Consultation Paper on Anomalous Order Thresholds (AOT) on ASX 24 Products

Response to Consultation

26 February 2026

Contents

1. Executive Summary

This paper provides an overview of the responses to the ASX 24 consultation on the introduction of Anomalous Order Thresholds (AOT) for ASX 24 Interest Rate Futures and consideration of other volatility control mechanisms for the ASX 24 Commodity Futures contracts.

Overall, feedback from respondents was supportive of extending the current AOT mechanism to ASX 24 Interest Rate Futures, but requested further analysis be undertaken before setting the parameters.

For commodity products respondents recognised the challenges inherent with these markets in using AOT, suggesting alternative volatility control mechanisms such price limits might be more appropriate.

Respondents encouraged ASX to collaborate closely with Participants and draw from global best practice to ensure fit-for-purpose volatility controls that reinforce confidence and maintain fair, orderly markets across all ASX 24 products.

ASX will continue to consult with Trading Participants on identifying the most appropriate of volatility control mechanisms for the interest rate and commodity products, noting the introduction of any new controls would occur after the completion of the ASX 24 Platform Replacement project.

ASX would like to thank all respondents to the consultation paper.

2. Background

Overview

ASX operates Australia's primary listed derivatives exchange offering futures and options on interest rates, debt, equities, and commodities for Australian and New Zealand markets. Under ASIC ASX 24 Market Integrity Rules (MIR), Market Operators must have order entry controls for Anomalous Orders on defined Relevant Products, currently applying only to Equity Index Futures. ASX does not currently apply volatility controls for ASX 24 interest rate, debt, commodity, electricity, and environmental contracts.

Purpose of the Consultation Paper

The purpose of the consultation paper is to seek feedback from market participants on the application of Anomalous Order Thresholds (AOT) on ASX 24 Interest Rate and Commodity Futures. The paper outlined proposed AOT parameters for the interest rate futures contracts and sought feedback from market participants on the proposal.

The consultation paper invited responses on the proposed:

- Application of AOT to the interest rate futures contracts
- The proposed parameters for the application of AOT to the interest rate futures contracts

The consultation paper also requested participant feedback on potential new volatility control mechanisms not yet supported on ASX 24

3. Introduction

3.1.1. 3.1 Overview of Submissions

3.1.1.1. Summary of Responses

ASX received 6 responses to the Consultation Paper. Two (2) responses were from Industry bodies. Four (4) responses were received from ASX 24 Trading Participants.

3.1.1.2. Overview of the Submissions Responses

3.1.1.2.1 Application of AOT to ASX 24 Interest Rate Futures

The following ASX 24 contracts were considered in scope for the consultation on extending the application of AOT beyond the current Equity Index Futures:

- 30 Day Interbank Cash Rate Futures
- Australian and New Zealand 90 Day Bank Bill Futures
- 3, 5, 10 and 20 Year Treasury Bond Futures

Not in-scope for AOT consideration are the serial, quarterly and one-session options over the Interest Rate Futures contracts listed above.

Consultation Question 1: Do you support the application of the current Anomalous Order Threshold (AOT) mechanism to the ASX 24 Interest Rate Futures contracts?

Respondents indicated broad support for introducing the Anomalous Order Threshold (AOT) mechanism to ASX Interest Rate Futures, noting that parameters should be calibrated for optimal effectiveness, especially during volatile periods. Industry feedback also encourages ASX to extend order-level price protection mechanisms to other contracts with sufficient liquidity, consider dynamic thresholds, and to engage with market participants to ensure controls are fit-for-purpose. These measures are viewed as aligning ASX 24 with global best practices and strengthening market integrity by managing the risk of erroneous or disruptive trading activity. Respondents cited the importance of applying AOT to contracts with sufficient liquidity to enable the mechanism to work effectively and as intended. Respondents noted that AOT can be an effective mechanism in addition to market participants own limits and controls.

Respondents noted that the current AOT mechanism can be effective and functions as intended in orderly liquid sessions, however, issues can arise in periods of volatility e.g. night sessions, data announcements.

Respondent noted that March 2020 the 10 Year Treaury Bond Futures experiences an extreme price movement of over 100bps before retracing. Respondents suggested that an effective AOT mechansims would have helped to mitigate the impact of that event.

Consultation Question 2: In your view, are there any contracts where AOT may not work effectively? Please provide rationale.

For liquid contracts, respondents noted the potential for unintended consequences where AOT may impede price movements to levels considered fair by market participants due to trading limits. For illiquid contracts, such as certain commodities, some respondents noted that the AOT mechanism is unlikely to function effectively because low trading volumes and volatility can result in reference prices that do not accurately reflect the market. However, other respondents noted that the effectiveness of the AOT mechanism is largely a function of the configuration applied to specific contracts rather than the mechanism's design. Overall, the consensus is that the success of AOT depends on contract-specific configuration and tailored parameterisation, rather than limitations in the mechanism's design itself.

Consultation Question 3: If ASX applied AOT to ASX Interest Rate Futures, what minimum notification period is required for readiness activities in your firm?

Responses to the question on the minimum notification time required to be ready for AOT to be applied to new contract varied with some firms indicating 6 months advanced notice, while others suggested 3 months would be adequate. Other respondents did not require advance notice to be operationally and technically ready.

3.1.1.2.2 Proposed AOT Parameters for ASX 24 Interest Rate Futures

In the consultation paper ASX outlined proposed parameters for the application of AOT to the ASX Interest Rate futures contracts. These parameters are set out in Table 1.

Table 1: Proposed Volatility Control Parameters

Futures Contract	VWAP Lookback period	Refresh frequency	Basis Points Upper and Lower Band	Spot add on (contract months 2 to 6)	Spot add on (contract months 7+)
30 Day Interbank Futures	30 seconds	15 seconds	40 bps	40(+5) bps	40 (+10) bps
90 Day Bank Bill Futures	30 seconds	15 seconds	40 bps	40(+5) bps	40 (+10) bps
NZ 90 Day Bank Bill Futures	30 seconds	15 seconds	40 bps	40(+5) bps	40 (+10) bps
3 Year Treasury Bond Futures	1 minute	30 seconds	30 bps	None	n/a
5 Year Treasury Bond Futures	1 minute	30 seconds	30 bps	None	n/a
10 Year Treasury Bond Futures	1 minute	30 seconds	30 bps	None	n/a
20 Year Treasury Bond Futures	1 minute	30 seconds	30 bps	None	n/a

Parameter definitions:

Reference Price – a dynamic price that resets at regular intervals throughout the trading day based on market activity.

VWAP lookback period – Refers to the duration used to monitor the Volume Weighted Average Price (VWAP), e.g. 30 seconds.

Refresh frequency – Refers to the frequency with which the reference price will be calculated.

The upper and lower price band is applied to the dynamic reference price using a predetermined threshold (e.g. 0.4% or 40 basis points) and is refreshed frequently (e.g. every 15 seconds)

Consultation Question 4: Do you agree with the proposed AOT parameters set out in Table 3 on page 11?

Most respondents disagreed with the proposed parameters, with some respondents suggesting that the proposed thresholds are too wide to be effective as a protective mechanism. Other respondents suggested ASX consider shortening the VWAP Lookback period and refresh frequency or implement a rolling lookback period to reduce the likelihood of stale prices affecting the reference price.

Respondents requested ASX undertake further back testing of various AOT configurations during periods of historical dislocation, including RBA rate cuts during the GFC, Fukushima nuclear accident and RBA rate cut during COVID. When noting that the aim of AOT is to support market control while rarely interrupting trading respondents also requested ASX define what it considers to be an appropriate frequency of AOT being triggered, for example, annually, every 5 years or longer to aid in benchmarking the parameters. One respondent cited CME's E-mini S&P 500 as a benchmark, which has triggered major price limits roughly once every ten years, supporting the principle that market controls should rarely interrupt trading.

Consultation Question 5: If you answer no to Q3, what are the parameters you would like ASX to consider?

A respondent suggested adjusting the parameters proposed, including to increase the price bands by 10bps, that is the set the bands for bond futures at 40+bp and for the short term interest rate futures at 50+ bps. It was notes that this would allow for prices to respond to market events while also maintaining a fair and orderly market. Other responses suggested a shorter VWAP Lookback period of 5 seconds and Refresh Frequency of 3 seconds.

Respondents noted that while ASX would have examined historical price to identify a baseline of potential price movements and the determination of an "appropriate spread" to the upper/lower limit, resulting in the proposed parameters by the ASX, further clarification on how these setting were determined was requested.

A few respondents requested ASX provide further clarification on the analysis undertaken to determine the proposed parameters, including provison of historical scenario analysis. This data would provide greater visability on how the proposed thresholds would have performed in real-world stress events. Respondents encourage ASX to publish back-testing results and statistical simulations to aid further discussion on appropriate theshold settings.

3.1.1.2.3 Consideration for AOT for ASX 24 Commodity Products

In this section ASX consulted on potential Volatility Control Mechansims for ASX 24 Commodity Contracts.

ASX currently does not apply any Volatility Control Measures to the commodity products, being Australian and New Zealand Electricity Futures, Gas Futures, Grain Futures and Environmental Futures.

Consultation Question 6: Do you agree with ASX's position that the current AOT mechanism is not appropriate for the ASX 24 Commodities products? If you responded no, please provide your rationale.

Most respondents noted the challenges to applying the current AOT mechanism to less liquid contracts, including some of the ASX Electricity Futures contracts, due seasonality, reliance on a dynamic reference price based on continuous trading on-screen market prices. These conditions are not typically experienced in the electricity futures. As such there is a risk that the AOT mechanism uses stale prices in its reference price calculation that may create the situation of distorting price discovery rather than protecting it.

Respondents suggested considering other types of volatility control mechanisms and to collaborate with Participants to further explore fit for purpose controls for the commodity contracts as well as look to other exchanges volatility control mechanisms for commodity products. Consideration of dynamic and adaptive thresholds was also encouraged. It was noted extending volatility control mechanisms beyond the ASX interest rate futures aligns with global best practice and reinforces market integrity.

Consultation Question 7: Do you agree that ASX should apply a different type of Volatility Control Mechanism, for example Price Limits?

Most respondents agreed that a different type of volatility control should be considered for the ASX commodity futures contracts. Respondents recommended ASX consider Price Limits which offer broader market protection during volatile periods which in turn supports orderly trading and confidence in the market. It was noted however, that price limits could be challenging given the non-linear nature of these markets. Other respondents however did note that daily price limits or circuit breakers based on thresholds from prior settlement would offer a transparent and effective method of preventing disorderly market outcomes. Applying this type of control removes the dependence of market liquidity and may be better suited to the ASX Commodity contracts. Respondents noted that while illiquid contracts could benefit from a different form of Volatility Control mechanism, the behaviour of that control in fast market situations should not impede trading.

Consultation Question 8: What type(s) of Volatility Control Mechanism is appropriate for ASX commodities?

Respondents suggested ASX consider simple Volatilty Control Mechanisms, especialiy for the New Zealand electricity contracts. It was noted that unlike the Austrlaian elecrivity market, New Zealand does not have in place spot market interventions. In the Australian markets the Administered Price Cap (APC) and Market Suspension Pricing Cap (MPC) can act as a constriant on the uppoer price of the spot market which can then limit the upside risk that is priced into the futures market. As the new Zealand market lacks these types of spot market controls it can result in periods of elevated spot prices for extended periods of time. Respondents noted New Zealand markets tend

to be exposed to larger and more volatile price movements and as such would benefit from havinf a form of Voltility Control mechansim. Respondents reconmned ASX consider price bands and cicruit brekers for these contracts. Suggested controls also included static price limits either as a percentage or absolute value from prior settlement price or another approporaite reference price. Respondents also suggested applying Daily limit up/down Bands should also be considered where trading is halted when thresholds are breached before resuming once volatility has reduced.

4. Conclusion

In conclusion the consultation responses supported applying AOT to ASX 24 Interest Rate Futures contracts subject to further analysis and back-testing to calibrate and finalise the parameters. Respondents were not supportive of implementing the proposed parameters, noting ASX should provide further transparency on the back-testing analysis as incorrect parameters may lead to unintended consequences and/or would not form an effective protective mechanism.

Respondents agreed that the existing AOT mechanism is not suitable for ASX 24 commodity products, citing risks of reliance on stale reference prices and potential distortion of price discovery, particularly in less liquid contracts such as certain electricity futures. There was consensus that alternative controls such as price limits, circuit breakers, and daily price bands should be considered, with respondents emphasising the importance of both static and dynamic thresholds to accommodate market volatility and support orderly trading.

Feedback further recognised the distinctive challenges faced by the New Zealand electricity market, which lacks spot market interventions like those present in Australia.

Overall, respondents encouraged ASX to collaborate closely with Participants and draw from global best practice to ensure fit-for-purpose volatility controls that reinforce confidence and maintain fair, orderly markets across all ASX 24 products.