



ASX

AUSTRALIAN SECURITIES EXCHANGE

Equity Combination Order

Reduce execution risk and increase your fill rates

An Equity Combination Order removes the execution risk associated with working the individual legs of multi-legged orders and increases fill rates by providing the lowest latency creation and management of Derived Orders on ASX TradeMatch.

An Equity Combination Order guarantees that all components of a multi-leg strategy are executed simultaneously at a net price specified by the trader. As a result Equity Combination Orders are particularly useful for arbitrage, stock conversions, pairs trading or any other combination where a net price outcome is desired.

The functionality that supports Equity Combination Orders is embedded in the ASX Trade platform which ensures that an Equity Combination Order is only ever matched in its entirety and that Derived Orders are entered with the lowest possible latency. This functionality is designed to eliminate execution risk and increase fill rates.

To further increase fill rates once an Equity Combination Order is accepted it is simultaneously matched against each individual leg in ASX TradeMatch to satisfy the order at the net price.

The following table highlights some of the trades that can be combined using an Equity Combination within or across different markets.

1ST MARKET	2ND MARKET	EXAMPLE
Equity	Equity	BHP → RIO
Equity	Equity	WES → WESN
Equity	Company Option	RRS → RRSO
Equity	Warrant	CBA → CBAWMY
Equity	Equity Option	TLS → TLS Oct \$3.20 call

Key features of Equity Combinations

- Removes execution risk for multi-legged equity orders in ASX TradeMatch
- Continually passively and aggressively seeks matching opportunities through Derived Orders
- Derived Orders are created and managed within ASX Trade ensuring minimal latency and optimal queue position
- Matching utilises the standard price/time priority in individual securities
- Supports up to four securities and different volume ratios entered with a single net price

What are Derived Orders?

Derived Orders are automatically generated and continually managed by ASX Trade in the individual securities on ASX TradeMatch. This functionality is designed to maximise fill rates and minimise latency through the use of an "execution algorithm" located within ASX Trade.

All Derived Orders are placed on and utilise prices from ASX TradeMatch.

How do I enter an Equity Combination Order?

The Equity Combination Order functionality is open to all applications connecting to ASX Trade. A broker can enter an Equity Combination Order on behalf of a client or alternatively a Direct Market Access (DMA) client can utilise the functionality directly.

Please refer to your DMA systems provider for instruction on the specifics of how to enter Equity Combinations on your particular application.

Equity Combination Order Fact Sheet

Trading Example

Equity Combination Orders must be executed within the same ASX Trade partition range. ASX Trade consists of four partitions, each partition representing a certain Global Industry Classification Standard (GICS) sector on TradeMatch.

The table below details the ASX Trade partition sub-ranges. An Equity Combination with WOW in the Consumer Staple GICS sector (partition 4) against BHP in the Materials GICS sector (partition 1) is not possible, but one between RIO and BHP, both in partition 1, would be possible.

GICS SECTOR	PARTITION
Materials	1
Financials	2
Energy Industrials Index Classification Pending	3
Consumer Discretionary Consumer Staple Healthcare Information Technology Telecommunications Utilities	4

The following example shows an Equity Combination order in action:

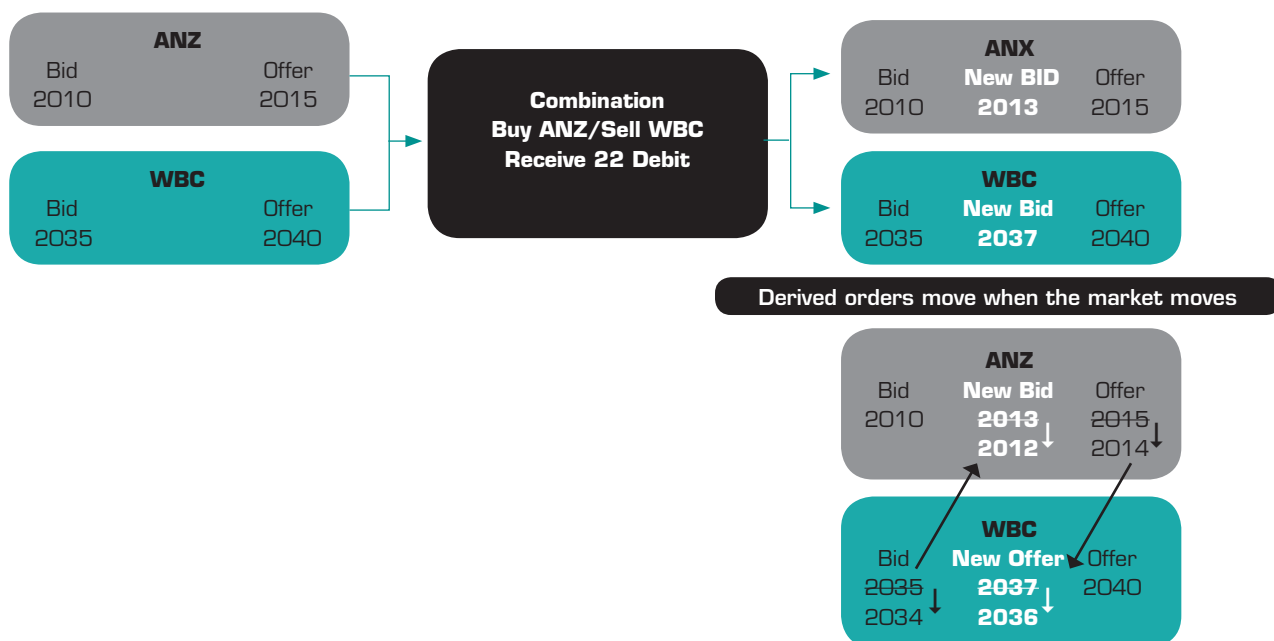
- buying ANZ and selling WBC,
- for a net credit of \$0.22 per share.

WBC has a bid of \$20.35. The Equity Combination Order automatically places a Derived Order bid in ANZ at \$20.13. ASX Trade will only allow the Derived Order bid in ANZ to match if it can also complete the Derived Order to sell WBC at \$20.35. The outcome is that your Equity Combination Order is filled for a net credit of \$0.22.

Additionally, if there is an offer for ANZ at \$20.15, a Derived Order offer is placed in WBC at \$20.37 which, if executed, would also ensure the Equity Combination Order is completed for a net credit of \$0.22.

Whichever execution strategy is hit first will provide a fill for the Equity Combination Order. If the fill completes the order then the remaining bait order will be automatically removed.

ASX Trade updates Derived Orders immediately upon receipt of new market prices. This ensures that Derived Orders are appropriately priced and secures the best possible queue position as the market moves, and in so doing maximises the trading opportunities for the Equity Combination Order.



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