

11. DERIVATIVES TRADING FACILITY

11.1 THE DERIVATIVES TRADING FACILITY

11.1.1 The Derivatives Trading Facility

The Derivatives Trading Facility is operated by the Exchange and consists of the:

- (a) Central Orderbook; and
- (b) Bulletin Board.

11.1.2 The Central Orderbook

The Central Orderbook is a facility for trading:

- (a) Contract Series;
- (b) TailorMade Combinations; and
- (c) Standard Combinations prescribed by the Exchange under Rule 11.3.2.

11.1.3 The Bulletin Board

The Bulletin Board is a facility for:

- (a) advertising interest in trading single Contract Series and Combinations; and
- (b) trading Market Combinations and the component Contract Series of Cross Market Combinations which:
 - (i) are not permitted under these Rules to be trading in the Central Orderbook; and
 - (ii) comply to the Procedures prescribed under Rule 11.4.3.

11.2 MARKET TRANSACTIONS AND COMBINATIONS

11.2.1 Market Transactions to be entered into in Central Orderbook or Bulletin Board and during Trading Hours

Unless the Rules expressly provide otherwise, Trading Participants must only enter into a Market Transaction:

- (a) in the Central Orderbook or Bulletin Board; and
- (b) during Trading Hours.

11.2.2 Entering into a Market Transaction

A Market Transaction is entered into when:

- (a) an order of one Trading Participant is matched with an order of another Trading Participant in the Central Orderbook under Rule 11.3;
- (b) an order of one Trading Participant is transacted by another Trading Participant in the Bulletin Board under Rule 11.4;
- (c) a Crossing is effected under Rule 11.7 or 11.8;
- (d) Trading Participants enter into a transaction for Market Contracts in accordance with Rule 11.10; or
- (e) a transaction is effected on behalf of an overseas client in accordance with Rule 11.11.

11.2.3 Single Contract Series and Combinations

Trading Participants can enter into Market Transactions by trading single Contract Series or by trading Combinations.

11.2.4 Combinations

A Combination is a transaction which implements a combined futures strategy where:

- (a) the transaction comprises, in a specified ratio, a number of component Contract Series or a number of component Contract Series and a component transaction in a Non-Exchange Contract on a relevant Non-Exchange Market;
- (b) entry into each component Market Transaction and (where applicable) the transaction in the Non-Exchange Contract on a relevant Non-Exchange Market is contingent on entry into each of the other component Market Transactions and (where applicable) the transaction in the Non-Exchange Contract on a relevant Non-Exchange Market;
- (c) the transaction has a net price; and
- (d) the transaction is for the same Account.

11.2.5 Market Transactions comprising a Market Combination

The Market Transactions which comprise a Market Combination are entered into and cease to be contingent on each other when:

- (a) matched in the Central Orderbook or transacted in the Bulletin Board (as applicable); or
- (b) a Crossing of the Market Combination is effected under Rule 11.7; or
- (c) a Special Crossing of the Market Combination is effected under Rule 11.8.

11.2.6 Market Transactions and Non-Exchange Contracts on the relevant Non-Exchange Markets comprising a Cross-Market Combination

The Market Transaction and the transaction in the Non-Exchange Contract on the relevant Non-Exchange Market which comprise a Cross-Market Combination are entered into and cease to be contingent on each other when:

- (a) both of the following have occurred:
 - (i) the Cross-Market Combination is matched in the Central Orderbook or transacted in the Bulletin Board (as applicable); and
 - (ii) the transaction in the Non-Exchange Contract on the relevant Non-Exchange Market is reported to the relevant exchange; or
- (b) a Crossing of the Cross-Market Combination is effected under Rule 11.7; or
- (c) a Special Crossing of the Cross-Market Combination is effected under Rule 11.8.

11.3 THE CENTRAL ORDERBOOK

11.3.1 Orders

A Trading Participant must only enter orders in the Central Orderbook in accordance with the Procedures. A Trading Participant may also amend or cancel orders in the Central Orderbook.

11.3.2 Standard Combination specifications

The Exchange will set out in the Procedures the strategies for Standard Combinations, the number and type of their component transactions, and the ratios between those component transactions.

11.3.3 Creation of Standard Combinations

Prior to the commencement of trading on each Trading Day the Exchange may (but need not) prescribe certain Combinations which meet the specifications prescribed under Rule 11.3.2 to be Standard Combinations on that day.

11.3.4 Tailor-Made Combination specifications

The Exchange will set out in the Procedures the strategies for Tailor-Made Combinations, the number and type of their component transactions, the ratios between those component transactions and any other requirements for Tailor-Made Combinations.

11.3.5 Creation of Tailor-Made Combinations

A Trading Participant can specify a Combination to be a Tailor-Made Combination if:

- (a) the Combination complies with the Procedures prescribed under Rule 11.3.4;
- (b) the Combination is not at that time prescribed as a Standard Combination;
- (c) the Combination is not at that time a Tailor-Made Combination;
- (d) the Trading Participant specifies the Tailor-Made Combination in accordance with the Procedures; and
- (e) the number of Tailor-Made Combinations specified by that Trading Participant or in aggregate by all Trading Participants is not excessive having regard to the guidelines in the Procedures.

11.3.6 Changes to Tailor-Made Combinations

The Exchange may remove or amend the specifications of a Tailor-Made Combination and may direct that any order for that Tailor-Made Combination be cancelled if:

- (a) the Exchange determines that the number of Tailor-Made Combinations specified at that time (either by the Trading Participant which specified the Tailor-Made Combination or in aggregate by all Trading Participants) is excessive having regard to the guidelines in the Procedures;
- (b) the Exchange determines that the specifications of the Tailor-Made Combination are misleading; or
- (c) the Exchange reasonably considers it necessary for the efficiency and integrity of the markets conducted by the Exchange or the proper functioning of the Derivatives Trading Facility.

11.3.7 Recording of Combinations

An order for a Combination entered in the Central Orderbook is recorded in the Central Orderbook as a Combination. An order for a Combination may also generate an order for a component Contract Series and where applicable an order for a component Non-Exchange Contract of the Combination where the Derivatives Trading Facility has identified a possible match for the other component Contract Series and where applicable the component Non-Exchange Contract of that Combination in the Central Orderbook ("Derived Order").

11.3.8 Treatment of Combinations in the Central Orderbook

The Rules relating to orders and to the entry into Market Transactions apply to a Combination in the Central Orderbook as if the order or the component Market Transactions and where applicable the component Non-Exchange Contract were in respect of a particular Contract Series.

11.3.9 Priority of Orders in the Central Orderbook

Subject to Rule 11.3.11, orders are ranked in the Central Orderbook on a price/time priority basis as follows:

- (a) bids are automatically sorted by ascending price, with the highest price at the top of the queue;
- (b) offers are automatically sorted by descending price, with the lowest price at the top of the queue; and
- (c) within each queue of bids and offers, orders ranked equally by price are automatically sorted by time with the earliest orders ranked above subsequent orders.

11.3.10 Time priority for Combinations and Derived Orders

The time priority for a Combination order is the time the Trading Participant entered the order. The time priority for a Derived Order is the time the Derivatives Trading Facility generated the Derived Order.

11.3.11 Effect of Amendment of orders by Trading Participants on priority

If a Trading Participant reduces the quantity of an order, the amendment does not affect the order's priority ranking. Any other amendments to an order have the same effect on the order's priority ranking as removing the order and entering another order.

11.3.12 Removal of orders at end of day

Unless otherwise determined by the Exchange, all unmatched orders in the Central Orderbook will be removed at the end of each Trading Day.

11.3.13 Order matching

Matching of orders in the Central Orderbook occurs in accordance with the price/time priority ranking under Rules 11.3.10 and 11.3.11.

11.3.14 Matching of Combinations

Orders for Combinations in the Central Orderbook may be matched in the following ways:

- (a) an order for a Combination may be matched, where possible, with separate orders for the component Contract Series and where applicable the component Non-Exchange Contract of the Combination; and
- (b) a bid and an offer for a Combination may be matched directly in the Central Orderbook.

11.3.15 No matching of orders from the same Trading Participant

Orders from the same Trading Participant are not permitted to match in the Central Orderbook except under Rules 11.7 and 11.8.

11.4 BULLETIN BOARD

11.4.1 Advertising interest

A Trading Participant may use the Bulletin Board to advertise its interest in trading in single Contract Series and Combinations in accordance with the Procedures.

11.4.2 Orders in the Bulletin Board

A Trading Participant may enter and transact orders in the Bulletin Board for a Market Combination or a Cross-Market Combination in accordance with the Procedures prescribed under Rules 11.4.3, if:

- (a) the Combination is not permitted at that time to be entered or traded by any Trading Participant in the Central Orderbook; and
- (b) the Trading Participant enters the order in accordance with the Procedures and transacts the Combination in accordance with the Rules.

11.4.3 Combinations in the Bulletin Board

The Exchange will set out in the Procedures the strategies for Market Combinations and Cross-Market Combinations transacted in the Bulletin Board, the number and type of their component transactions, the ratios between those component transactions, and any other requirements.

11.4.4 Net price for different Contract Sizes

If a Combination to be transacted in the Bulletin Board comprises component transactions with different contract sizes, the net price of the Combination is calculated in the manner set out in the Procedures.

11.4.5 Priority of orders in the Bulletin Board

A Trading Participant must rank and transact orders for Combinations with the same component series and ratio relationship on a price/time priority basis as follows:

- (a) bids for the Combination, by ascending net price, with the highest price at the top of the queue;
- (b) offers for the Combination, by descending net price, with the lowest price at the top of the queue; and
- (c) within each queue of bids and offers, orders ranked equally by net price, sorted by time with the earliest orders ranked above subsequent orders.

11.4.6 Amendment and removal of items appearing in the Bulletin Board

While any advertisement of an interest in trading or any order remains in the Bulletin Board the Trading Participant who entered it may amend or remove it. Any amendments to an order have the same effect on the order's priority ranking as removing the order and entering another order.

11.4.7 Clearing of the Bulletin Board at end of day

Unless otherwise determined by the Exchange, all items in the Bulletin Board will be removed at the end of each Trading Day.

11.4.8 Transaction of Market Combinations in the Bulletin Board

A Trading Participant may transact a Market Combination in the Bulletin Board if:

- (a) each order complies with Rule 11.4.2;
- (b) the price for each component Contract Series of the Combination is at or within the best current bid and the best current offer for the relevant Contract Series (if any); and
- (c) the transaction complies with:
 - (i) the price/time priority ranking under Rule 11.4.5; and
 - (ii) the Procedures.

11.4.9 Transaction of Cross-Market Combinations in the Bulletin Board

A Trading Participant may transact a Cross-Market Combination in the Bulletin Board if:

- (a) each order complies with Rule 11.4.2;
- (b) the price for each component Contract Series is at or within the best current bid and the best current offer for the relevant Contract Series (if any);
- (c) the Trading Participant complies with any business rules and other requirements of the relevant Non-Exchange Market in relation to the transaction in the Non-Exchange Contract;
- (d) the transaction in the Non-Exchange Contract is entered into at or within the then current bid and offer for those Non-Exchange Contracts on the Non-Exchange Market;
- (e) the transaction in the Non-Exchange Contract is immediately reported to the relevant exchange; and
- (f) it is transacted in accordance with:
 - (i) the price/time priority ranking under Rule 11.4.5; and
 - (ii) the Procedures.

11.4.10 Trading Participant may not trade with own orders

A Trading Participant may not trade with their own orders in the Bulletin Board, except under Rules 11.7 and 11.8.

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11.7 STANDARD CROSSINGS

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11.7.4 Crossing of Standard Combinations in the Central Orderbook

A Trading Participant may only effect a Crossing of orders for a Standard Combination in the Central Orderbook if:

- (a) the Trading Participant issues a Quote Request for the Standard Combination;
- (b) the net price at which the Crossing is sought to be transacted is at or within the best current bid and offer for the Standard Combination and at or within the market for the Standard Combination, calculated by reference to the best current bid and offer (if any) for the component single Contract Series after issuing the Quote Request and waiting the period set out in the Procedures;

- (c) the Trading Participant first offers to sell and then buy (or to buy and then sell) 50% of the Standard Combination which the Trading Participant wishes to cross and enters into any Market Transactions arising from acceptance of those offers to sell and buy; and
- (d) the Crossing is transacted in accordance with the Procedures.

11.7.5 Crossing of other Market Combinations

A Trading Participant may only effect a Crossing of orders for a Market Combination which is not a Standard Combination in the Central Orderbook or in the Bulletin Board if:

- (a) the Trading Participant issues Quote Requests for the component single Contract Series;
- (b) the net price at which the Crossing is sought to be transacted is at or within the best current bid and offer for the Market Combination and at or within the market for the Market Combination, calculated by reference to the best current bid and offer (if any) for the component single Contract Series after issuing Quote Requests under (a) and waiting the period set out in the Procedures;
- (c) the Trading Participant enters an order in the Central Orderbook or in the Bulletin Board (as applicable) to sell and then buy (or to buy and then sell) 50% of the Market Combination which the Trading Participant wishes to cross and enters into any Market Transactions arising from acceptance of those offers to sell and buy; and
- (d) the Crossing is transacted in accordance with the Procedures.

11.7.6 Crossing of Cross-Market Combinations

A Trading Participant may only effect a Crossing of orders for a Cross-Market Combination in the Central Orderbook or in the Bulletin Board if:

- (a) the relevant client (or clients in the case of a Crossing referred to in Rule 11.6.1(a)) for the transaction in the Non-Exchange Contracts and the Market Transactions is (or are) the same;
- (b) the Trading Participant issues Quote Requests for the component single Contract Series and where applicable the Non-Exchange Contract comprising the Cross-Market Combination;
- (c) the net price at which the Crossing is sought to be transacted is at or within the best current bid and offer for the Cross-Market Combination and at or within the market for the Cross-Market Combination, calculated by reference to:
 - (i) the best current bid and offer (if any) for the component single Contract Series after issuing Quote Requests for those Contract Series and waiting the period set out in the Procedures; and

- (ii) the then current bid and offer for the Non-Exchange Contracts and where applicable after issuing Quote Requests for those Non-Exchange Contracts traded in the Central Orderbook on the Non-Exchange Market;
- (d) the Trading Participant enters an order in the Central Orderbook or Bulletin Board (as applicable) to sell and then to buy (or to buy and then sell) 50% of the Cross-Market Combination which the Trading Participant wishes to cross;
- (e) the Trading Participant complies with any business rules and other requirements of the relevant Non-Exchange Market applicable to Cross-Market Combinations in relation to the transaction in the Non-Exchange Contract; and
- (f) the Crossing is transacted in accordance with the Procedures.

11.8 SPECIAL CROSSINGS

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11.8.2 Special Crossing of Market Combinations

Unless Rule 11.9 applies, a Trading Participant may effect a Special Crossing of orders for a Market Combination without complying with Rule 11.7 if:

- (a) the number of components of the Market Combination which are greater than or equal to the Special Size is as set out in the Procedures;
- (b) the components which are not greater than or equal to the Special Size are transacted at or within the best current bid and offer for the relevant Contract Series after issuing Quote Requests for those Contract Series and waiting the period set out in the Procedures;
- (c) the relevant client (or clients in the case of a Crossing referred to in Rule 11.6.1(a)) for the Market Transactions comprising the Market Combination is (or are) the same; and
- (d) the Special Crossing is effected in accordance with the Procedures.

11.8.3 Special Crossing of Cross-Market Combinations

Unless Rule 11.9 applies, a Trading Participant may effect a Special Crossing of orders for a Cross-Market Combination without complying with Rule 11.7 if:

- (a) the transaction in the Non-Exchange Contract which forms part of the Cross-Market Combination meets the business rules and other requirements of the relevant Non-Exchange Market relating to large crossings;
- (b) the number of Contract Series components of the Cross-Market Combination which are greater than or equal to the Special Size is as set out in the Procedures;
- (c) the Contract Series components which are not greater than or equal to the Special Size are transacted at or within the best current bid and offer for the relevant Contract Series after issuing Quote Requests for those Contract Series and waiting the period set out in the Procedures;
- (d) the relevant client (or clients in the case of a Crossing referred to in Rule 11.6.1(a)) for the transaction in the Non-Exchange Contract and the Market Transactions is (or are) the same; and
- (e) the Special Crossing is effected in accordance with the Procedures.

11.10 LATE TRADING

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11.10.5 Trading Participant must amend orders

If a Trading Participant enters into Market Transactions under this Rule 11.10, the Trading Participant must cancel orders or amend orders (by reducing the number of contracts) which the Trading Participant has entered into the Central Orderbook or the Bulletin Board to reflect those Market Transactions.

13. MARKET SUSPENSIONS, TECHNICAL FAILURE AND OTHER ORDERLY MARKET POWERS

13.1 SUSPENSION OF TRADING

13.1.1 Exchange may suspend trading

The Exchange may suspend trading in:

- (a) a Contract Series;
- (b) a Class;
- (c) a type of Combination; or
- (d) a Market generally,

if it considers that the suspension is appropriate in the interest of maintaining a fair and orderly Market or Underlying Market.

13.4 OTHER ORDERLY MARKET OBLIGATIONS OF PARTICIPANTS

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13.4.2 Excessive orders, Tailor-Made Combinations and Quote Requests

A Trading Participant must not:

- (a) enter a number of orders into the Central Orderbook;
- (b) create a number of Tailor-Made Combinations under Rule 11.3.5; or
- (c) issue a number of Quote Requests to Market Makers,

which is determined by the Exchange to be excessive, having regard to the guidelines set out in the Procedures.

13.4.3 Exchange powers

If the Exchange reasonably considers it necessary for the efficiency and integrity of any Market or the proper functioning of the Derivatives Trading Facility, the Exchange may:

- (a) reduce the Throughput Capacity;
- (b) disable the Tailor-Made Combination creation function;
- (c) disable the Quote Request function; or
- (d) suspend the Trading Permission and remove all orders from the Central Orderbook and the Bulletin Board,

of:

- (e) a Trading Participant whose actions have, in the opinion of the Exchange, adversely impacted on that efficiency or integrity or proper functioning; or
- (f) Trading Participants generally,

until the circumstances which gave rise to the exercise of the powers under this Rule 13.4.3 have been resolved to the reasonable satisfaction of the Exchange.

21. DEFINITIONS AND INTERPRETATION

21.1 DEFINITIONS

In these Rules and in the Procedures, unless the context otherwise requires:

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"**Combination**" is defined in Rule 11.2.4.

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"**Derived Order**" is defined in Rule 11.3.7.

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"**Market Combination**" means a Combination which comprises a number of component Contract Series.

"**Market Contract**" means a contract, on the terms of a Contract Series, which is entered into between Trading Participants in accordance with these Rules.

"**Market Maker**" means a Trading Participant registered by the Exchange under Rule 12, which must make a market in assigned Classes.

"**Market Transaction**" means a transaction between Trading Participants for one or more Market Contracts.

"**Nominating Broker Agreement**" is defined in Rule 6.5.1.

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"**Non-Exchange Contract**" means a contract, Underlying Commodity, Underlying Instrument or Underlying Security available for trading on a Non-Exchange Market.

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"**Quote Request**" means an electronic request from a Trading Participant or the Exchange to a Market Maker to make a market for a specified Contract Series or Combination.

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"**Standard Combination**" means a Combination prescribed by the Exchange as a Standard Combination under Rule 11.3.3.

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"**Tailor-Made Combination**" means a Combination specified to be a Tailor-Made Combination under Rule 11.3.5, as amended under Rule 11.3.6 and not removed under Rule 11.3.6.