



Guidance Note 16

Trading Halts

Issued: March 2004

Key topics

1. Trading halt
 - requested by a company
 - implemented by ASX
2. Trading halt procedure
3. Voluntary suspension
4. ASX action on receipt of market-sensitive announcements

Listing Rules

1. Listing rule 3.1
2. Listing rule 15.6
3. Listing rule 17.1
4. Listing rule 19.12

Cross-reference

1. Guidance Note 8 – Continuous Disclosure
2. Guidance Note 18 – Market Codes and Trading Procedures
3. ASX Market Rule 16.4.2

Guidance Note History

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(revised)

Introduction

1. This Guidance Note is published to assist listed companies* to understand the trading halt mechanism and how listing rule 17.1 of Australian Stock Exchange Limited (ASX) operates in practice.
2. A trading halt is a break in trading which is not a suspension. It is different from a suspension, and results in a different treatment on the Stock Exchange Automated Trading System (SEATS) from a suspension. The temporary nature of a trading halt reflects the general principle that interruptions to trading should be kept to a minimum, while affording companies the opportunity to manage specific disclosure issues as and when they arise.
3. A trading halt is an important tool of good continuous disclosure practice – refer paragraphs 7 and 8. A trading halt may only be implemented by ASX at the request of a company under listing rule 7.1. Companies should be aware of the difference between a trading halt requested by a company under listing rule 17.1 and a suspension. They should also be aware that a trading halt under listing rule 17.1 is different from the temporary interruption to trading that is implemented when ASX receives a market sensitive announcement – refer paragraph 17.

The listing rule

4. Listing rule 17.1 states:

ASX may grant a +trading halt at the request of an entity. ASX may require the request to be in writing. ASX is not required to act on the entity's request. The entity must tell ASX each of the following.

- *Its reasons for the +trading halt.*
- *How long it wants the +trading halt to last.*
- *The event it expects to happen that will end the +trading halt.*
- *That it is not +aware of any reason why the +trading halt should not be granted.*
- *Any other information necessary to inform the market about the +trading halt, or that ASX asks for.*

17.1.1 The length of the +trading halt cannot exceed the period permitted under ASX's market rules.

17.1.2 ASX may suspend +quotation of an entity's +securities, even if the +securities are subject to a +trading halt. However, if the entity requested the +trading halt (without ASX's intervention) to prevent trading in its +securities taking place in an uninformed market, ASX will not suspend +quotation of the +securities before the expiry of the trading halt.

5. 'Trading halt' is defined in listing rule 19.12 which states:

for the purpose of chapter 17, an interruption to trading at the request of an entity that is not a suspension from +quotation.

ASX Market Rule 16.4.2

6. ASX Market Rule 16.4.2 states:

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(a) *A trading halt may be imposed by ASX if:*

- (i) *ASX receives or releases an announcement in relation to an Issuer which, in the opinion of ASX, is market sensitive; or*
- (ii) *an Issuer requests a trading halt and ASX agrees to impose a trading halt.*

(b) *Traded Products subject to a trading halt will be placed into Pre-Opening Phase. However, if the trading halt is imposed after the end of Closing Phase, the Traded Products subject to a trading halt will be placed into Pre-Opening Phase the next Trading Day.*

- (c) *Traded Products subject to a trading halt must not be traded (including by way of Crossings and Special Crossings) during the period of the trading halt, regardless of whether the Traded Products have been placed into Pre-Opening Phase.*
- (d) *A trading halt will end at the earlier of:*
- (i) *the time announced by ASX that the trading halt will end (and ASX will provide at least ten minutes notice before the end of the trading halt); or*
 - (ii) *the commencement of Normal Trading on the second Trading Day after the day the trading halt is imposed.*
- (e) *When a trading halt ends, the Traded Products will be placed in the phase applying to the market as a whole unless ASX decides otherwise.*

When to ask for a trading halt

7. Use of trading halts will assist a company to manage its continuous disclosure obligations in accordance with the spirit of listing rule 3.1. Although a company relying on the exception to the obligation to disclose immediately can delay giving detailed disclosure, it may be possible for it to provide some information, provided that information does not mislead the market (e.g. the fact that negotiations are taking place may be able to be disclosed, if not the details of the negotiation). Examples of situations where a trading halt can be used if information likely to affect the price or value of a company's securities cannot be released immediately are as follows.
- Media comment about the company is sufficiently specific and detailed to warrant a response but the company is not able to make the response immediately.
 - ASX has queried a change in the price or trading pattern of a company's securities and the company cannot reply in the time required.
8. ASX expects and encourages companies to request a trading halt whenever a company is not able to make an immediate announcement, or is concerned that such an announcement may not be sufficient to properly inform the market.
9. Before agreeing to a trading halt, ASX may ask the company the questions set out in listing rule 17.1 - particularly whether the company is aware of any reason why the trading halt should not be granted. Circumstances such as the expectation of a takeover offer being made for the company, or the acquisition of a substantial shareholding, would be relevant. ASX will consider the request in the light of all the information available, from whatever source, and may not agree to the request if it is not satisfied that a trading halt would be of benefit to the market.

Procedure

10. A company should contact its home branch to request a trading halt. The request must include the information required by listing rule 17.1. If the initial request is not in writing, it must be confirmed in writing. If ASX does not agree to the trading halt, it will advise the company immediately.

11. In most cases, the request and the reason for it (and any additional information necessary to keep the market informed) will be released to the market. If there are particularly sensitive grounds for the trading halt that should not be released to the market, the company should still provide as much detail as it reasonably can. Any sensitive information given to ASX that is not for release to the market should be clearly marked 'not for public release'. Note that listing rule 15.6 will still apply
12. ASX is mindful of the general principle that interruptions to trading should be kept to a minimum, and is not likely to agree to a trading halt where the request is made for the administrative or marketing convenience of a company. In order for ASX to agree to a trading halt, it would need to be satisfied that the trading halt was necessary because the company could not otherwise manage its disclosure obligations. If ASX does not agree to a trading halt, it will discuss alternatives with the company, which may include an immediate market release or a suspension.
13. A trading halt may be ended at any time. It will usually end once the company makes an announcement. That will result in the resumption of normal trading in the company's securities. However, ASX may suspend quotation of a company's securities at any time (including during a trading halt) if it considers it is necessary. An example of when ASX will suspend quotation is if the company has not made an announcement before 10:00 am (market open) on the second trading day after the day the trading halt is implemented. ASX will also immediately suspend quotation of a company's securities where it receives particular types of announcements, e.g. a company has been placed into administration.
14. If a company believes that the two day trading halt period will not be sufficient to manage a specific disclosure issue, ASX encourages it to consider the use of the voluntary suspension mechanism, i.e. suspension at the request of the company. Voluntary suspension should not be perceived as a less attractive option, as advice to the market noting the suspension clearly indicates that it has been put in place at the company's request, and concerns in relation to the loss of the ability to issue a transaction specific prospectus no longer generally apply.
15. In certain exceptional circumstances ASX may consider a request by a company to grant a "back to back" trading halt. This would have the effect of extending the trading halt period to more than two days but no more than four days. However, in recognition of the general principle that interruptions to trading should be minimised as far as possible, ASX would only grant such a request if it considered that it was necessary in the interests of an orderly, fair and informed market. What constitutes 'exceptional' circumstances will depend on the facts of each case, and companies should seek guidance from their home branch. A delay in finalising information to be announced to the market would not be considered to be 'exceptional' circumstances. Factors that would be taken into account by ASX in considering such a request are the essentially temporary nature of the trading halt mechanism and the distinction made in SEATS between the pre-open phase that is used for trading halts, and the suspension mechanism. Importantly, the pre-open mechanism used for trading halts does not allow for orders to be purged.
16. Section 713 permits briefer disclosure in prospectuses issued for an offer of continuously quoted securities than for an offer of securities that are to be quoted for the first time. Continuously quoted securities are defined as securities in a class that were quoted ED securities at all times in the 12 months before the date of the

prospectus. Sections 111AE and 111AM explain that securities are quoted ED securities if issued by a listed company. Therefore, if the company has been continuously listed for 12 months it is able to issue a prospectus under section 713, even if its securities have been suspended in that period. While Australian Securities and Investments Commission (ASIC) policy is that a company that has been suspended should not automatically be able to take advantage of section 713, ASX would support an application to ASIC by a company seeking to issue a section 713 prospectus where the company sought a voluntary suspension.

Action taken by ASX on receipt of announcements by listed companies

17. Companies should also be aware that ASX may implement a temporary interruption to trading in a company's securities when price sensitive announcements are received, by placing the company's securities into Pre-Opening Phase. This is an ordinary procedure observed under the ASX Market Rules, and although ASX Market Rule 16.4.2 refers to this temporary halting of trading when a price-sensitive announcement is received as a "trading halt", this facility should be distinguished from a trading halt under listing rule 17.1. A company's securities are placed into Pre-Opening Phase for a period following the receipt of an announcement deemed to be price-sensitive. This period is usually 10 minutes, but in the case of an announcement of a takeover offer, it is 1 hour (for both the bidder and the target). Trading then resumes without the company making any further announcement. This procedure is described more fully in paragraphs 18 and 19 of Guidance Note 14 - Company Announcements Platform. A trading halt, for the purposes of listing rule 17.1, is a cessation of trading that can only be imposed at the request of a company.

Some Questions Answered

18. *Can a trading halt extend past the second day after the trading halt was requested?*

A trading halt may only be applied for a period not exceeding the commencement of normal trading on the second trading day following the day on which it is imposed. For example, if the trading halt is put into place on Monday, it will only extend up to the commencement of normal trading on Wednesday. As discussed in paragraphs 13 and 14, if the company has not made an announcement before 10:00 am on the second trading day after the day on which the trading halt is put into place, ASX would encourage the company to ask for a suspension, or will suspend quotation of the company's securities under listing rule 17.3.

19. *Will the releases to the market relating to the grant and removal of the trading halt be announced over the voicemail?*

Yes.

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20. *If the event that will end the trading halt occurs after the end of the trading day, will an announcement be expected before the market opens the next day?*

Yes. Listing rule 3.1 refers to the making of an announcement ‘immediately’.

21. *What action is required by the company immediately before the resumption of normal trading?*

Apart from the announcement, none.

* A reference to a listed company in this Guidance Note is a reference to a listed entity, as that term is used in the ASX Listing Rules.