

2. DEALING

2.1 DEFINITIONS

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“**Defined Circumstances**” means that:

- (a) it is an Equity Combination as defined under Section 12 of the Rules;
- (b) the transactions are conducted in accordance with Rule 7.7.3.14 or Rule 7.7.4.9 (as applicable);
- (c) the transaction in the Equity Securities is entered into at or within the Bid and Offer as displayed in SEATS when the Equity Combination is transacted; and
- (d) the transactions are reported to the Exchange simultaneously.

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2.14 EQUITY COMBINATION TRANSACTIONS

- (1) Where a Trading Participant in Defined Circumstances has an Order to buy or sell Equity Securities and that Order is conditional upon the sale or purchase of Exchange Traded Options overlying those Equity Securities, the Trading Participant may deal in and transact that Order with another Trading Participant in accordance with Rule 7.7 and any transaction so resulting shall be deemed to be an “Equity Combination” transaction.
- (2) A Trading Participant may only effect a Crossing of Orders for an Equity Combination if it is transacted in accordance with Rule 7.8.2.6 or 7.8.3.3, as applicable.

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7. OPTIONS MARKET

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7.7 TRADING PRACTICES

7.7.1 DERIVATIVES TRADING FACILITY

7.7.1.1 The Derivatives Trading Facility

The Derivatives Trading Facility is operated by the Exchange in conducting the market in relation to Options and consists of the:

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

7.7.1.2 The Central Orderbook

The Central Orderbook is a facility for trading:

- (a) Series of Options;
- (b) Tailor-Made Combinations; and
- (c) any Standard Combinations prescribed by the Exchange under Rule 7.7.3.2.

7.7.1.3 The Bulletin Board

The Bulletin Board is a facility for:

- (a) advertising interest in trading single Series and Combinations;
- (b) transacting Option Combinations and the component Option Series of Equity Combinations which:
 - (i) are not permitted under these Rules to be traded in the Central Orderbook; and
 - (ii) comply with the Procedures prescribed under Rule 7.7.4.3.

7.7.2 OPTION TRANSACTIONS AND COMBINATIONS

7.7.2.1 Option Transactions to be entered into in Central Orderbook or Bulletin Board and during Trading Hours

Subject to Rules 7.7.5 and 7.8 and unless the Rules expressly provide to the contrary, an Option Transaction must only be entered into between Trading Participants:

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

7.7.2.2 Entering into an Option Transaction

An Option 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 7.7.3;
- (b) an order of one Trading Participant is transacted by another Trading Participant in the Bulletin Board under Rule 7.7.4;
- (c) a Crossing is effected under Rule 7.8;
- (d) Trading Participants transact in accordance with the late trading provisions under Rule 7.7.5.1; or
- (e) a transaction on behalf of an overseas client is effected under Rule 7.7.5.6.

7.7.2.3 Single Series and Combinations

Trading Participants can enter into Option Transactions by trading single Series of Options or by trading Combinations.

7.7.2.4 Combinations

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

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

7.7.2.5 Option Transactions comprising an Option Combination

The Option Transactions which comprise an Option 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 Option Combination is effected under Rule 7.8.2.4 or Rule 7.8.2.5 (as applicable); or
- (c) a Special Crossing of the Option Combination is effected under Rule 7.8.3.2.

7.7.2.6 Option Transactions and Underlying Securities comprising an Equity Combination

The Option Transactions and the transaction in the Underlying Securities which comprise an Equity Combination are entered into and cease to be contingent on each other when:

- (a) both of the following have occurred:
 - (i) the Equity Combination is matched in the Central Orderbook or transacted in the Bulletin Board (as applicable); and
 - (ii) the transaction in the Underlying Securities is reported in SEATS; or
- (b) a Crossing of the Equity Combination is effected under Rule 7.8.2.6; or
- (c) a Special Crossing of the Equity Combination is effected under Rule 7.8.3.3.

7.7.3 THE CENTRAL ORDERBOOK

7.7.3.1 Orders

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

7.7.3.2 Standard Combination specifications

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

7.7.3.3 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 7.7.3.2 to be Standard Combinations on that day.

7.7.3.4 Tailor-Made Combination specifications

The Exchange will prescribe 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.

7.7.3.5 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 7.7.3.4;
- (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.

7.7.3.6 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.

7.7.3.7 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 an Option Combination may also generate an order for a component Series of the Option Combination where the Derivatives Trading Facility has identified a possible match for the other component Series of that Option Combination in the Central Orderbook ("Derived Order").

7.7.3.8 Treatment of Combinations in the Central Orderbook

The Rules relating to orders and the entry into Option Transactions apply to a Combination in the Central Orderbook as if the order or the component Option Transactions were in respect of a particular Series.

7.7.3.9 Priority of orders in the Central Orderbook

Subject to Rule 7.7.3.11, 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; and
- (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.

7.7.3.10 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.

7.7.3.11 Effect of amendment of orders 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.

7.7.3.12 Removal of orders at end of day

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

7.7.3.13 Order matching

Matching of orders in the Central Orderbook occurs in accordance with the price/time priority ranking under Rules 7.7.3.10 and 7.7.3.11.

7.7.3.14 Matching of Combinations

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

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

7.7.3.15 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 the Crossing rules in Rule 7.8.

7.7.4 BULLETIN BOARD**7.7.4.1 Advertising interest**

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

7.7.4.2 Orders in the Bulletin Board

A Trading Participant may enter and transact orders in the Bulletin Board for an Option Combination or an Equity Combination which complies with the Procedures prescribed under Rule 7.7.4.3, 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.

7.7.4.3 Combinations in the Bulletin Board

The Exchange will prescribe in the Procedures the strategies for Option Combinations and Equity Combinations transacted in the Bulletin Board, the number and type of their component transactions, the ratios between those component transactions, and any other requirements.

7.7.4.4 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 as prescribed in the Procedures.

7.7.4.5 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.

7.7.4.6 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.

7.7.4.7 Clearing of the Bulletin Board at end of day

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

7.7.4.8 Transaction of Option Combinations in the Bulletin Board

A Trading Participant may transact an Option Combination in the Bulletin Board if:

- (a) each order complies with Rule 7.7.4.2;
- (b) the price for each component Series of the Combination is at or within the best current bid and the best current offer for the relevant Series (if any); and
- (c) the transaction complies with:
 - (i) the price/time priority ranking under Rule 7.7.4.5; and
 - (ii) the Procedures.

effected under Rule 7.8.3.2.

7.7.4.9 Transaction of Equity Combinations in the Bulletin Board

A Trading Participant may transact an Equity Combination in the Bulletin Board if:

- (a) each order complies with Rule 7.7.4.2;

- (b) the price for each component Series is at or within the best current bid and the best current offer for the relevant Series (if any);
- (c) the Trading Participant complies with Rule 2.14 in relation to the relevant transaction in the Underlying Securities;
- (d) the transaction in the Underlying Securities is entered into at or within the then current bid and offer for those Underlying Securities as displayed in SEATS;
- (e) the transaction in the Underlying Securities is immediately reported in SEATS; and
- (f) it is transacted in accordance with:
 - (i) the price/time priority ranking under Rule 7.7.4.5; and
 - (ii) the Procedures.

7.7.4.10 Trading Participant may not trade with own orders

A Trading Participant may not trade with their own orders in the Bulletin Board, except under the Crossing rules in Rule 7.8.

7.7.5 LATE TRADING AND OVERSEAS CLIENTS

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7.7.5.5 Trading Participant must amend orders

If a Trading Participant enters into Option Transactions under the late trading procedures, the Trading Participant must cancel or amend by reducing the number of Options specified in orders the Trading Participant has entered into the Central Orderbook or the Bulletin Board to reflect those Option Transactions.

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7.8 CROSSINGS

7.8.1 INTERPRETATION

7.8.1.1 Meaning of “Crossing”

For the purposes of this Rule 7.8, a reference to a “**Crossing**” of orders for Options is to an Option Transaction in which the Trading Participant is both the buyer and the seller of those Options and where the Trading Participant is acting:

- (a) on behalf of a different client on each side of the Option Transaction; or
- (b) on behalf of a client on one side of the Option Transaction and on their own account on the other side of the Option Transaction.

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7.8.2 STANDARD CROSSINGS

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7.8.2.4 Crossing of Standard Combinations in 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 Series after issuing the Quote Request and waiting the period prescribed 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 Option Transactions arising from acceptance of the offer to sell and the offer to buy; and
- (d) the Crossing is transacted in accordance with the Procedures.

7.8.2.5 Crossing of other Option Combinations

A Trading Participant may only effect a Crossing of orders for an Option 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 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 Option Combination and at or within the market for the Option Combination, calculated by reference to the best current bid and offer (if any) for the component single Series after issuing Quote Requests under (a) and waiting the period prescribed 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 Option Combination which the Trading Participant wishes to cross and enters into any Option Transactions arising from acceptance of the offer to sell and the offer to buy; and
- (d) the Crossing is transacted in accordance with the Procedures.

7.8.2.6 Crossing of Equity Combinations

A Trading Participant may only effect a Crossing of orders for an Equity 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 7.8.1.1(a)) for the transaction in the Underlying Securities and the Option Transactions is (or are) the same;
- (b) the Trading Participant issues Quote Requests for the component single Series comprising the Equity 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 Equity Combination and at or within the market for the Equity Combination, calculated by reference to:
 - (i) the best current bid and offer (if any) for the component single Series after issuing Quote Requests for those Series and waiting the period prescribed in the Procedures; and
 - (ii) the then current bid and offer for the Underlying Securities as displayed in SEATS;
- (d) the Trading Participant enters an order in the Central Orderbook or in the Bulletin Board (as applicable) to sell and then to buy (or to buy and then sell) 50% of the Equity Combination which the Trading Participant wishes to cross;

- (e) the Trading Participant complies with Rule 2.14 in relation to the Underlying Securities; and
- (f) the Crossing is transacted in accordance with the Procedures.

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7.8.3 SPECIAL CROSSINGS

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7.8.3.2 Special Crossing of Option Combinations

Unless Rule 7.8.4 applies, a Trading Participant may effect a Special Crossing of orders for an Option Combination without complying with Rule 7.8.2 if:

- (a) the number of components of the Option Combination which are greater than or equal to the Special Size is as prescribed 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 Series after issuing Quote Requests for those Series and waiting the period prescribed in the Procedures;
- (c) the relevant client (or clients in the case of a Crossing referred to in Rule 7.8.1.1(a)) for the Option Transactions comprising the Option Combination is (or are) the same; and
- (d) the Special Crossing is effected in accordance with the Procedures.

7.8.3.3 Special Crossing of Equity Combinations

Unless Rule 7.8.4 applies, a Trading Participant may effect a Special Crossing of orders for an Equity Combination without complying with Rule 7.8.2 if:

- (a) the transaction in the Underlying Securities which forms part of the Equity Combination meets the “**block**” Special Crossing requirements under Rule 2.8.3;
- (b) the number of Option components of the Equity Combination which are greater than or equal to the Special Size is as prescribed in the Procedures;
- (c) the Option 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 Option Series after issuing Quote Requests for those Series and waiting the period prescribed in the Procedures;
- (d) the relevant client (or clients in the case of a Crossing referred to in Rule 7.8.1.1(a)) for the transaction in the Underlying Securities and the Option Transactions is (or are) the same; and
- (e) the Special Crossing is effected in accordance with the Procedures.

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7.9 MARKET SUSPENSIONS, TECHNICAL FAILURE AND OTHER ORDERLY MARKET POWERS

7.9.1 SUSPENSION OF TRADING

7.9.1.1 Exchange may suspend trading

The Exchange may suspend trading in:

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

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

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7.9.3 OTHER ORDERLY MARKET POWERS

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7.9.3.2 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 7.7.3.5; 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 specified in the Procedures.

7.9.3.3 Exchange Powers

If 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, 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 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 implementation of a satisfactory resolution, in the reasonable opinion of the Exchange, of the act, omission or circumstance which gave rise to the reduction of Throughput Capacity, disabling of the Tailor-Made Combination creation function, disabling of the Quote Request function or suspension of Trading Permission and removal of orders.

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12. DERIVATIVES INTERPRETATION

12.1 DEFINITIONS

In sections 7, 9, 10, 11 and in this section 12 of the Rules and in the Procedures, unless the context otherwise requires:

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“**Combination**” is defined in Rule 7.7.2.4.

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“**Derived Order**” is defined in Rule 7.7.3.7.

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“**Equity Combination**” means a Combination which comprises a number of Option Series and a transaction in the Underlying Securities.

“**Established Market**” means in relation to a single Series or Combination, a bid and an offer in the Central Orderbook for at least the minimum quantity and at or within the maximum spread, provided by a Market Maker.

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“**Option Combination**” means a Combination which comprises a number of component Option Series.

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“**price/time priority**” is the priority given to orders set out in Rules 7.7.3.9 and 7.7.3.10.

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“**Quote Request**” means an electronic request from a Trading Participant or the Exchange to make a market for a specified Series or Combination.

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“**Standard Combination**” means a Combination prescribed by the Exchange as a Standard Combination under Rule 7.7.3.3.

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“**Tailor-Made Combination**” means a Combination specified to be a Tailor-Made Combination under Rule 7.7.3.5, as amended under Rule 7.7.3.6 and not removed under Rule 7.7.3.6.

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