



# Trade Cancellation Policy

ASX Public Consultation

6 October 2010

## WHAT THIS PAPER IS ABOUT

In February 2010 ASX released its Review of Algorithmic Trading and Market Access Arrangements. In that paper, as well as in consultation on the ASX operating rules that came into effect on 1 August 2010 as a result of the transfer of certain supervisory services to ASIC, ASX foreshadowed changes to its trade cancellation policy (TCP). This consultation paper sets out details of ASX's proposed changes and requests feedback from market users on several key aspects of the proposed TCPs for ASX and ASX 24.

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### Invitation to Comment

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Comments are requested by Friday 5 November 2010

# Part I: Commentary and Analysis

## Introduction

The intention of ASX's trade cancellation policy (TCP) is to provide a mechanism for cancelling and removing from the trade data any trades that are clearly erroneously priced. Such trades detract from the integrity of the price formation process because the trade may not be a reflection of genuine supply and demand. ASX considers that the benefit of a TCP that is consistent and certain achieves a better overall market management outcome than a policy that has a greater focus on individual user outcomes.

ASX is proposing to update its cash equity market TCP to achieve a number of objectives, including:

- provide market users with additional certainty as to when trades will and will not be cancelled;
- minimise the impact of cancellations on the market by tightening the timeframe in which cancellation requests can be made;
- streamlining the cancellation process and providing quicker response times to cancellation requests by reducing to the greatest extent practicable ASX exercise of discretion;
- more closely align ASX's policies with overseas jurisdictions, in particular the US<sup>1</sup>; and
- harmonising the ASX and ASX 24 (formerly Sydney Futures Exchange) TCPs.

Market Participants have previously stated in-principle support for a TCP where ASX discretion to cancel trades is minimised, and where there is maximum certainty around when cancellation will or will not occur. This is in line with ASX's own preference to not make subjective decisions about cancellation in real-time.

Before implementing changes to its trade cancellation policies, ASX intends to engage its stakeholders, including Market Participants, investors, listed entities, and ASIC. ASX is particularly mindful of liaising with ASIC about the content of any ASIC Market Integrity Rules that may relate to trade cancellation.

This paper sets out ASX's proposed TCP and invites comment on aspects of the proposal.

### ASX's Proposed TCP: Key Changes

Each of the points below are considered to be key changes to the current ASX cancellation regime:

- ASX proposes to introduce fixed price ranges in which cancellation will occur and will not occur respectively. It is proposed that these are referred to as the "No Cancellation Range (NCR)" and the "Confirmed Cancellation Range (CCR)". These ranges currently apply to the ASX 24 market, although the Confirmed Cancellation Range is currently named the Mandatory Cancellation Range (MCR).
- ASX 24 Participants will be familiar with an additional "Qualifying Error Range (QER)", which currently provides ASX 24 Participants with the opportunity but not the obligation to agree to a cancellation request from another Participant. Due to the low level of cancellation requests and agreements under the QER, ASX proposes to remove this range from the ASX 24 market and not introduce it for the ASX market.
- Different price ranges and movements from the determined price will apply depending on the price at which a particular security trades. ASX has attempted to keep the number of price bands to a minimum, while also taking into account the range of prices at which securities trade on ASX.

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<sup>1</sup> US based policies and rules can be located at [www.sec.gov](http://www.sec.gov).

- Under the new trade cancellation policy, ASX will not permit cancellation of any trades that fall within the NCR. This includes trades that are currently cancelled unilaterally by participants (e.g. crossings and trades where there is no change in beneficial ownership being “wash trades”).<sup>2</sup>
- The reference price, to be known as the “Determined Price” and which is used to apply the price ranges, is established not by a set formula but by using a series of criteria relevant to the circumstances of the trade that is under investigation. This is the methodology currently used by ASX 24 and ASX considers that this provides an outcome that reflects the circumstances of the relevant trading. Different criteria are used to establish a reference price depending on whether the trade is in a cash market product, an option or a futures contract.
- Consistent with the ASX 24 approach, each trade resulting from a contingent order will be treated on a stand alone basis. This is on the basis that ASX is not in a position to determine in a timely manner all trades that may have executed as result of a contingent order.
- Under the proposed ASX derivatives TCP, the ability to re-book trades will be removed except in the limited circumstances set out in the exceptions to the policy set out in the Procedures which includes system generated aberrant pricing.
- The Dispute Governors Committee will not have an ongoing role in the resolution process for cancellations. As with ASX 24 cancellations, ASX cancellations will be determined by the ASX and subject to a right of appeal in accordance with the ASX Enforcement and Appeals Rulebook .
- All cancellation requests must be notified to the exchange within 60 minutes of trade execution or within ten minutes after the close of trading (whichever occurs earliest).
- ASX is considering whether to apply the ASX cash equity trade cancellation policy to all securities (as at present), or to restrict the policy to securities where the trade being assessed for cancellation is more likely to have an impact on the broader market due to cross-linkages with other products or participation in an index. ASX has set out how both approaches could operate, based on whether or not the TCP extends to securities trading below \$0.10. ASX would retain the ability to cancel trades in any securities in a state of emergency, technical malfunction or where advised by the relevant clearing facility.

#### What’s not changing:

As the proposed ASX TCP is based on the current ASX 24 TCP the below factors indicate which of the ASX 24 TCP elements will remain the same:

- Trades will be cancelled that are within the Confirmed Cancellation Range, subject to the time limits and exceptions set out in the Rules and Procedures. The exceptions include emergency powers that may be exercised where warranted.
- The ranges are applied from a reference price that is determined by ASX based on a set of criteria relevant to the trade being considered for cancellation.

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<sup>2</sup> Treasury released on 20 May 2010 the Exposure Draft of the Corporations Amendment (No 1) Bill 2010 which clarify criminal liability in section 1041B of the Corporations Act in accordance with the requirements of the *Criminal Code Act 1995* (Criminal Code) in particular the requirement for intention as the fault element of an act set out in that section. This will provide clarity as to the fault element of s1041B actions. In ASX’s view the cancellation by Participants of wash trades does not, and has not, impacted the application of this section of the Corporations Act. The removal of the capacity of Participants to cancel wash trades will not impact this view and provides for a consistent treatment of all trades under the cancellation policy.

- Each trade resulting from a contingent order will be treated on a stand alone basis.

See Part II of this paper for draft rules and procedures.

## Execution Risk Controls

The TCP proposals contained in this paper stem from ASX's broader review of execution risk management controls. Execution risk is used in this context to refer to the risk borne by a market operator and the market as a whole (rather than the risk borne by a client) that an order will execute at a seemingly erroneous price.

ASX considers that the TCP is a tool of market management and risk control that sits at the extremes of the range of other risk controls. It is not intended to address mistakes made by brokers but to resolve trading situations that have occurred despite broker enforced limits and controls and other exchange enforced limits and controls.

Execution risk may arise because the order was not entered correctly (e.g. an order entered with the wrong code, price or volume) or because market activity has resulted in execution at a price different from the price at which the order was intended to be executed (e.g. rapid market movement impacting the execution price of a "market" order). It is a separate concept from credit risk, which is the risk borne by a Participant that a client does not have adequate funds to cover their position. Credit risk is typically managed by Trading Participants and Clearing Participants.

Other execution risk controls being examined by ASX include exchange controlled limit order filters and circuit breakers<sup>3</sup> (as foreshadowed in ASX's Review of Algorithmic Trading and Market Access Arrangements) and market order collars<sup>4</sup>.

Drivers for ASX's review of equity market execution risk management controls include:

- global and domestic trends towards increased volumes of algorithmic trading, including high frequency trading and momentum algorithms, which can lead to or exacerbate rapid price movements;
- likely introduction of new market operator/s offering trading in ASX-listed securities and consequential risks of cross-platform contagion if possible erroneous price discovery occur and the potential that liquidity fragmentation has unintended consequences in times of market stress;
- new controls being implemented by overseas exchanges in response to the US "flash crash" on 6 May 2010. A further observation from 6 May is that market participants' uncertainty about when trades will be broken can affect their trading strategies and willingness to provide liquidity<sup>5</sup>; and
- potential impact of market and other orders on liquidity, including in times of market stress.

## Current ASX and ASX 24 Trade Cancellation Policies ( TCPs)

ASX's current equity market trade cancellation process has been in place under the ASX Operating Rules since 2004. Participants are required to report error trades to ASX within 15 minutes of the error trade being executed. ASX then evaluates a potential error trade, and may ask the Dispute Governors

<sup>3</sup> ASX's review encompasses both single stock and market-wide circuit breakers.

<sup>4</sup> Collars are designed to impose maximum and minimum price limits for the execution of unpriced (market) orders. For example, a collar could be programmed to cease execution at prices that are more than 10% away from the last traded price or last auction price. The intention is to minimise the likelihood of market order/s executing at a very different price to the market price at the time when the order was entered.

<sup>5</sup> *Findings regarding the market events of May 6, 2010* Report of the Staffs of the CFTC and SEC to the joint Advisory Committee on Emerging Regulatory Issues, September 30, 2010, pg 7

Committee (DGC)<sup>6</sup> to review or guide ASX's decision on cancellation. The approach to resolution on ASX Markets is to either reject a request to cancel a deal, facilitate an agreement between counterparties to cancel a deal or unilaterally cancel a deal. Cancellation must be effected by end T+1 at the latest.

Further details are available at:

[http://www.asx.com.au/products/shares/how/trade\\_cancellation\\_policy.htm](http://www.asx.com.au/products/shares/how/trade_cancellation_policy.htm)

Current ASX rules are available at:

[http://www.asx.com.au/compliance/rules\\_guidance/asx/asx\\_or\\_section\\_03.pdf](http://www.asx.com.au/compliance/rules_guidance/asx/asx_or_section_03.pdf)

Procedures to the ASX rules are available at:

[http://www.asx.com.au/compliance/rules\\_guidance/asx/asx\\_or\\_procedures.pdf](http://www.asx.com.au/compliance/rules_guidance/asx/asx_or_procedures.pdf)

ASX 24's current trade cancellation policy was introduced in 2006 with various amendments since then. The approach taken in the ASX 24 rules is to set out three possible price ranges into which a trade may fall: NCR (No Cancellation Range), QER (Qualifying Error Range, being cancellation with counterparty agreement) and Mandatory Cancellation Range (to be renamed Confirmed Cancellation Range (CCR)). Participants are required to report the trade to ASX within 5 minutes of the trade being executed for QER trades, and 60 minutes for CCR trades or within 10 minutes of the close of trading, whichever is sooner. The trades are assessed against an appropriate reference price (eg last traded price etc) and are only cancelled if the trade falls within the QER and the counterparty agrees to cancellation, or if the trade falls within the CCR.

Current ASX 24 rules are available at:

[http://www.asx.com.au/compliance/rules\\_guidance/asx/asx\\_24\\_section\\_03.pdf](http://www.asx.com.au/compliance/rules_guidance/asx/asx_24_section_03.pdf)

Procedures to the ASX 24 rules are available at:

[http://www.asx.com.au/compliance/rules\\_guidance/asx/asx\\_24\\_procedures.PDF](http://www.asx.com.au/compliance/rules_guidance/asx/asx_24_procedures.PDF)

## Proposed Approach: Overview of Amendments to ASX TCP

As previously foreshadowed in its Review of Algorithmic Trading and Market Access Arrangements, ASX intends to adopt a uniform approach to trade cancellation across all of the markets which it facilitates. Cancellation policies for ASX and ASX 24 products will only differ where this is necessary to achieve the objectives underlying the policy after taking into account specific or unique product characteristics.

There are four key steps involved in the proposed approach:

1. *Identifying a trade for cancellation:* ASX may become aware of a trade that may fall within the Confirmed Cancellation Range (CCR) via the Participant that entered the relevant order, another Participant, or by ASX identifying the trade.
2. *Determining a reference price:* ASX will determine an appropriate reference price (the "determined price") for assessing whether the trade should be cancelled. As with ASX 24, the approach for determining a reference price will be set out in the ASX Procedures. Different criteria are used to establish a reference price depending on whether the trade is in a cash market product, an option or a futures contract. ASX's approach to determining the reference price is by applying a set of criteria relevant to the particular trade rather than a stricter formula that may not be appropriate in the particular circumstances.

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<sup>6</sup> The DGC is made up of experienced market practitioners that provide insight into the product and price characteristics of the trades under dispute. The DGC include some ASX employees, who provide consistency across dispute and decision evaluation and provide the broader DGC with an understanding of the market management obligations of ASX.

3. *Applying the price ranges:* ASX will assess, based on the difference between the trade price and the determined price, whether the trade falls within the NCR or CCR.
4. *Trade cancellation:* Where a trade falls within the CCR, ASX will cancel the trade subject to the exceptions set out in the Procedures. A trade cancellation does not necessarily indicate that a disorderly market has occurred however, the proposed price ranges have been set such that a trade that falls within the CCR is likely to be indicative of a disorderly market.

The TCP does not override ASX's other powers to act, or not act, in emergency situations to maintain a fair, orderly and transparent market.

Draft rule amendments and procedures giving effect to these proposals are at Part II of this paper.

### Proposed Amendments: Identifying a trade for cancellation

ASX may become aware of a trade that may fall within the Confirmed Cancellation Range (CCR) via the Participant that entered the relevant order, another Participant, or by ASX identifying the trade. A Participant that requests a cancellation of a trade that falls within the CCR must make that request, and provide the relevant information about the trade, within 60 minutes of trade execution or within 10 minutes of the close of trading, whichever is the earliest. Trades identified outside of this time frame will not be cancelled.

It is currently possible for a trade cancellation on ASX to occur up until the close of trading on T+1. It is ASX's intention to tighten the timeframe in which cancellation requests can be made to 60 minutes after the trade executed or within 10 minutes of the close of trading so that any cancellation will occur in close timing proximity to the trade itself, and thereby minimise the impact of the cancellation on the market.

### Proposed Amendments: Determining a Reference Price

Like the ASX 24 criteria for the "determined price", a number of criteria will be used to establish the determined price in relation to the ASX market, noting that calculation of the determined price for ASX would exclude corporate actions (eg 10:1 consolidations) and corporate takeovers (eg 35% premium over last sale).

The process for calculating the determined price is set out in the table below. The majority of trade cancellation requests on ASX occur in top 200 securities. These are actively traded and as such the last traded price on-market is most likely to be the benchmark used for the determined price.

Order of Assessment	Determined Price Source	Use
1	Last on-market trade executed prior to the relevant trade occurring, if any trading in current day.	Active and liquid series or securities
2	Last closing price. If no trading on current day, look at last closing price.	Less actively traded series (not traded in the preceding 10 weeks)
3	Price of best opposing order at the time of execution of the first share of the relevant trade.	Modified warrant series, new listings

Market users are invited to comment on the above criteria and how certainty can be achieved without loss of flexibility that accounts for the circumstances of a particular trade.

## Proposed Amendments: Applying the Price Ranges

It is proposed to introduce a 2-band trade cancellation policy. This is the approach that will provide Participants with the greatest certainty about when a trade will or will not be cancelled. The two bands would be NCR (No Cancellation Range) and CCR (Confirmed Cancellation Range).

The existing ASX 24 QER range, in which trades will be cancelled if the counterparty to the trade consents to cancellation within 5 minutes, was premised on the fact that Participants were originally able to identify other Participants associated with an order or subsequent trade (ie a disclosed market). This therefore provided an opportunity to make a reasonable direct approach to a counterparty for possible amendment or cancellation of a trade. The global adoption of anonymous markets removed this direct avenue of discussion and negotiation. ASX currently acts as an intermediary between counterparties, who remain anonymous.

ASX has analysed ASX 24 QER cancellations statistics from January 2008. These figures show that only 15 of 50 (30%) trades claimed led to cancellation with counterparty agreement. This statistic does not take into account the number of times that a Participant has been eligible to request cancellation but has not done so. Feedback to ASX suggests that not all QER trades are claimed due to the low cancellation rate. ASX therefore proposes to remove the QER.

As outlined below, ASX has prepared three alternative approaches to the 2-band TCP model for the ASX cash equity market; four alternative approaches for ETOs; and 1 approach for ASX Futures. Market users are invited to provide feedback on their preferred approach, giving reasons why.

### Model #1: 2-Band Multi-Price Brackets Model

Model #1 is characterised by adopting a hybrid approach: price movements for securities under \$2.00 are measured by price ticks away from the determined price, whereas price movements for securities priced over \$2.00 are measured as percentage price movements away from the determined price.

This approach takes into account the low prices at which some ASX-listed securities trade, where a single tick price movement may amount to a 100% price increase.

The CCR has been determined based on an analysis of previous cancellation decisions.

PRICE SCHEDULE BY PRODUCT EQUITIES, WARRANTS, AQUA, FIXED INTEREST	TICK	NCR tick	CCR tick
0.1 – 9.9 cents	0.1 cent	0 - 20	≥ 21
10 – 99.5 cents	0.5 cent	0 - 60	≥ 61
100 – 199.5 cents	0.5 cent	0 - 100	≥ 101
		%	%
200 – 499 cents	1 cent	0 - 50	≥ 50.1
500 – 699 cents	1 cent	0 - 40	≥ 40.1
700 – 999 cents	1 cent	0 - 35	≥ 35.1
1000 – 1999 cents	1 cent	0 - 30	≥ 30.1
2000 – 4999 cents	1 cent	0 - 25	≥ 25.1
≥5000 cents	1 cent	0 - 20	≥ 20.1

### Model #2: 2-Band Volatility Curve Price Brackets Model - no cancellation under \$0.10

Model #2 is characterised by no trade cancellations occurring in securities priced below \$0.10, and price movements for securities priced over \$0.10 measured as percentage price movements away from the determined price. The CCR has been determined based on mathematical modelling.



The rationale for not cancelling any trades in securities priced below \$0.10 is that trades in these securities are unlikely to affect the orderliness of the broader market. No securities trading below \$0.10 are index constituents; and they do not form the underlying product for any warrants or exchange traded options (ETOs).

PRICE SCHEDULE BY PRODUCT EQUITIES, WARRANTS, AQUA, FIXED INTEREST	TICK	NCR %	CCR %
0.1 – 9.9 cents	0.1 cent	NA	N/A
10 – 199.5 cents	0.5 cent	0 - <30	≥ 30
≥200 cents	1 cent	0 - <15	≥ 15

### Model #3: 2-Band Volatility Curve Price Brackets Model - with cancellation under \$0.10

Model #3 is characterised by percentage price movements away from the determined price. The CCR has been determined based on mathematical modelling.

PRICE SCHEDULE BY PRODUCT EQUITIES, WARRANTS, AQUA, FIXED INTEREST	TICK	NCR %	CCR %
0.1 – 9.9 cents	0.1 cent	0 - <200	≥ 200
10 – 199.5 cents	0.5 cent	0 - <30	≥ 30
≥200 cents	1 cent	0 - <15	≥ 15

## Proposed Approach: ASX ETOs

In relation to combination orders, ASX will continue to facilitate cancellation and re-booking where a system malfunction has resulted in incorrect prices for individual legs but a correct net price. This practice will be carved out from the TCP.

Where a trade has occurred and a Participant requests cancellation, ASX will only cancel individual legs of trades that result from combination orders where these are individually assessed and fall within the CCR. This practice will form part of the TCP and is consistent with the current ASX 24 TCP in relation to contingent orders.

A Participant's ability to liaise with the counterparty and subsequently ask ASX to re-book trades will be removed under the new TCP. This removal is intended to contribute to certainty as to when a cancellation will occur. ASX invites feedback on this aspect of the proposal, including alternative suggestions from Participants in relation to dealing with ETO trades that would be re-booked under the current error resolution policy.

## Proposed Amendments: Determining a Reference Price - ETOs

For ETOs the "determined price" will be the Option Theoretical Value (TV). The TV to be calculated by ASX will be determined by using the previous days Implied Volatility as calculated from the settlement price and applying this to the trade in question. If the option is new and yet to have a calculated settlement price, ASX will determine the TV based on market consultation, in line with current practice. The other inputs into the calculation of the TV of the option will be underlying price (market price of the underlying at the time of the trade), dividends (as supplied by Markit), interest rate yield curve (swap rate curve as used in DCS), expiry date of the option and the trade date of the deal. Note that for American style options the binomial option pricing model will be used but for European style exercises the Black/Scholes option pricing model will be used.

## Proposed Amendments: Applying the Price Ranges - ETOs

It is proposed to introduce a 2-band trade cancellation policy. This is the approach that will provide Participants with the greatest certainty about when a trade will or will not be cancelled. The two bands would be NCR (no cancellation) and CCR (Confirmed Cancellation range).

The existing ASX trade cancellation policy for options, in which trades will be cancelled at an appropriate price determined by ASX, was premised on the current market making spread requirements being applied to the calculated Theoretical Value.

Current Market Making Spread requirements:

[http://www.asx.com.au/products/pdf/asx\\_options\\_bid\\_ask\\_spreads\\_and\\_categories.pdf](http://www.asx.com.au/products/pdf/asx_options_bid_ask_spreads_and_categories.pdf)

Feedback to ASX regarding this approach suggests that the current policy is not producing a wide enough CCR range.

As outlined below, ASX has prepared four alternative approaches to the 2-band TCP model for the ASX ETO market. Participants are invited to provide feedback on their preferred approach, giving reasons why.

### ETO Model #1: 2-Band Multi-Price Brackets Model

Model #1 is characterised by adopting a hybrid approach: price movements for options valued under \$2.00 are measured by price ticks away from the determined price, whereas price movements for options priced over \$2.00 are measured as percentage price movements away from the determined price.

This approach takes into account the low prices at which some ASX listed options trade, where a single tick price movement may amount to a 100% price increase.

The CCR has been determined based on widening the current cancellation/re-booking range based on participant feedback and also aligning the cancellation policy to that of the rest of ASX listed securities.

PRICE SCHEDULE OPTION TV (based on ASX valuation)	TICK	NCR tick	CCR tick
0.1– 9.9 cents	0.1 cent	0 - 20	≥ 21
10 – 99.5 cents	0.5 cent	0 - 60	≥ 61
100 – 199.5 cents	0.5 cent	0 - 100	≥ 101
		%	%
200 – 499 cents	1 cent	0 - 50	≥ 50.1
500 – 699 cents	1 cent	0 - 40	≥ 40.1
700 – 999 cents	1 cent	0 - 35	≥ 35.1
1000 – 1999 cents	1 cent	0 - 30	≥ 30.1
2000 – 4999 cents	1 cent	0 - 25	≥ 25.1
≥5000 cents	1 cent	0 - 20	≥ 20.1

### ETO Model #2: 2-Band Volatility Curve Price Brackets Model – no cancellation under \$0.10

Model #2 is characterised by no trade cancellations occurring in options priced below \$0.10, and price movements for securities priced over \$0.10 measured as percentage price movements away from the determined price. The CCR has been determined based on comparative modelling. This model also

uses 2 different schedules based on the option maturity to account for the greater impact on option prices due to a volatility change for longer dated options.

PRICE SCHEDULE (exp <12months)	TICK	NCR	CCR
OPTION TV (based on ASX valuation)		%	%
0.1 – 9.9 cents	0.1 cent	N/A	N/A
10 – 19.9 cents	0.5 cent	0 - < 85	≥ 85
20 – 49.9 cents	0.5 cent	0 - < 70	≥ 70
50 – 99.9 cents	0.5 cent	0 - < 50	≥ 50
100 – 199.5 cents	0.5 cent	0 - < 40	≥ 40
≥200 cents	1 cent	0 - < 30	≥ 30

PRICE SCHEDULE (exp >12months)	TICK	NCR	CCR
OPTION TV (based on ASX valuation)		%	%
0.1 – 9.9 cents	0.1 cent	N/A	N/A
10 – 19.9 cents	0.5 cent	0 - < 100	≥ 100
20 – 49.9 cents	0.5 cent	0 - < 80	≥ 80
50 – 99.9 cents	0.5 cent	0 - < 60	≥ 60
100 – 199.5 cents	0.5 cent	0 - < 50	≥ 50
≥200 cents	1 cent	0 - < 40	≥ 40

### ETO Model #3: 2-Band Volatility Curve Price Brackets Model – with cancellation under \$0.10

Model #3 is characterised by trade cancellations occurring in options priced below \$0.10 being more than \$0.085 away from TV, and price movements for securities priced over \$0.10 measured as percentage price movements away from the determined price. The CCR has been determined based on comparative modelling.

PRICE SCHEDULE (exp <12months)	TICK	NCR	CCR
OPTION TV (based on ASX valuation)		cents	cents
0.1 – 9.9 cents	0.1 cent	0 – 8.5	≥ 8.5
		%	%
10 – 19.9 cents	0.5 cent	0 - < 85	≥ 85
20 – 49.9 cents	0.5 cent	0 - < 70	≥ 70
50 – 99.9 cents	0.5 cent	0 - < 50	≥ 50
100 – 199.5 cents	0.5 cent	0 - < 40	≥ 40
≥200 cents	1 cent	0 - < 30	≥ 30

PRICE SCHEDULE (exp >12months)	TICK	NCR	CCR
OPTION TV (based on ASX valuation)		cents	cents
0.1 – 9.9 cents	0.1 cent	0 – 10c	≥ 10c
		%	%
10 – 19.9 cents	0.5 cent	0 - < 100	≥ 100
20 – 49.9 cents	0.5 cent	0 - < 80	≥ 80
50 – 99.9 cents	0.5 cent	0 - < 60	≥ 60
100 – 199.5 cents	0.5 cent	0 - < 50	≥ 50
≥200 cents	1 cent	0 - < 40	≥ 40

## ETO Model #4: 2-Band Absolute Price Brackets Model

Model #4 is characterised by adopting an absolute range approach based on the calculated option TV. This approach is currently used for ETO Market Makers quoting requirement and is also the basis for the current error resolution policy.

The CCR has been determined based on comparative modelling.

PRICE SCHEDULE (exp <12months)	TICK	NCR	CCR
OPTION TV (based on ASX valuation)		cents	cents
0.1 – 9.9 cents	0.1 cent	0 – 9.9	≥ 10
10 – 19.9 cents	0.5 cent	0 - < 14.5	≥ 15
20 – 49.9 cents	0.5 cent	0 - < 29.5	≥ 30
50 – 99.9 cents	0.5 cent	0 - < 49.5	≥ 50
100 – 199.5 cents	0.5 cent	0 - < 79.5	≥ 80
200 – 499 cents	1 cent	0 - < 149	≥ 150
500 – 1999 cents	1 cent	0 - < 299	≥ 300
≥2000 cents	1 cent	0 - < 499	≥ 500

## Proposed Amendments: ASX Futures

The proposed approach to ASX Futures will be the same as for the ASX 24 2-band approach.

## Proposed Amendments: Determining a Reference Price – ASX Futures

The determined price will be established by using the same criteria that are currently used to establish a determined price for ASX 24 futures contracts and options on futures:

- Valid last trade price preceding the entry of the trade being assessed for cancellation
- Valid bid or ask available in the market
- Preceding Daily Settlement Price
- Intra and inter spread relationships
- Market conditions immediately before and after the transaction(s)
- Theoretical valuation
- Independent third parties
- Physical markets
- Utilisation of RFQ's (where applicable)

## Proposed Amendments: Applying the Price Ranges – ASX Futures

Futures Contracts	NCR	Start of CCR
S&P/ASX 200 A-REIT Index Futures (XPJ)	249 Points	250 Points
S&P/ASX 200 Index Futures (XJO)	249 Points	250 Points
S&P/ASX 50 Index Futures (XFL)	249 Points	250 Points
China Type 19.5 wool	99 cents	100 cents
China Type 21 wool	99 cents	100 cents
China Type 22.6 wool	99 cents	100 cents
Western Australia Wheat	\$100.00	\$100.10
Australian Milling Wheat (NSW)	\$100.00	\$100.10
Australian Feed Barley	\$100.00	\$100.10
Australian Sorghum	\$100.00	\$100.10
Australian Canola	\$100.00	\$100.10
Options on Futures Contracts	NCR	Start of CCR
S&P/ASX 200 A-REIT Index Futures (XPJ)	249 Points	250 Points
S&P/ASX 200 Index Futures (XJO)	249 Points	250 Points
S&P/ASX 50 Index Futures (XFL)	249 Points	250 Points
Western Australia Wheat	\$100.00	\$100.10
Australian Milling Wheat (NSW)	\$100.00	\$100.10
Australian Feed Barley	\$100.00	\$100.10
Australian Sorghum	\$100.00	\$100.10
Australian Canola	\$100.00	\$100.10
<b>Determined Price of Option (determined by ASX) – The NCR and CCR ranges above will be varied as follows:</b>		<b>% of Options NCR and CCR</b>
Below 50 Minimum Tick Increments		20%
Between 51 and 200 Minimum Tick Increments		40%
Between 201 and 500 Minimum Tick Increments		60%
Between 501 and 1000 Minimum Tick Increments		80%
Greater than 1000 Minimum Tick Increments		100%

## Overview of Amendments to ASX 24 TCP

Many of the proposed changes to the ASX TCP already form part of the ASX 24 TCP. Accordingly, the move from 3-bands to 2-bands and the renaming of the Mandatory Cancellation Range (MCR) to Confirmed Cancellation Range (CCR) are the only changes proposed to the ASX 24 TCP. The new bands are set out below:

### Ranges for Interest Rate Futures Products

Futures Contracts	NCR	Start of CCR
Australian 30 Day Inter Bank	49.5 Basis Points	50.0 Basis Points
Australian 90 Day Bank Bills	49.0 Basis Points	50.0 Basis Points
Australian 3 Year Treasury Bond	49.5 Basis Points	50.0 Basis Points
Australian 10 Year Treasury Bond	49.5 Basis Points	50.0 Basis Points
Australian 3 Year Interest Rate Swap	49.5 Basis Points	50.0 Basis Points
Australian 10 Year Interest Rate Swap	49.5 Basis Points	50.0 Basis Points
NZ 30 Day Official Cash Rate	49.5 Basis Points	50.0 Basis Points
NZ 90 Day Bank Bills	49.0 Basis Points	50.0 Basis Points
NZ 3 Year Government Bond	49.0 Basis Points	50.0 Basis Points
NZ 10 Year Government Bond	49.0 Basis Points	50.0 Basis Points
AUS / US 10 Year Bond Spread	49.5 Basis Points	50.0 Basis Points

### Ranges for Equity Index Futures Products

Futures Contracts	NCR	Start of CCR
SPI 200	249 Points	250 Points

### Ranges for ASX CFD Products

ASX CFD Contracts	NCR	Start of CCR
ASX Equity CFDs	≤ 15% DP	> 15% DP
ASX Index CFDs	≤ 15% DP	> 15% DP
ASX FX CFDs	≤ 15% DP	> 15% DP
ASX Commodity CFDs	≤ 15% DP	> 15% DP

### Ranges for Commodity Futures Products

Futures Contracts	NCR	Start of CCR
Fine Wool	99 Cents	100 Cents
Greasy Wool	99 Cents	100 Cents
Broad Wool	99 Cents	100 Cents

### Ranges for Energy Futures Products

Futures Contracts	NCR	Start of CCR
Base Load Electricity	≤ 15% DP	> 15% DP
Peak Load Electricity	≤ 15% DP	> 15% DP
Base Load Electricity Strip	≤ 15% DP	> 15% DP
Peak Load Electricity Strip	≤ 15% DP	> 15% DP
Base Load Electricity Cap	≤ 15% DP	> 15% DP
Base Load Electricity Cap Strip	≤ 15% DP	> 15% DP
VIC Gas	≤ 15% DP	> 15% DP
VIC Gas Strip	≤ 15% DP	> 15% DP

### Ranges for Environmental Futures Products

Futures Contracts	NCR	Start of CCR
Renewable Energy Certificates (REC's)	≤ 15% DP	> 15% DP

### Ranges for Options Contracts

Option Contracts	NCR	Start of CCR
Interest Rate Option Products		
Australian 90 Day Bank Bills	19.5 Basis Points	20 Basis Points
Australian 30 Day Inter Bank	19.5 Basis Points	20 Basis Points
NZ 90 Day Bank Bills	19.5 Basis Points	20 Basis Points
Australian 3 Year Treasury Bond	19.5 Basis Points	20 Basis Points
Australian 10 Year Treasury Bond	19.5 Basis Points	20 Basis Points
NZ 3 Year Government Bond	19.5 Basis Points	20 Basis Points
NZ 10 Year Government Bond	19.5 Basis Points	20 Basis Points
Australian 3 Year Treasury Bond SSO	19.5 Basis Points	20 Basis Points
Australian 10 Year Treasury Bond SSO	19.5 Basis Points	20 Basis Points
Equity Option Products		
SPI 200	99.5 Points	100.0 Points
Commodity Option Products		
Greasy Wool	99 Cents	100 Cents
Energy Option Products		
Peak Load Electricity	99 Cents	100 Cents
Base Load Electricity Strip	99 Cents	100 Cents

Option Contracts	NCR	Start of CCR
VIC Gas Strip	24 Cents	25 Cents
Environmental Option Products		
Renewable Energy Certificates	99 Cents	100 Cents
Determined Price of Option (determined by ASX 24) The NCR and CCR ranges above will be varied as follows:		% of Options NCR and CCR
Below 5 Minimum Tick Increments		20%
Between 5.1 and 20 Minimum Tick Increments		40%
Between 20.1 and 50 Minimum Tick Increments		60%
Between 50.1 and 100 Minimum Tick Increments		80%
Greater than 100 Minimum Tick Increments		100%

Draft rule amendments and procedures giving effect to these proposals are at Part II of this paper

## Cancellation Fees and Appeal Process

ASX will charge the Participant that ASX determines is responsible for the trade that is cancelled a cancellation fee of \$1,500 for each trade cancelled under the TCP.

As per the current process, a Participant can appeal against a decision under the TCP. An appeal fee of \$5,000 will be charged. Appeals will be heard by the Appeal Tribunal in accordance with the provisions of the ASX Enforcement and Appeals Rulebook.

The Dispute Governors' Committee will be discontinued under the revised TCP.



## Part II: Draft rule and procedure changes

This section sets out the draft rules and procedures that ASX proposes to introduce to implement its proposed approach.

### PROPOSED APPROACH - 2 BAND MODEL

#### ASX Operating Rules

Delete Rules 3200 - 3270 and replace as follows:

#### CANCELLATIONS

##### ASX Cancellation of Trades

[3200] ASX will, subject to the exceptions specified in the Procedures, undertake an ASX enforced cancellation of trades on such conditions as specified in the Procedures.

[3201] Only ASX may effect the cancellation of a trade.

##### Participant Notification to ASX

[3210] A Trading Participant may notify ASX, as specified in the Procedures, if it believes it or another Trading Participant has executed a trade that is eligible for cancellation. ASX will promptly consider whether Rule [3200] applies to the situation and commence the process under that Rule.

##### Appeal of Decisions of ASX

[3220] If a Trading Participant is dissatisfied with the actions taken by ASX under Rules [3200] to [3210] the Trading Participant may appeal to the Appeal Tribunal in accordance with the provisions of the ASX Enforcement and Appeals Rulebook.

##### ASX Power Not Limited

[3230] Nothing in Rules [3200] to [3210] limits or precludes ASX exercising its powers under Rules [3100] to [3140] in relation to circumstances which are covered by Rules [3200] to [3210].

[3231] Nothing in Rules [3200] to [3210] precludes ASX from taking any other action which it is permitted to take under these Rules including, without limitation, the taking of enforcement action or exercising any power under the ASX Enforcement and Appeals Rulebook.

##### No Liability of ASX

[3240] Without limiting Rules [6800] to [6802], none of ASX, its officers, employees, agents or contractors are liable to a Trading Participant or any other person for any loss, liability, damage, cost or expense arising in any way (including, without limitation, by negligence) from the bona fide exercise of any power, right or discretion conferred upon ASX by Rules [3200] to [3210].

## ASX Procedures

### Procedure 3200 ASX Cancellation of Trades

#### 1. Application

This Procedure applies to all transactions other than those specifically excluded.

#### 2. Notification to ASX

(a) If a Participant wants ASX to consider that a trade may be within the Confirmed Cancellation Range (CCR) it must notify ASX by telephone within 60 minutes of trade execution or within 10 minutes after the close of trading on the relevant Trading Day, whichever is sooner.

(b) After the telephone request, the request for cancellation consideration must be emailed to ASX within 5 minutes of the telephone request and shall include the following information:

- time of execution;
- security/symbol;
- number of shares/contracts;
- price;
- deal number; and
- order number.

#### 3. Notification by ASX

(a) Where ASX determines that the trade is within the CCR, ASX shall, as soon as possible, send a message to the market notifying that a cancellation is being considered and will provide the deal number(s) for the trade(s).

(b) Where a decision regarding cancellation of a trade has been effected, ASX shall notify the effected Trading Participants of the decision and send a message to the market and will clearly identify the deal number(s) of the trade(s) on the Trading Platform.

#### 3. Time limit

ASX will not facilitate the cancellation of a trade if more than 60 minutes has elapsed since the time of trade execution or 10 minutes has elapsed since the close of trading on the relevant Trading Day, whichever is sooner.

#### 4. ASX Determinations and Ranges

- (a) On receipt of either the Trading Participant's notification or on ASX's own volition, ASX will determine a price ("Determined Price") and then assess whether the trade qualifies for cancellation as follows:

Range	Outcome
At or within the NCR (No Cancellation Range)	The trade will not be cancelled
At or within the CCR (Confirmed Cancellation Range)	ASX will cancel the trade subject to any exception under Rule [3200].

- (b) The cancellation ranges are set out below.
- (c) ASX will not accept the financial loss incurred by a Participant as grounds for cancellation.
- (d) The cancellation may be subject to such condition(s) as ASX sees fit, including but not limited to, the following:
- (i) the acceptance, by the Trading Participant who has requested the cancellation, or has originally executed the trade, of a trade executed by another Trading Participant in reliance on the trade cancelled; or
  - (ii) the acceptance of a trade to cancel the trade.

The Trading Participant shall comply with any such condition.

## 6. Cancellation Fee

ASX will impose a cancellation fee as specified in the Fee Schedule on [www.asx.com.au](http://www.asx.com.au) on the Participant responsible for the trade. The fee will be levied individually on each order that results in a trade being cancelled under this Rule.

## 7. Exceptions

### Specific types of Trades

Rule [3200] and this Procedure does not apply to the following transactions and the cancellation of these trades is dealt with in the trade specific Rules and Procedures:

- EFPs; and
- Block Special Crossings.

### ASX System Malfunction

In the event that trades result from the ASX trading system re-establishing previously cancelled or filled orders, or any other system or process malfunction, any resulting trade reported to the ASX Service Desk within 10 minutes of execution and within 60 minutes of the re-generation of the order will be cancelled by the ASX. Trades reported after 10 minutes, and executed within the CCR, will be cancelled as per Rule [3200]. All trades reported after 10 minutes and executed within the NCR will stand.

Where the ASX trading system allocates leg prices in Tailor Made Combinations that are not a true reflection of current market levels, as determined by ASX, ASX may re-book the trade where the net price is maintained.

## Other ASX Rules and Approved Clearing Facility Rules

Rule [3200] and this Procedure are subject to and may be overridden by any ASX Rule that allows cancellation and any cancellation rule of an Approved Clearing Facility.

### 8. Cancellation Ranges

Each trade will be individually assessed on the basis of price regardless of whether the trade resulted from any strategy or contingency order.

[Insert approved price range tables for

1. Equities, warrants, AQUA, fixed interest;
2. ETOs
3. ASX Futures ]

### 9. Determined Price

The Determined Price is established by ASX using the following criteria:

#### Equities, warrants, AQUA, fixed interest

Order of Assessment	Determined Price Source	Use
1	Last on-market trade executed prior to execution of the trade being assessed for cancellation, if any trading in current day.	Active and liquid series or securities
2	Last closing price. If no trading on current day, look at last closing price.	Less actively traded series (not traded in the preceding 10 weeks)
3	Price of best opposing order at the time of execution of the first share of the disputed trade.	Modified warrant series, new listings

#### ETOs

For ETOs the Determined Price is established as follows:

The Option Theoretical Value (TV) to be calculated by ASX will be determined by using the previous days Implied Volatility as calculated from the settlement price and applying this to the trade in question. If the option is new and yet to have a calculated settlement price ASX will determine the TV based on market consultation in line with current practice. The other inputs into the calculation of the TV of the option will be underlying price (market price of the underlying at the time of the trade), dividends (as supplied by Markit), interest rate yield curve (swap rate curve as used in DCS), expiry date of the option and the trade date of the deal. Note that for American style options the binomial option pricing model will be used but for European style exercises the Black/Scholes option pricing model will be used.

#### ASX Futures

The Determined Price is established by ASX using any or a combination of the following

criteria:

- Valid last trade price preceding the execution of the trade being assessed for cancellation
- Valid bid or ask available in the market
- Preceding Daily Settlement Price
- Intra and inter spread relationships
- Market conditions immediately before and after the transaction(s)
- Theoretical valuation
- Independent third parties
- Physical markets
- Utilisation of RFQ's (where applicable)

## PROPOSED APPROACH - 2 BAND MODEL

### ASX 24 Operating Rules

The current ASX 24 Operating Rules and Procedures to be amended as marked up below:

#### ~~TRADE ERRORS, CANCELLATIONS AND DEALING DISPUTES~~

##### ~~Request for Cancellation~~

~~[3200] — If a Trading Participant submits an Order incorrectly which is subsequently executed, it may submit a request to the Exchange to obtain the consent of the counterparty to cancel the trade if certain conditions specified in the Procedures are met. Subject to the exceptions specified in the Procedures, if the conditions are met the Exchange will cancel the trade.~~

##### Exchange Cancellation of ~~Erroneous~~ Trades

[3240] The Exchange will, subject to the exceptions specified in the Procedures, undertake an Exchange enforced cancellation of trades ~~of its own volition~~ on such conditions as specified in the Procedures.

~~[3201] Only the Exchange may effect the cancellation of a trade.~~

##### ~~Dealing Disputes Participant Notification to the Exchange~~

[3221] A Trading Participant may notify the Exchange as specified in the Procedures, if it believes it or another Trading Participant has executed an erroneous trade that is eligible for cancellation (a 'Dealing Dispute'). The Exchange will promptly consider whether Rule [3240] applies to the situation and commence the process under that Rule.

##### Appeal of Decisions of Exchange

[3232] If a Trading Participant is dissatisfied with the actions taken by the Exchange under Rules [3200] to [3221] the Trading Participant may appeal to the Appeal Tribunal in accordance with the provisions of the ASX Enforcement and Appeals Rulebook.

##### Exchange Power Not Limited

[3243] Nothing in Rules [3200] to [3221] limits or precludes the Exchange exercising its powers under Rules [3100] to [3140] in relation to circumstances which are covered by Rules [3200] to [3221].

[32431] Nothing in Rules [3220] to [3221] precludes the Exchange from taking any other action which it is permitted to take under these Rules ~~in connection with the circumstances giving rise to the Dealing Dispute~~ including, without limitation, the taking of enforcement action or exercising any power under the ASX Enforcement and Appeals Rulebook.

##### No Liability of the Exchange

[3254] Without limiting Rules [6800] to [6802], none of the Exchange, its officers, employees, agents or contractors are liable to a Trading Participant or any other person for any loss, liability, damage, cost or expense arising in any way (including, without limitation, by negligence) from the bona fide exercise of any power, right or discretion conferred upon the Exchange by Rules [3200] to [3221].

## ASX 24 Procedures

### Procedure 3200 - Exchange Cancellation of Trades

#### 1. Application

This Procedure applies to all transactions other than those specifically excluded.

#### 2. Notification to the Exchange

- (a) ~~If a~~ Participant ~~must notify~~ wants the Exchange ~~by telephone within 5 minutes of the trade occurring to notify the Exchange that an error has occurred. to consider that a trade may be within the Confirmed Cancellation Range (CCR) it must notify ASX by telephone within 60 minutes of trade execution or within 10 minutes after the close of trading on the relevant Trading Day, whichever is sooner.~~
- (b) After the telephone request, the request for cancellation consideration must be emailed to the Exchange within 5 minutes of the telephone request and shall include the following information:
- time of execution;
  - security/symbol;
  - number of shares/contracts;
  - price;
  - deal number; and
  - order number.

#### 32. Notification by the Exchange

- (a) ~~Where the Exchange determines that the trade is within the CCR. Where the trade is within the Qualifying Error Range or Mandatory Cancellation Range,~~ the Exchange shall, as soon as possible, send a message to the market notifying that a cancellation is being ~~requested~~ considered and will provide the deal number(s) for the trade(s).
- (b) Where a decision regarding cancellation of a trade has been effected, the Exchange shall notify the effected Participants of the decision and send a message to the market and will clearly identify the deal number(s) of the trade(s) on the Trading Platform.

#### 43. Time limit

The Exchange will not facilitate the cancellation of a trade if more than 60 minutes has elapsed since the time of trade execution or where 10 minutes has elapsed since the close of trading on the relevant Trading Day, whichever is sooner.

#### 54. Exchange Determinations and Ranges

- (a) On receipt of either the Trading Participant's notification or of the Exchange's own volition, -email request, the Exchange will determine a price ("Determined Price")

for the contract and then assess whether the trade qualifies for cancellation as follows:

Range	Outcome
At or within the NCR (No Cancellation Range)	The trade will not be cancelled
<del>At or within the QER (Qualifying Error Range)</del>	<del>The trade will only be cancelled if the Participant counterparty to the trade consents within 5 minutes of the request.</del>
At or within the <u>MCRCCR (Mandatory Cancellation Range Confirmed Cancellation Range)</u>	The Exchange will cancel the trade subject to any exception under Rule [3200]. <del>If a Participant has requested a cancellation and the trade is determined by the Exchange to be within the MCR Rule [3200] ceases to apply and Rule [3210] applies.</del>

- (b) The cancellation ranges are set out below.
- (c) The Exchange will not accept the financial loss incurred by a Participant as grounds for cancellation.
- (d) The cancellation may be subject to such condition(s) as the Exchange sees fit, including but not limited to, the following:
  - (i) the acceptance, by the Participant who has requested the cancellation, or has originally executed the trade, of a trade executed by another Participant in reliance on the trade cancelled; or
  - (ii) the acceptance of a trade to cancel the trade.

The Participant shall comply with any such condition.

#### 6. ~~Trades within the Qualifying Error Range~~

- ~~(a) If the trade is within the QER and therefore, eligible for cancellation under Rule [3200], the Exchange will contact the authorised signatory (under Rule [6510]) of the Participant that is the counterparty to the market transaction(s) and communicate the request that the trade be cancelled. The Participant counterparty to the transaction(s) is under no obligation to agree to the trade cancellation request.~~
- ~~(b) If the Participant counter party does not agree to the trade cancellation within 5 minutes of notification, the initiator Participant will be informed and the trades will stand.~~
- ~~(c) If an agreement is reached, the Exchange will inform the initiator Participant and will then facilitate the cancellation of the trade(s). The Exchange will notify the relevant Approved Clearing Facility of the cancellation.~~
- ~~(d) The parties to the market transaction will remain anonymous unless their identity is already disclosed in accordance with the Rules.~~
- ~~(e) Counterparty Consent~~



~~Where the Exchange obtains relevant counterparty consent for the trade to be cancelled such consent is provided on the understanding that the counterparty has sought and received its Client's consent for such cancellation and can produce that consent at that time.~~

**76. Cancellation Fee**

The Exchange will impose a cancellation fee as specified in the Fee Schedule on [www.asx.com.au](http://www.asx.com.au) on the Participant responsible for the trade. The fee will be levied individually on each order that results in a trade being cancelled under this Rule.

**87. Exceptions**

**Specific types of Trades**

Rule [3200] and this Procedure does not apply to the following transactions and the cancellation of these trades is dealt with in the trade specific Rules and Procedures:

- EFPs;
- Block Trades.

**Exchange System Malfunction**

In the event that trades result from the Exchange trading system re-establishing previously cancelled or filled orders, or any other system or process malfunction, any resulting trade reported to the Exchange Service Desk within 10 minutes of execution and within 60 minutes of the re-generation of the order will be cancelled by the Exchange. Trades reported after 10 minutes, and executed beyond within the MCRCCR, will be cancelled as per Rule [3200]. All trades reported after 10 minutes and executed within the NCR or QER will stand.

**Other Exchange Rules and Approved Clearing Facility Rules**

Rule [3200] and this Procedure are subject to and may be overridden by any Exchange Rule that allows cancellation and any cancellation rule of an Approved Clearing Facility.

**98. Cancellation Ranges**

Each trade will be individually assessed on the basis of price regardless of whether the trade was part of resulted from any strategy or contingency trade order.

**Ranges for Interest Rate Futures Products**

Futures Contracts	NCR	QER (Lower-Limit)	QER (Upper-Limit) NCR	Start of MCR_CCR
Australian 30 Day Inter Bank	5.0 Basis-Points	5.5 Basis Points	49.5 Basis Points	50.0 Basis Points
Australian 90 Day Bank Bills	5.0 Basis-Points	6.0 Basis Points	49.0 Basis Points	50.0 Basis Points
Australian 3 Year Treasury Bond	5.0 Basis-Points	5.5 Basis Points	49.5 Basis Points	50.0 Basis Points
Australian 10 Year Treasury Bond	5.0 Basis-Points	5.5 Basis Points	49.5 Basis Points	50.0 Basis Points
Australian 3 Year	5.0 Basis-	5.5 Basis Points	49.5 Basis	50.0 Basis

Futures Contracts	<u>NCR</u>	<u>QER (Lower-Limit)</u>	<u>QER (Upper-Limit) NCR</u>	<u>Start of MGR_CCR</u>
Interest Rate Swap	<u>Points</u>		Points	Points
Australian 10 Year Interest Rate Swap	<u>5.0 Basis-Points</u>	<u>5.5 Basis Points</u>	49.5 Basis Points	50.0 Basis Points
NZ 30 Day Official Cash Rate	<u>5.0 Basis-Points</u>	<u>5.5 Basis Points</u>	49.5 Basis Points	50.0 Basis Points
NZ 90 Day Bank Bills	<u>5.0 Basis-Points</u>	<u>6.0 Basis Points</u>	49.0 Basis Points	50.0 Basis Points
NZ 3 Year Government Bond	<u>5.0 Basis-Points</u>	<u>6.0 Basis Points</u>	49.0 Basis Points	50.0 Basis Points
NZ 10 Year Government Bond	<u>5.0 Basis-Points</u>	<u>6.0 Basis Points</u>	49.0 Basis Points	50.0 Basis Points
AUS / US 10 Year Bond Spread	<u>5.0 Basis-Points</u>	<u>5.5 Basis Points</u>	49.5 Basis Points	50.0 Basis Points

#### Ranges for Equity Index Futures Products

Futures Contracts	<u>NCR</u>	<u>QER (Lower-Limit)</u>	<u>QER (Upper-Limit) NCR</u>	<u>Start of MGR_CCR</u>
SPI 200	<u>25 Points</u>	<u>26 Points</u>	249 Points	250 Points

#### Ranges for ASX CFD Products

ASX CFD Contracts	<u>NCR</u>	<u>QER (Lower-Limit)</u>	<u>QER (Upper-Limit) NCR</u>	<u>Start of MGR_CCR</u>
ASX Equity CFDs	<u>1.5% DP</u>	<u>&gt;1.5 % DP</u>	≤ 15% DP	> 15% DP
ASX Index CFDs	<u>1.5% DP</u>	<u>&gt;1.5 % DP</u>	≤ 15% DP	> 15% DP
ASX FX CFDs	<u>1.5% DP</u>	<u>&gt;1.5 % DP</u>	≤ 15% DP	> 15% DP
ASX Commodity CFDs	<u>1.5% DP</u>	<u>&gt;1.5 % DP</u>	≤ 15% DP	> 15% DP

#### Ranges for Commodity Futures Products

Futures Contracts	<u>NCR</u>	<u>QER (Lower-Limit)</u>	<u>QER (Upper-Limit) NCR</u>	<u>Start of MGR_CCR</u>
Fine Wool	<u>10 Cents</u>	<u>11 Cents</u>	99 Cents	100 Cents
Greasy Wool	<u>10 Cents</u>	<u>11 Cents</u>	99 Cents	100 Cents
Broad Wool	<u>10 Cents</u>	<u>11 Cents</u>	99 Cents	100 Cents

#### Ranges for Energy Futures Products

Futures Contracts	<u>NCR</u>	<u>QER (Lower-Limit)</u>	<u>QER (Upper-Limit) NCR</u>	<u>Start of MGR_CCR</u>
Base Load Electricity	<u>1.5% DP</u>	<u>&gt;1.5% DP</u>	≤ 15% DP	> 15% DP
Peak Load	<u>1.5% DP</u>	<u>&gt;1.5% DP</u>	≤ 15% DP	> 15% DP

Futures Contracts	<del>NGR</del>	<del>QER (Lower Limit)</del>	<del>QER (Upper Limit) NCR</del>	Start of <u>MGRCCR</u>
Electricity				
Base Load Electricity Strip	<del>1.5% DP</del>	<del>&gt;1.5% DP</del>	≤ 15% DP	> 15% DP
Peak Load Electricity Strip	<del>1.5% DP</del>	<del>&gt;1.5% DP</del>	≤ 15% DP	> 15% DP
Base Load Electricity Cap	<del>1.5% DP</del>	<del>&gt;1.5% DP</del>	≤ 15% DP	> 15% DP
Base Load Electricity Cap Strip	<del>1.5% DP</del>	<del>&gt;1.5% DP</del>	≤ 15% DP	> 15% DP
VIC Gas	<del>1.5% DP</del>	<del>&gt;1.5% DP</del>	≤ 15% DP	> 15% DP
VIC Gas Strip	<del>1.5% DP</del>	<del>&gt;1.5% DP</del>	≤ 15% DP	> 15% DP

#### Ranges for Environmental Futures Products

Futures Contracts	<del>NGR</del>	<del>QER (Lower Limit)</del>	<del>QER (Upper Limit) NCR</del>	Start of <u>MGRCCR</u>
Renewable Energy Certificates (REC's)	<del>1.5% DP</del>	<del>&gt;1.5% DP</del>	≤ 15% DP	> 15% DP

#### Ranges for Options Contracts

Option Contracts	<del>NGR</del>	<del>QER (Lower Limit)</del>	<del>QER (Upper Limit) NCR</del>	Start of <u>MGRCCR</u>
<b>Interest Rate Option Products</b>				
Australian 90 Day Bank Bills	<del>5 Basis Points</del>	<del>5.5 Basis Points</del>	19.5 Basis Points	20 Basis Points
Australian 30 Day Inter Bank	<del>5 Basis Points</del>	<del>5.5 Basis Points</del>	19.5 Basis Points	20 Basis Points
NZ 90 Day Bank Bills	<del>5 Basis Points</del>	<del>5.5 Basis Points</del>	19.5 Basis Points	20 Basis Points
Australian 3 Year Treasury Bond	<del>5 Basis Points</del>	<del>5.5 Basis Points</del>	19.5 Basis Points	20 Basis Points
Australian 10 Year Treasury Bond	<del>5 Basis Points</del>	<del>5.5 Basis Points</del>	19.5 Basis Points	20 Basis Points
NZ 3 Year Government Bond	<del>5 Basis Points</del>	<del>5.5 Basis Points</del>	19.5 Basis Points	20 Basis Points
NZ 10 Year Government Bond	<del>5 Basis Points</del>	<del>5.5 Basis Points</del>	19.5 Basis Points	20 Basis Points
Australian 3 Year Treasury Bond SSO	<del>5 Basis Points</del>	<del>5.5 Basis Points</del>	19.5 Basis Points	20 Basis Points
Australian 10 Year Treasury Bond SSO	<del>5 Basis Points</del>	<del>5.5 Basis Points</del>	19.5 Basis Points	20 Basis Points

Option Contracts	<del>NCR</del>	<del>QER (Lower-Limit)</del>	<del>QER (Upper-Limit)</del> <u>NCR</u>	Start of <u>MGRCCR</u>
<b>Equity Option Products</b>				
SPI 200	<del>25.0 Points</del>	<del>25.5 Points</del>	99.5 Points	100.0 Points
<b>Commodity Option Products</b>				
Greasy Wool	<del>25 Cents</del>	<del>26 Cents</del>	99 Cents	100 Cents
<b>Energy Option Products</b>				
Peak Load Electricity	<del>25 Cents</del>	<del>26 Cents</del>	99 Cents	100 Cents
Base Load Electricity Strip	<del>25 Cents</del>	<del>26 Cents</del>	99 Cents	100 Cents
VIC Gas Strip	<del>5 Cents</del>	<del>6 Cents</del>	24 Cents	25 Cents
<b>Environmental Option Products</b>				
Renewable Energy Certificates	<del>25 Cents</del>	<del>26 Cents</del>	99 Cents	100 Cents
Determined Price of Option (determined by ASX 24) <u>The NCR and CCR ranges above will be varied as follows:</u>			% of Options NCR and <u>MGRCCR</u>	
Below 5 Minimum Tick Increments			20%	
Between 5.1 and 20 Minimum Tick Increments			40%	
Between 20.1 and 50 Minimum Tick Increments			60%	
Between 50.1 and 100 Minimum Tick Increments			80%	
Greater than 100 Minimum Tick Increments			100%	

409. **Determined Price**

The Determined Price is established by the Exchange using any or a combination of the following criteria:

- Valid last trade price preceding the entry of the asserted error trade execution of the trade being assessed for cancellation
- Valid bid or ask available in the market
- Preceding Daily Settlement Price
- Intra and inter spread relationships
- Market conditions immediately before and after the transaction(s)
- Theoretical valuation
- Independent third parties
- Physical markets

- Utilisation of RFQ's

## ~~Exchange Cancellation of Erroneous Trades~~

### ~~Procedure 3210~~

~~1. The Exchange may cancel trades under this Rule whether or not it has received a request from a Participant under Rule [3200] Request for Cancellation.~~

~~2. Trades within the Mandatory Cancellation Range~~

~~If a trade has a price at or within the MCR (Mandatory Cancellation Range) as set out in Procedure 3200 it will be cancelled.~~

~~3. The cancellation may be subject to such condition(s) as the Exchange sees fit, including but not limited to, the following:~~

~~(a) the acceptance, by the Participant who has requested the cancellation (if applicable), or has originally executed the trade, of a trade executed by another Participant in reliance on the trade cancelled; or~~

~~(b) the acceptance of a trade to cancel the trade.~~

~~The Participant shall comply with any such condition.~~

~~4. Time limit~~

~~The Exchange will not enact the Exchange Cancellation of Erroneous Trades Rule if more than 60 minutes has elapsed since the time of trade execution or 10 minutes has elapsed since the close of trading on the relevant Trading Day, whichever is sooner.~~

~~5. Cancellation Fee~~

~~The Exchange will impose a cancellation fee as specified in the Fee Schedule on [www.asx.com.au](http://www.asx.com.au) on the Participant responsible for the trade. The fee will be levied individually on each order that results in a trade being cancelled under this Rule.~~

### ~~Exceptions~~

~~6. Specific types of Trades~~

~~Rule [3210] and this Procedure do not apply to the following transactions and the cancellation of these trades is dealt with in the trade specific Rules and Procedures:~~

~~● EFPs;~~

~~● Block Trades.~~

~~7. Exchange System Malfunction~~

~~In the event that trades result from the Exchange trading system re-establishing previously cancelled or filled orders any resulting trade reported to the Exchange Service Desk within 10 minutes of execution and within 60 minutes of the re-generation of the order will be cancelled by the Exchange. Trades reported after 10 minutes, and executed beyond the MCR, will be cancelled as per Rule [3210]. All trades reported after 10 minutes and executed within the NCR or QER will stand.~~

~~8. Other Exchange Rules and Approved Clearing Facility Rules~~

~~Rule [3210] and this Procedure are subject to and may be overridden by any Exchange Rule that allows cancellation and any cancellation rule of an Approved Clearing Facility.~~

## Invitation to Comment

ASX invites feedback from market users on the proposals contained in this paper. In particular, ASX requests comments on the following:

- In light of the 6 May 2010 US “flash crash” the benefits to be obtained by a TCP that provides greater certainty and timeliness, particularly as it relates to assessing your risk exposure, client management, and other factors.
- Strengths and weaknesses of the proposed 2 band (NCR, CCR) approach for ASX and ASX 24 markets;
- Whether the ASX TCP should apply to securities trading below \$0.10, and if so, why?;
- Preference for which price range model for securities and ETOs and an explanation of the reasons why?

Please forward any comments to:

[regulatorypolicy@asx.com.au](mailto:regulatorypolicy@asx.com.au)

or

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