



ASX 24 OPERATING RULES

SECTION 8 TRANSITIONAL PROVISIONS

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SECTION 8 TRANSITIONAL PROVISIONS

DEFINITIONS USED IN THIS SECTION

[8000] In this Section 8:

“Approved Subordinated Debt” means an amount owing by a Trading Participant which is payable at a time or by installments approved by the Exchange and is to the satisfaction of the Exchange effectively subordinated so that any right of the creditor in question to receive payment in the case of bankruptcy of or any composition or compromise with creditors by or appointment of a trustee in bankruptcy or in the case of liquidation, liquidator in respect of the Trading Participant or the partners or any of them is extinguished to such an extent as will ensure payment or provision for payment in full of all claims of all other present and future creditors of the Trading Participant in priority to the claim of the subordinated creditors and in respect of which a Subordinated Loan Deed has been executed under seal by the Trading Participant, the lender and the Exchange.

The Deed shall specifically provide:

- (a) that its terms are not to be varied without the agreement in writing of all parties;
- (b) that the lender’s rights to receive interest and principal payments pursuant to the loan are subordinated at all times to other creditors;
- (c) that repayment of the loan in whole or in part is subject to the approval of the Exchange, which shall not be given unless it is satisfied that the Participant will, after repayment, be able to maintain the minimum level of net tangible assets required by the Rules;
- (d) that the obligation to repay the loan and to pay interest will be suspended for the duration of any period in which the level of the Trading Participant’s Net Tangible Assets falls below the minimum required by the Rules,

and shall also contain such other provisions as may be required by the Exchange.

“Commence” means:

- (a) in relation to disciplinary proceedings relating to conduct or a failure prior to the Effective Time, the provision of a contravention notice by the Exchange to the Regulated Person pursuant to Rule 2.1 of the Old Australian Securities Exchange Disciplinary Processes and Appeals Rulebook; and
- (b) in relation to appeal proceedings relating to conduct or a failure prior to the Effective Time, the provision of notice of appeal by the relevant person or the Exchange pursuant to Rule 3.1 of the Old Australian Securities Exchange Disciplinary Processes and Appeals Rulebook.

"Effective Time" means the date of commencement of Schedule 1 to the Corporations Amendment (Financial Market Supervision) Act 2010.

"Existing Exchange Participant" means a person that, immediately before the Effective Time, was admitted by the Exchange as a Full Participant or Proprietary Full Participant under the Old Exchange Rules.

“Initial Margin” means the amount which a Trading Participant requires to be paid by a Client in respect of a Futures Contract entered into or proposed to be entered into on behalf of a Client.

“NTA” means:

- (a) the sum of the values of the assets (both fixed and current) owned by the Trading Participant or prospective Trading Participant as the case may be (such value being the lower of cost or Market) less the sum of any liabilities (secured and unsecured) attaching to those assets or to the Trading Participant or prospective Trading Participant generally (and in the case of a partnership then attaching to the partners).

The values of assets for the purpose of this definition shall not include the value attributed to any future tax benefits, goodwill, patent, trademark, Participation rights granted by the Exchange, a Commitment provided in accordance with the Approved Clearing Facility Rules or any asset used to secure that Commitment, preliminary expense or other items of a like nature which in the opinion of the auditors of the Exchange are regarded in current accounting practice as intangible or the value attributed to any debt owed to the Trading Participant which is disputed or may otherwise be regarded as doubtful or the value of any asset which is not capable of being realised within twelve (12) months on a going concern basis. Liabilities shall include provision for estimated liability for income tax, long service leave and any other contingency for which in the opinion of the auditors of the Exchange provision is properly made in current accounting practice. Liabilities may, if the Exchange so approves, having regard to all the circumstances, exclude Approved Subordinated Debt.

or

- (b) such other assets as are set out in the Procedures.

“NTA Requirements” means the requirements that a Trading Participant, other than a Principal Trader, must ensure at all times that the value of the NTA is not less than one million dollars (\$1,000,000) or such other amount set out in the Procedures.

“Old Australian Securities Exchange Disciplinary Processes and Appeal Rulebook” means the Australian Securities Exchange Disciplinary Processes and Appeals Rulebook in force before the Effective Time.

“Old Exchange Rules” means the Exchange Rules in force before the Effective Time.

“Old Tribunal” means the Disciplinary Tribunal or Appeal Tribunal (as the context requires) convened in accordance with the Old Australian Securities Exchange Disciplinary Processes and Appeal Rulebook, irrespective of whether it is convened before or after the Effective Time.

“Previous Exchange Rules” means the Old Exchange Rules and the business rules of Sydney Futures Exchange Pty Ltd in force immediately before 11 March 2004.

“Regulated Person” has the meaning it had in the Old Exchange Rules.

“Responsible Executive” has the meaning it had in the Old Exchange Rules.

“Transitional Requirement End Date” means the date which is one year after the Effective Time.

“Unprofessional Conduct” has the meaning it had in the Old Exchange Rules.

“Variation Margin” means the difference between the value of a Futures Contract or Option Contract as shown in the contract, and the value of that contract at any given time.

TRANSITIONAL ARRANGEMENTS FOR EXISTING EXCHANGE PARTICIPANTS

[8100] From the Effective Time:

- (a) each Existing Exchange Participant is taken to be admitted as a Trading Participant under these Rules. In the case of an Existing Exchange Participant who is only a Proprietary Full Participant under the Old Exchange Rules, the Existing Exchange Participant is taken to be admitted as a Trading Participant who is only a Principal Trader under these Rules;
- (b) any condition, restriction or limitation imposed on an Existing Exchange Participant or any waiver, consent or approval granted to an Existing Exchange Participant, under the Previous Exchange Rules are, to the extent that they are applicable under these Rules, taken to be imposed or granted under these Rules.

[8101] From the Effective Time each Existing Exchange Participant is automatically granted Trading Permission with respect to the Products in respect of which it had Trading Permission as an Existing Exchange Participant pursuant to the Old Exchange Rules and subject to the same conditions to which such permission was subject (if any).

[8102] If an Existing Exchange Participant has Trading Permission for one or more Products it will automatically be granted Trading Permission with respect to the following parts of the Trading Platform as at the Effective Time:

- (a) the Central Order Book.

[8103] To the extent applicable under these Rules, any information or documentation (including applications or agreements) provided by an Existing Exchange Participant prior to the Effective Time pursuant to or referring to the Old Exchange Rules is following the Effective Time deemed to be information or documentation provided pursuant to or referring to these Rules.

[8104] To the extent applicable under these Rules, any information or documentation (including applications or agreements) provided by an Existing Exchange Participant prior to the Effective Time pursuant to or referring to the Old Exchange Rules is following the Effective Time deemed to be information or documentation provided pursuant to or referring to these Rules.

[8105] To the extent applicable under these Rules, any determinations (including as to fees) made by the Exchange prior to the Effective Time pursuant to the Old Exchange Rules are following the Effective Time deemed to be determinations made by the Exchange pursuant to these Rules.

[8106] Nothing in these Rules affects any accrued rights which the Exchange or any other person has against any Existing Exchange Participant, Responsible Executive or any other person under the Previous Exchange Rules or any accrued obligations which an Existing Exchange Participant, Responsible Executive or any other person has under the Previous Exchange Rules to the Exchange or to any other person. Without limiting this Rule, following the Effective Time:

- (a) Exchange and the Old Tribunal will continue to have jurisdiction in respect of any Existing Exchange Participant or Responsible Executive concerning

- any conduct or failure occurring prior to the Effective Time as set out in Rules [8300] and [8301];
- (b) each Existing Exchange Participant, Responsible Executive and any other person continues to be bound by any warranty undertaking or indemnity given prior to the Effective Time by such person under the Previous Exchange Rules to the Exchange or any other person; and
 - (c) the Previous Exchange Rules continue to apply in respect of any Existing Exchange Participant, Responsible Executive and any other person to the extent required to give effect to this Rule [8106].

SANCTIONS

8300 Following the Effective Time:

- (a) the Exchange will have jurisdiction pursuant to Rule [5100] and the ASX Enforcement and Appeals Rulebook and may take any action under that rule or rulebook in respect of a Trading Participant concerning any conduct or failure under:
 - (i) these Rules, where that conduct or failure occurred after the Effective Time; or
 - (ii) these Rules and the Old Exchange Rules, where the relevant conduct or failure the subject of the action spans both prior to and following the Effective Time, irrespective of when the Exchange became aware of, or should have become aware of, that conduct or failure;
- (b) the Appeal Tribunal will have jurisdiction pursuant to the ASX Enforcement and Appeals Rulebook and may conduct appeal proceedings (including the holding of any hearings or engaging in any procedures) under those Rules in respect of a Trading Participant concerning any conduct or failure under:
 - (i) these Rules, where that conduct or failure occurred after the Effective Time; or
 - (ii) these Rules and the Old Exchange Rules, where the relevant conduct or failure the subject of the proceedings spans both prior to and following the Effective Time, irrespective of when the Exchange became aware of, or should have become aware of, that conduct or failure;
- (c) The Exchange will continue to have jurisdiction pursuant to Rule 5.13 of the Old Rules and the Old Australian Securities Exchange Disciplinary Processes and Appeals Rulebook and may take disciplinary action under that rule or rulebook after the Effective Time in respect of a Regulated Person concerning any conduct under, any failure to comply with, or any engagement in Unprofessional Conduct under, the Old Exchange Rules, where that conduct or failure occurred prior to the Effective Time, irrespective of when the Exchange became aware of, or should have become aware of, that conduct or failure;
- (d) the Old Tribunal shall continue to have jurisdiction to conduct disciplinary proceedings (including any appeal proceedings from those disciplinary proceedings) or appeal proceedings (as the case may be) in accordance with, and pursuant to its jurisdiction under, the provisions of the Old Australian Securities Exchange Disciplinary Processes and Appeal Rulebook in respect of a Regulated Person concerning any conduct under, any failure to comply with, or any engagement in Unprofessional Conduct under, the Old Exchange Rules where that conduct or failure occurred prior

to the Effective Time, irrespective of whether disciplinary or appeal proceedings have Commenced prior to the Effective Time or when the Exchange became aware of, or should have become aware of, that conduct or failure;

- (e) For the purposes of paragraphs (c) and (d) above:
 - (i) the maximum penalty that may be imposed on a Regulated Person shall be the maximum penalty that would have been imposed for the relevant conduct or failure under the rules in existence at the time that the relevant conduct or failure occurred, irrespective of whether the disciplinary proceedings or appeal proceedings (as the case may be) were Commenced before or after the Effective Time;
 - (ii) the Exchange and the Old Tribunal shall take disciplinary action and conduct the disciplinary proceedings or appeal proceedings (as the case may be) with due regard to the relevant rules that were in force at the time that they were alleged to have been contravened.
- (f) The Old Exchange Rules and the Old Australian Securities Exchange Disciplinary Processes and Appeals Rulebook continue to apply in respect of the Regulated Person to the extent required to give effect to the paragraphs above.
- (g) Nothing in this Rule [8300] limits the continued operation of Section 5 of the Old Exchange Rules where disciplinary proceedings or appeal proceedings have Commenced (as defined in the Old Exchange Rules) prior to the Effective Time (as defined in the Old Exchange Rules).

[8301] For the avoidance of doubt, where the relevant conduct or failure the subject of the action or proceeding spans both prior to and following the Effective Time:

- (a) The Exchange and the Appeal Tribunal will have jurisdiction and may take action or conduct appeal proceedings as referred to in Rules [8300](a) & (b) above;
- (b) Rules [8300](c), (d) and (e) do not apply to such conduct or failure.

CAPITAL REQUIREMENTS

Application of Rules

[8400] Rules [8400] to [8401] apply until the Transitional Requirement End Date. Subject to Rules [8430] and [8431] after that date they cease to apply.

[8401]

- (a) A Trading Participant must at all times comply with the NTA Requirements, unless the Trading Participant is only a Principal Trader; or
- (b) the Trading Participant is a Clearing Participant of an Approved Clearing Facility and complies with the capital requirements under the Clearing Rules.

Continuing obligations regarding compliance until the Transitional Requirement End Date

[8430] Where Rules [8400] to [8401] would, other than for Rule [8400], require a Trading Participant to do any thing (including provide any information) after the Transitional

Requirement End Date regarding compliance by the Trading Participant with its obligations under Rules [8400] to [8401] during the period to the Transitional Requirement End Date, then notwithstanding Rule [8400] the Participant continues to be obliged to do that thing.

Rules [8400] to [8401] continue to apply in respect of any Market Participant to the extent required to give effect to this Rule [8430].

[8431] Nothing in Rule [8400] affects any accrued rights which the Exchange has against a Trading Participant under Rules [8400] to [8401] or any accrued obligations which a Trading Participant has under Rules [8400] to [8401] to the Exchange as at the Transitional Requirement End Date. Without limiting this Rule, following the Transitional Requirement End Date:

- (a) the Exchange and the Appeal Tribunal will continue to have jurisdiction in respect of any Trading Participant and may take action or conduct proceedings under Rule 5100 and the ASX Enforcement and Appeals Rulebook (as applicable) concerning any conduct or failure under Rules [8400] to [8401] on or prior to the Transitional Requirement End Date;
- (b) each Trading Participant continues to be bound by any warranty, undertaking or indemnity given on or prior to the Transitional Requirement End Date by the Trading Participant under Rules [8400] to [8401] to the Exchange; and
- (c) Rules [8400] to [8401] continue to apply in respect of any Trading Participant to the extent required to give effect to this Rule [8431].

ACCOUNTS AND AUDIT

Application of Rules

[8500] Rules [8500] to [8520] apply until the Transitional Requirement End Date. Subject to Rules [8530] and [8531], after that date they cease to apply.

[8501] Rules [8500] to [8520] do not apply to Trading Participants that are only approved as Principal Traders.

Financial Statements

[8510] A Trading Participant must prepare and deliver to the Exchange by the time and in the form set out in the Procedures:

- (a) financial statements, which give a true and fair view of the financial position and performance of the business and which are prepared in accordance with accounting standards and principles which are generally accepted in Australia, unless the Exchange determines otherwise; and
- (b) an auditor's report in a form set out in the Procedures.

[8511] The Exchange may extend by up to one month the time by which the Trading Participant must deliver the financial statements and auditor's report under Rule [8510], if it considers that an extension is appropriate in the circumstances.

Scope of audits

[8520] A Trading Participant must give its auditor access to its premises and Employees and all records, documents, explanations and other information required by the auditor in respect of any audit conducted under Rule [8510]. A Trading Participant must:

- (a) not impose any limitation on the extent of any audit required under Rule [8510]; and
- (b) permit and direct the auditor to notify the Exchange immediately if any limitation is imposed on the auditor, or if the auditor is hindered or delayed in the performance of the auditor's duties.

The records of each of the Trading Participant's nominee companies must be included in the audit.

Continuing obligations regarding compliance until the Transitional Requirement End Date

[8530] Where Rules [8500] to [8520] would, other than for Rule [8500], require a Trading Participant to do any thing (including provide any information) after the Transitional Requirement End Date regarding compliance by the Trading Participant with its obligations under Rules [8500] to [8520] during the period to the Transitional Requirement End Date, then notwithstanding Rule [8500] the Participant continues to be obliged to do that thing.

Rules [8500] to [8520] continue to apply in respect of any Trading Participant to the extent required to give effect to this Rule [8530].

[8531] Nothing in Rule [8500] affects any accrued rights which the Exchange has against a Trading Participant under Rules [8500] to [8520] or any accrued obligations which a Trading Participant has under Rules [8500] to [8520] to the Exchange as at the Transitional Requirement End Date. Without limiting this Rule, following Transitional Requirement End Date:

- (a) The Exchange and the Appeal Tribunal will continue to have jurisdiction in respect of any Trading Participant and may take action or conduct proceedings under Rule [5100] and the ASX Enforcement and Appeals Rulebook (as applicable) concerning any conduct or failure under Rules [8500] to [8520] on or prior to the Transitional Requirement End Date;
- (b) each Trading Participant continues to be bound by any warranty undertaking or indemnity given on or prior to the Transitional Requirement End Date by the Trading Participant under Rules [8500] to [8520] to the Exchange; and
- (c) Rules [8500] to [8520] continue to apply in respect of any Trading Participant to the extent required to give effect to this Rule [8531].

MARGINS AND RIGHT OF CLOSE OUT

Application of Rules

[8600] Rules [8600] to [8603] apply until the Transitional Requirement End Date. Subject to Rules [8604] and [8605], after that date they cease to apply.

[8601] A Trading Participant, other than a Principal Trader, shall comply with the following margin obligations:

- (a) Calling Initial Margin
 - (i) As soon as possible after the execution of the Client's instructions, a Trading Participant shall Call the minimum Initial Margin that is determined from time to time by the Exchange in such manner as the Exchange sees fit.

- (ii) In calculating the amount of Initial Margin, a Trading Participant shall not offset the Initial Margin on another Contract due by the Client to the Trading Participant unless that other contract is for the opposite position in the same delivery month and in respect of the same commodity.
- (b) Calling Variation Margin
 - (i) Subject to Rule [8601](b)(ii), Trading Participants must Call Variation Margin from the Client when the Client has a net debit Variation Margin Position, unless the Client is a Clearing Participant and the Contracts are registered with the Approved Clearing Facility in the name of that Clearing Participant.
 - (ii) Where the amount of a Call in Rule [8601](b)(i) would be one thousand dollars (\$1,000) or less, the making of such a Call shall be at the discretion of the Trading Participant.
- (c) Liability for Margins
 - (i) Liability of the Client for the Initial Margin shall arise upon execution of the instructions given by the Client, irrespective of the time when the Call is made.
 - (ii) Liability for Variation Margin shall arise at the same time as the Variation Margin comes into existence, irrespective of the time when any Call is made.
- (d) Satisfaction of Calls for Margin
 - (i) Calls for Initial Margin and Variation Margin must be satisfied by payment unless the Trading Participant agrees to accept and receives, in lieu of payment, Approved Securities as determined by the Exchange.
 - (ii) If the Trading Participant receives Approved Securities in accordance with Rule [8601](d)(i), such Approved Securities shall be retained by the Trading Participant until such time as the liability of the Client is extinguished either by the relevant contracts being Closed Out or payment being made by a Buyer or delivery in accordance with the Rules being effected by a Seller. If the liability of the Client is not so extinguished then the Approved Securities may be realised by the Trading Participant and the proceeds applied against that liability.
 - (iii) Liability of the Client for Initial Margin must be covered at all times.
- (e) Time for Payment of Margins
 - (i) Where a Call is made for Initial or Variation Margin the Trading Participant shall stipulate the time for payment or lodgement of Approved Securities, which must not be greater than the time prescribed by the Exchange.
 - (ii) Subject to Rule [8601](e)(iv), no Trading Participant shall provide credit for a Client beyond the periods specified in Rule [8601](e).
 - (iii) Time shall be of the essence in respect of payment or lodgement under Rule [8601](e).
 - (iv) A Trading Participant will not be in breach of Rule [8601](e)(ii) where the Trading Participant exercises a reasonable discretion, as determined by the Exchange, to not Close Out in accordance with Rule [8601](g)(iii).

- (f) Spread Margins
 - (i) Where a Trading Participant holds a Spread position on behalf of a Client then the Trading Participant shall Call an Initial Margin of not less than the amount for that Spread determined from time to time by the Approved Clearing Facility.
 - (ii) When one leg of a Spread is in the first delivery (spot) month the Initial Margin required on that leg shall not be less than the amount required by the Approved Clearing Facility from time to time on the first delivery (spot) month.
 - (iii) Under these circumstances the other leg of the Spread shall attract the normal Initial Margin requirements.
- (g) Obligation of Close Out
 - (i) Subject to Rule [8601](g)(iii), where a Client is in default by failing to pay a Call, (or lodge Approved Securities) within the time prescribed under Rule [8601](e)(i), a Trading Participant must, immediately upon expiry of the prescribed time period, Close Out to the extent necessary to counter the Call, all or any existing Open Positions in any Market held by the Trading Participant on account of the Client.
 - (ii) The Trading Participant shall not be liable to the Client for any loss sustained by the Client as a result of the Trading Participant Closing Out in accordance with Rule [8601](g)(i).
 - (iii) A Trading Participant shall not be obliged to Close Out futures positions in accordance with Rule [8601](g)(i) where the Trading Participant exercises a reasonable discretion, as determined by the Exchange, to not Close Out.
- (h) Margin Requirements for Trading on Financial Markets other than Markets of the Exchange
 - (i) Where a Trading Participant is Dealing in Contracts on behalf of Clients on those Financial Markets determined by the Exchange which is not a Market of the Exchange, the Trading Participant must comply with any margin obligations contained in the rules of that Financial Market.
 - (ii) Where the rules of a Financial Market referred to in Rule [8601](h)(i) do not contain any margin obligations, the Trading Participant must comply with the margin obligations set out in Rule [8601] when Dealing in Contracts on behalf of Clients on that Financial Market as if it were dealing in Contracts on behalf of Clients on a Market of the Exchange.

Continuing obligations regarding compliance until Transitional Requirement End Date

[8602] Where Rules [8600] to [8601] would, other than for Rule [8600], require a Trading Participant to do any thing (including provide any information) after the Transitional Requirement End Date regarding compliance by the Trading Participant with its obligations under Rules [8600] to [8601] during the period to the Transitional Requirement End Date, then notwithstanding Rule [8600] the Participant continues to be obliged to do that thing.

Rules [8600] to [8601] continue to apply in respect of any Trading Participant to the extent required to give effect to this Rule [8602].

[8603] Nothing in Rule [8600] affects any accrued rights which the Exchange has against a Trading Participant under Rules [8600] to [8601] or any accrued obligations which a Trading Participant has under Rules [8600] to [8601] to the Exchange as at the Transitional Requirement End Date. Without limiting this Rule, following the Transitional Requirement End Date:

- (a) The Exchange and the Appeal Tribunal will continue to have jurisdiction in respect of any Trading Participant and may take action or conduct proceedings under Rule 5100 and the ASX Enforcement and Appeals Rulebook (as applicable) concerning any conduct or failure under Rules [8600] to [8601] on or prior to the Transitional Requirement End Date;
- (b) each Trading Participant continues to be bound by any warranty undertaking or indemnity given on or prior to the Transitional Requirement End Date by the Trading Participant under Rules [8600] to [8603] to the Exchange; and
- (c) Rules [8600] to [8601] continue to apply in respect of any Trading Participant to the extent required to give effect to this Rule [8603].

End of Section.