



Consultation Paper 1/2016 on the proposed amendment of rules and procedures relating to:

- **the move by ASX Settlement to a T + 2 settlement cycle**

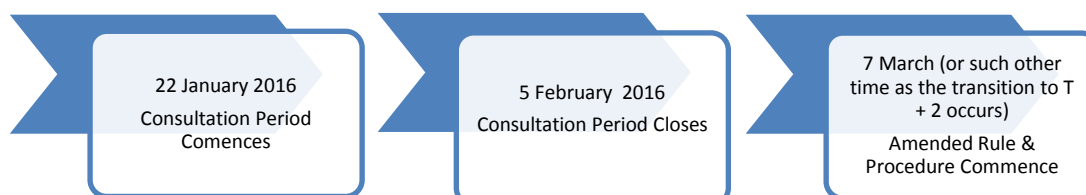
22 January 2016

Consultation Closes: 5 February 2016

**Consultation on the Proposed Amendment of the
Chi-X Operating Rules and Operating Rules: Procedures**

1. Introduction

- 1.1.1 Chi-X Australia (“Chi-X”) is proposing to amend rule 7.1(b) of the Operating Rules (“Rules”) and paragraph 1.2 Procedure 7.1 in the Operating Rules: Procedures (“Procedures”) to accommodate the proposed transition by ASX Settlement to a T + 2 settlement cycle for cash market trades. ASX Settlement has a current target date of 7 March 2016 for the transition from the current T + 3 settlement cycle. This date is yet to be finally confirmed but Chi-X is consulting on the proposals at this stage so that any changes to the rules and procedures can occur in keeping with this target date. Information from ASX Settlement on the transition to a T + 2 settlement cycle is available at <http://www.asx.com.au/services/t2.htm>.
- 1.1.2 The consultation period is open until **5 February 2016** and participants are invited to provide comments on or before that date on any aspect of the proposal or any related topic. All submissions will be treated confidentially unless a submitting entity expressly states otherwise. The basis of the proposed amendment is outlined in the following section. A version of the rule and procedure marked up to indicate the proposed amendment is at **Attachment One**.
- 1.1.3 It is proposed that the amendments will take effect from Monday **7 March 2016** or such other time as to the transition to T + 2 takes effect.



2. The Proposed Amendments – Rule 7.1(b) and Paragraph 1.2 of Procedure 7.1

- 2.1.1 Rule 7.1(b) currently states that the settlement date for all relevant transactions is the third business day following the relevant transaction or such other time determined in accordance with the procedures. Chi-X is proposing to replace the reference to the third business day to a reference to the second business day. This will align the rule with the transition to the T + 2 settlement cycle. The rule will otherwise remain as currently drafted. The amendment may not, strictly speaking, be necessary as the rule allows the settlement cycle to be otherwise determined in accordance with the Procedures. However, to ensure there is no ambiguity once ASX Settlement moves to a T + 2 settlement cycle, the rule will, at the time that transition occurs, reference the second business day following the transaction.
- 2.1.2 The proposed amendment to rule 7.1(b) is outlined in **Attachment One**.

- 2.1.3 Paragraph 1.1 of Procedure 7.1 currently states that all trading on the Chi-X market is on the default basis of quotation of the listing market. This paragraph accommodates the move to a T + 2 settlement cycle and will not be amended.
- 2.1.4 Paragraph 1.2 of Procedure 7.1, however, states that in most instances this will mean that settlement of all relevant transactions will occur on the third business day after the date of the transaction. Chi-X is proposing to amend this procedure so that it is clear that in most instances this will mean that settlement of all relevant transactions will occur on the second business day after the date of the transactions. A copy of the proposed amendment to paragraph 1.2 is outlined in **Attachment One**.
- 2.1.5 Chi-X is not proposing any other amendments to the Rules or Procedures.

3. Responses

- 3.1.1 Responses and any queries concerning this submission should be directed to:

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

- 3.1.2 Any posted submissions should be addressed to:

Michael Somes
Head of Compliance and Regulatory Affairs
Chi-X Australia Pty Ltd
Level 23 Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

ATTACHMENT ONE

PROPOSED AMENDMENT TO PROCEDURE 4.5 ON ORDERS AND MATCHING

In the following text, strikethrough indicates current text that it is proposed be deleted and underlining indicates text that it is proposed be inserted.

7. SETTLEMENT & CORPORATE ACTIONS

7.1 Obligation to settle

- (a) A **participant** must satisfy **Chi-X** that it has in place and will maintain adequate arrangements for the settling of all **relevant transactions** entered into by the **participant**.
- (b) The settlement date for all **relevant transactions** is the ~~third~~ second **business day** following the day the **relevant transaction** was created, or such other time as determined in accordance with the **procedures**. At settlement, the seller of the **financial products** the subject of the **relevant transaction** must deliver the **financial products** free of any charge or encumbrance and the buyer must pay the price for the **financial products** purchased.
- (c) **Chi-X** may postpone or extend a settlement period for **relevant transactions** in some or all **financial products** on a given day, indefinitely or for a specified period.

Section 7: SETTLEMENT & CORPORATE ACTIONS

P7.1: Obligation to settle

- 1.1 For the purposes of **rule 7.1(b)**, all trading done on the **Chi-X market** is on the default basis of quotation of the **listing market**. **Chi-X** does not operate special markets.
- 1.2 In most instances, this will mean that settlement of all **relevant transactions** will occur on the ~~third~~ second **business day** after the date the **relevant transaction** occurred, except where the **listing market** publishes an alternate date.
- 1.3 For example, the **listing market** may, from time to time, specify that a **financial product** is classified as “deferred delivery” or “deferred settlement” in which case the default basis of quotation will change and **participants** will be deemed to trade on the **Chi-X market** under that default basis of quotation. **Chi-X** does not publish this data. **Participants** must therefore ensure that they are at all times aware of the default basis of quotation for a **financial product** traded on the **Chi-X market**.