent market.

- (i) Please provide an overview of how your organisation keeps up to date with Chi-X system developments / technology upgrades. For example, do you rely solely on Chi-X market Notices alerting your firm of the developments / upgrades? Is this Notice process sufficient?

- (ii) Please list all of the systems you utilise for trading on the Chi-X market and outline the circumstances in which you review and / or update the controls in these systems.
- (iii) Please provide details of any processes or functionality that your organisation may have in place to disable an algorithm or trading system at short notice.
- (iv) Please provide a brief outline of how the ACOP clients of your firm submit orders to the Chi-X market (eg do they use identified systems of your firm or do they bypass those systems and connect directly to Chi-X).
- (v) Please advise whether you or your clients would consider using microwave technology to access the Chi-X trading system.

4. SUPERVISION AND MONITORING OF ACTIVITY ON CHI-X

This section seeks information on the internal controls and processes that Participants have in place for supervising and monitoring trading on Chi-X. This information will assist Chi-X in working with Participants to ensure that trading on Chi-X is appropriately monitored in order to maintain a fair, orderly and transparent market.

- (i) Please provide a copy of, or outline in sufficient detail, your organisation's risk and compliance framework (noting that these may be separate functions), including relevant management reporting lines and escalation procedures.
- (ii) Please outline your key surveillance tools, connectivity setup, methods and processes used to monitor order and trade activity on the Chi-X market.
- (iii) Please provide a copy of your best execution policy and, to the extent it is not outlined therein, outline what factors you take into account when assessing whether you are achieving Best Execution for your clients (eg when the Chi-X market is open but ASX is closed such as the ASX trading outage on 19 September 2016).

5. PARTICIPANT AND MARKET ISSUES

This section seeks general feedback on compliance issues which may not necessarily be raised elsewhere in the self-assessment and that may help inform Chi-X about the needs and concerns of Participants.

- (i) What are the most important issues facing your organisation that may impact on the way you interact with Chi-X?
- (ii) Please provide a brief outline of any concerns you have that may influence when and how you trade on the Chi-X market.
- (iii) What are the impacts of Chi-X system upgrades and product launches on your firms' operations?