



## ASX Clearing Corporation & ASX Market Notice

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### Key topics

Changes to Equity and Index  
Options Crossing Procedures

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## DERIVATIVES – EQUITY AND INDEX OPTIONS

### Changes to ETO Crossing Procedures

ASX Trade Participants and ASX Clear Participants are advised that ASX will be changing the ETO Crossing Procedures in 2014.

On 28 August 2013 ASX released the proposed changes to the ETO Crossing Procedures for consultation and comment from market participants and users. ASX reviewed and considered the 29 responses received and is planning to make the following changes.

#### Special Size Crossings

- Impose a threshold that can take account of both underlying notional value and premium, to allow for the different properties associated with ITM (in the money), ATM (at the money) and OTM (out of the money) ETOs including LEPOs.
- One of the following criteria must be met:
  - o Each ETO Class must meet a minimum number of contracts (determined by ASX by reference to the minimum number of contracts a market maker is required to quote) with a minimum premium value of \$50k; or
  - o The premium value is at least the Special Size for underlying cash instrument reflecting the minimum block trade size in ASIC's Market Integrity Rules (Competition in Exchange Markets) 2011 (MIRs) (\$1 million, \$500k or \$200k).
- The minimum number of contracts to be reviewed on a quarterly basis and adjusted for market movements and any changes to the ETO Market Making scheme.
- Any changes to the minimum block trade size for the underlying cash instrument in the MIRs will also have the effect of changing the associated threshold for special size crossings for ETOs.

#### Crossings below Special Size

- Reduction of wait time for initial quote request from 30 to 15 seconds.
- Subsequent executions to occur through the market on a price-time priority basis, as opposed to allowing trade reports.
- Ability to place one side of the crossing trade into order book prior to asking initial quote request.
- Removal of guaranteed execution amounts for Market Makers and brokers.
- Sequencing requirements to stop "gaming" activity.

ASX will monitor the impact of the new arrangements over the first three months of operation, including discussions with key stakeholders, to assess the outcomes on market quality and determine if any adjustments are necessary to the new arrangements.

Further details concerning the ETO Crossings can be found in the attached document below entitled 'New Equity and Index Option Crossing Procedures'.

A copy of the proposed Procedure amendments for ETO Special Size Crossings is also attached below. If you have any comments please contact Gregory Pill by 13 February 2014. Subject to any feedback these Procedure amendments are to take effect on 17 February 2014.

It is proposed that the Procedure amendments for Crossings below Special Size will take effect on Monday 14 April 2014. This is subject to regulatory clearance and vendor readiness. These procedures will be released at least a month prior to this date.



## New Equity and Index Option Crossing Procedures



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## 1. Executive Summary

ASX is introducing changes to the Exchange-Traded Option (ETO) Crossing procedures that are designed to improve execution for brokers and end clients. The proposed new procedures are intended to be fairer, more efficient and less time consuming to use.

On 28 August 2013 ASX released the proposed changes to the ETO Crossing procedures for consultation and comment from market participants and users. ASX has reviewed the consultation responses and held face-to-face discussions with a number of stakeholders before determining the final changes to be implemented.

The final package of measures balance the views of different stakeholder groups and provide a market structure that will best meet the needs of users of ETOs (both institutional and retail) and facilitate the future growth of the exchange-traded ETO market.

### Special Size Crossings

- Impose a threshold that can take account of both underlying notional value and premium to allow for the different properties associated with ITM (in the money), ATM (at the money) and OTM (out of the money) ETOs including LEPOs.
- One of the following criteria must be met to allow a special crossing to take place:
  - o Each ETO Class will have a number of contracts set (e.g. Single Stock to be 15 times the minimum number of contracts a market maker is required to quote, capped at approximately \$5 million underlying notional value) and be required to meet a minimum \$50k premium threshold; or
  - o Premium value is at least the special size for the underlying cash instrument (\$1 million, \$500k or \$200k)
- The minimum number of contracts is to be reviewed on a quarterly basis and adjusted for market movements and any changes to the ETO Market Making scheme.

### Crossings below Special Size

- Executions to occur through the market on a price-time priority basis, as opposed to allowing trade reports.
- 2 different methods of crossings allowed offering different benefits to brokers.
- Removal of guaranteed execution amounts for market makers and brokers.
- Sequencing rules to stop “gaming” activity.

ASX will monitor the impact of the new arrangements over the first three months of operation, including discussions with key stakeholders, to assess the outcomes on market quality and determine if any adjustments are necessary to the new arrangements.

## 2. Background

The ETO Crossing rules and procedures were created when ASX was formed in 1987 and, except for minor enhancements, have remained largely the same since.

ASX believes it is important to update the ETO Crossing procedures to reflect current market practices and regulatory conditions, and to help strengthen the Australian ETO market.

The changes to ETO Crossing procedures seek to improve the attractiveness of using ETOs, including as an alternative to over-the-counter (OTC) traded products, and help realise the growth potential of the ETO market.

In developing the new procedures for ETO Crossings, ASX assessed recent changes made to the cash equity market, consulted with various market user groups, released a market wide consultation paper and examined ETO Crossings rules at other global derivative exchanges. The change seeks to balance the views and motivations of market users, and is guided by regulatory principles set out by the International Organisation of Securities Commissions (IOSCO) - in particular, Principle 35 of IOSCO's June 2010 *Objectives and Principles of Securities Regulation* report which said that "regulation should promote transparency of trading".

The changes to ETO Special Size Crossings will set a threshold which properly reflects special size. The criteria either reflects the minimum block trade size under ASIC's Market Integrity Rules (Competition in Exchange Markets) 2011 or is a multiple of the minimum market maker quote size subject to a minimum premium value. The changes will not require any technology changes by ETO market stakeholders.

The changes to ETO Crossings below special size will likely require market makers to post more liquidity (price and size) on market to satisfy and participate in ETO crossings. The changes will also result in the removal of any guaranteed execution that currently exists for market makers and brokers. Instead, execution will be determined on a price-time priority basis, delivering better execution for the end client, whether they are retail or institutional. Some technology changes will be required.

The new ETO crossing rules are intended to be fairer, more efficient and less time consuming to use.

### **3. Summary of Consultation Feedback and ASX Responses**

On 28 August 2013 ASX released the proposed changes to the ETO Crossing procedures for consultation and comment from market participants and users. The paper received 29 responses from market users covering investment banks, agency only brokers, market makers and institutional end users. ASX also conducted a number of face-to-face-discussions with stakeholders.

In general, bank market makers, brokers and institutional users believed the proposal offered a far better mechanism than the one currently in place. Some electronic market makers had concerns about the changes.

ASX closely considered the range of views presented during the consultation period. This feedback and ASX responses are presented below.

In developing the final package of measures to be implemented ASX sought to balance the views of different stakeholder groups and provide a market structure that will best meet the needs of users of ETOs (both institutional and retail) and facilitate the future growth of the exchange-traded ETO market.

ASX will monitor the impact of the new arrangements over the first three months of operation, including discussions with key stakeholders, to assess the outcomes on market quality and determine if any adjustments are necessary to the new arrangements.

The feedback with respect to ETO Special Size Crossings included the following:

- While a few submissions from market makers proposed retaining the existing special crossing thresholds or a larger multiple the majority of stakeholders (institutional investors and brokers) supported a reduction;

- **ASX Response:** ASX believes a change to the special crossing threshold is necessary to attract institutional users back to trading ETOs rather than dealing in the OTC market, which will enable greater market wide transparency.
- Views differed on the appropriate minimum size threshold. Institutional investors and brokers supported a lower threshold (e.g. 3 times the minimum market maker quote size) while market makers supported a larger threshold (e.g. 30 times the minimum quote size)
  - **ASX Response:** ASX believes a threshold set at around 15 times the minimum market maker quote size balances the need to provide an incentive for market maker participation in the market with the preferred execution style of brokers.
- Some submissions suggested any threshold based on a multiple of the minimum number of contracts quoted should also be associated with a minimum dollar value, while other submissions suggested having two alternative approaches to determining the minimum threshold (one based on contracts traded and the other based on premium value of the contracts)
  - **ASX Response:** ASX agrees that the fact that ETOs come in many different forms, including low strike options and high premium options, necessitated having a dual approach to determining the special size threshold so that there were no anomalies in the arrangements. ASX is also imposing a minimum dollar value of \$50,000 in premium for the threshold based on the minimum number of contracts, as it considers that anything less than this amount could be facilitated in the market.

The feedback with respect to ETO Crossings below special size included:

- While a few submissions from market makers proposed retaining the existing arrangements for affecting crossings below special size the majority of stakeholders (institutional investors and brokers) supported the new arrangements particularly the reduction in execution times for non-special crossings;
  - **ASX Response:** ASX believes that the changes proposed to the below special size crossing regime, when considered in combination with the changed special sized threshold provides a balanced outcome that weighs the interests of all participants in the market and provides a market structure that should provide better pricing for investors and encourage growth in the ETO market going forward.
- There were a range of views on the appropriate time allowed for market makers to respond to a quote request. Market makers favoured at least 15 seconds while brokers suggested 3 seconds should be sufficient;
  - **ASX Response:** ASX believes that 15 seconds is an appropriate period that would allow time for market makers to make a quote, potentially offering improved pricing for end customers, while not unduly interfering with the ability to cross at below-special size.
- All stakeholders supported the new quote request functionality on TMC's and aligning the process between single series and TMC crossings;
  - **ASX Response:** ASX will proceed with this change.
- A few submissions raised concerns about the risk of 'gaming' that may be present where two different methodologies are in place;
  - **ASX Response:** ASX believe such risks are valid and will impose restrictions on the circumstances in which a participant may use the different methodologies as discussed further

below, which it considers will minimise the risk of gaming. ASX will closely monitor activity to ensure that no inappropriate behaviour emerges.

- Market makers requested the ability to differentiate between a crossing quote request and an ordinary quote request;
  - **ASX Response:** ASX is developing the ability to provide this functionality to market makers (see further below).

## 4. The new ETO Crossing rules

### 4.1 ETO Special Size Crossing Thresholds

ETO Special Size Crossing thresholds are to change from the current premium only methodology to a premium or number of contracts methodology. Special size Crossing thresholds for all ETOs (except LEPOs) are currently set at a premium value of \$250,000 or \$500,000, depending on the ETO class category. For LEPOs the current special size is \$1 million.

Special size must now meet one of the following thresholds:

- 1- A set number of contracts (for single stock ETOs this will generally be 15 times the minimum number of contracts a Market Maker is required to quote with a cap set at around \$5 million of the notional value (calculated using the price of the underlying securities on TradeMatch)). The minimum premium value of the trade must be at least \$50,000. For example, if the market making requirement for security XYZ is 100 contracts, the associated ETO Special Size threshold will be set at 1,500 contracts. If 1,500 contracts equated to a notional level of \$7.5 million then the minimum number of contracts required for special size would be adjusted to 1,000 contracts. Further, if a participant was trying to cross 1,000 contracts which had a premium value less than \$50,000 this would not meet the threshold. In order for this trade to meet the threshold more contracts would need to be crossed so that the premium of the trade was greater than or equal to \$50,000. Appendix 1 sets out the thresholds which would apply to different ETO.
- 2- An absolute premium level which is equivalent to Special Size for the underlying security – either \$1 million, \$500k or \$200k depending on whether the underlying security is a Tier 1, Tier 2 or Tier 3 Equity Market Product).

The practical impact of this change is to account for whether the option is ITM, ATM or OTM (including LEPOs) and to encourage activity that is currently being transacted over-the-counter back on exchange, increasing liquidity and improving market quality and transparency.

For Combination Special Crossings participants will need to follow the current procedures whereby if there are 2 derivative legs at least 1 will be required to be special. If there are 3 or 4 legs at least 2 will be required to be special. ASX will remove the quote request requirement for those legs that are part of the combination crossing but don't meet the special size requirement in isolation. This current requirement is being removed acknowledging the different principles and properties of a combination trade versus that of a single series ETO.

### 4.2 ETO Crossing Procedure for Crossings of less than Special Size

It is proposed that a participant will have a choice of two crossing methods to affect a Crossing of ETO orders. They would operate as follows:

**Method 1:**

- (a) The Trading Participant enters a Quote Request specifying the Contract Series/Combination code and quantity to be crossed.
- (b) A Quote Request for the total quantity sought to be crossed is automatically sent to Market Makers in the Contract Series/Combination or, if there is no obligated Market Maker, to all Trading Participants. The Trading Participant may proceed with the Crossing by entering each side of the Order into the market after waiting 15 seconds from making the initial Quote Request.
- (c) The entered Orders will then trade on a price-time priority in the market.

**Method 2:**

- (a) The Trading Participant enters one side of the Crossing Order for the Contract Series/Combination code into the market at the price at which they are trying to cross.
- (b) The Trading Participant is then required to enter a Quote Request specifying the instrument code and quantity to be crossed.
- (c) A Quote Request for the total quantity sought to be crossed is automatically sent to Market Makers in the Contract Series/Combination or, if there is no obligated Market Maker, to all Trading Participants. The Trading Participant may proceed with entering the other side of the potential crossing after waiting 15 seconds from making the initial Quote Request.
- (d) The entered Orders will then trade on a price-time priority in the market.

In order to stop “gaming” activity of the 2 methods the following restrictions will be introduced:

1. A Trading Participant must not commence a Crossing in any single Contract Series or Combination until any previous Crossing by that Trading Participant in that Contract Series or Combination has been effected.
2. If a Method 1 Crossing is not completed a Trading Participant must wait 5 minutes before proceeding with a Method 2 Crossing.
3. If a Method 1 Crossing is started but not completed twice then a Trading Participant must wait 5 minutes before proceeding with either a Method 1 or Method 2 Crossing.

ASX is also developing the technical capability to Quote Request into a combination product (TMC) to enhance the ability to request a quote and help facilitate and simplify Crossings in these instruments.

In order for Market Makers to differentiate between a Crossing Quote Request and Ordinary Quote Request before a developed solution can be put in place, brokers requesting a doubled sided (bid and offer) quote request will not be allowed to enter any quantity amount. Only Crossing Quote Requests will be allowed to request quantity. The developed solution is expected to be released in June 2014 as part of the ASX Trade Service Release 7. At this time brokers will then be allowed to ask an Ordinary Quote Request with quantity.

## 5. Appendix

The below table outlines the special size levels associated with each of the full listed ETO Classes. Please note that this table does not include LEPO only classes. LEPO only classes will just have a minimum premium value threshold linked to the underlying Block Trade threshold set by ASIC within the MIR (Market Integrity Rules).

The below table will be published on the ASX website and updated accordingly when changes are made. ASX website address: [www.asx.com.au/](http://www.asx.com.au/)

Security	Min. MM Quote Size	Special Size	
		Contracts*	Premium Value
AGK	100	1500	\$500k
AIO	200	3000	\$500k
AMC	200	3000	\$1 million
AMP	750	11250	\$1 million
ANN	50	750	\$200k
ANZ	250	2000	\$1 million
ARI	1000	15000	\$200k
ASX	50	750	\$500k
AWC	1000	15000	\$200k
AZJ	300	4500	\$500k
BEN	50	750	\$200k
BHP	200	1500	\$1 million
BLD	250	3750	\$500k
BOQ	50	750	\$500k
BSL	300	4500	\$500k
BXB	200	3000	\$1 million
CBA	100	750	\$1 million
CCL	150	2250	\$500k
CPU	150	2250	\$500k
CSL	50	750	\$1 million
CSR	1000	15000	\$200k
DJS	500	7500	\$200k
EGP	200	3000	\$200k
FLT	50	750	\$500k
FMG	400	6000	\$1 million
FOX	50	750	\$500k
FXJ	2000	30000	\$200k
GNC	100	1500	\$200k
GPT	300	4500	\$500k
HVN	500	7500	\$200k
IAG	500	7500	\$1 million
IFL	200	3000	\$200k
ILU	100	1500	\$500k
IPL	1000	15000	\$500k

		Special Size	
Security	Min. MM Quote Size	Contracts*	Premium Value
JHX	100	1500	\$200k
LEI	50	750	\$500k
LLC	150	2250	\$500k
MQG	50	750	\$1 million
MTS	300	4500	\$500k
MYR	500	7500	\$200k
NAB	200	1500	\$1 million
NCM	100	1500	\$1 million
NWS	100	1500	\$200k
ORG	100	1500	\$1 million
ORI	50	750	\$1 million
OSH	150	2250	\$500k
OZL	250	3750	\$200k
QAN	1000	15000	\$200k
QBE	100	1500	\$1 million
RIO	50	750	\$1 million
RMD	250	3750	\$500k
RRL	250	3750	\$200k
SEK	100	1500	\$200k
SGM	100	1500	\$200k
SGP	400	6000	\$1 million
STO	100	1500	\$1 million
SUN	200	3000	\$1 million
SYD	300	4500	\$500k
TAH	500	7500	\$200k
TCL	300	4500	\$500k
TEN	2000	30000	\$200k
TLS	1000	10000	\$1 million
TOL	200	3000	\$200k
TTS	600	9000	\$200k
TWE	400	6000	\$500k
VAH	500	7500	\$200k
WBC	150	1500	\$1 million
WDC	200	3000	\$1 million
WES	50	750	\$1 million
WOR	50	750	\$500k
WOW	50	750	\$1 million
WPL	50	750	\$1 million
WRT	500	7500	\$500k
XJO	30	500	\$1 million

\* Subject to minimum value premium of \$50k

Note: The above table could change between now and go-live due to addition of ETO Classes, deletion of ETO Classes, corporate actions and changes to MIR.

**Attachment A**  
**Amendments to ASX Operating Rules Procedures to change the  
Special Size for ETO Crossings**

**SECTION 4 EXECUTION, QUOTE DISPLAY AND REPORTING  
SERVICES**

**GENERAL RULES RELATING TO THE TRADING PLATFORM**

Procedure 4810

**Special Crossings**

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**PART B SPECIAL CROSSINGS IN DERIVATIVES MARKET PRODUCTS**

1. General Requirements

Subject to paragraph 8 below, a Special Crossing can be effected at any time by a Trading Participant at a price:

- (a) if the Trading Participant is acting on behalf of two clients, negotiated on account of the clients; or
- (b) if the Trading Participant enters into the transaction as Principal, agreed between the client and the Trading Participant.

2. Special Crossing of single Contract Series

Subject to paragraph 6 below and paragraph 8 below, a Trading Participant may effect a Crossing of Orders in a single Contract Series as a Special Crossing, without complying with Rule [4060], if at least one side of the Derivatives Market Transaction:

- (a) is greater than or equal to the Special Size; and
- (b) is entered into by the Trading Participant for a single client.

3. Special Crossing of Derivatives Only Combinations

Subject to paragraph 8 below, a Trading Participant may effect a Crossing of Orders for a Derivatives Only Combination as a Special Crossing, without complying with Rule [4060], if:

- (a) the number of components of the combination which are greater than or equal to the Special Size is equal to at least the following number:
  - (i) where there are two Contract Series components, one of the components must be greater than or equal to the Special Size

(unless one of the components is a LEPO, in which case both components must be greater than or equal to the Special Size);

- (ii) where there are three Contract Series components, two of the components must be greater than or equal to the Special Size;
- (iii) where there are four Contract Series components, two of each of the components must be greater than or equal to the Special Size.

~~(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 (d) below;~~

~~(be) the relevant client (or clients in the case of a Crossing referred to in paragraph (a) of the definition of "Crossing") for the Derivatives Market Transactions comprising the combination is (or are) the same; and~~

~~(d) the Special Crossing is transacted as follows:~~

- ~~(i) the Trading Participant issues Quote Requests for the total quantity sought to be crossed for the component single Contract Series of the Derivatives Only Combination being crossed that is (or are) not the Special Size;~~
- ~~(ii) The Trading Participant may proceed with the Crossing 30 seconds from making the Quote Requests, whether or not there is a market for each single Contract Series. The price at which the Crossing of the components which are not a Special Size is to occur must be at or within the best current bid and offer for the relevant Contract Series;~~

~~(ce) the Trading Participant must report the Special Crossing to ASX immediately following (d)(iii) above after it is effected.~~

#### 4. Special Crossing of Derivative/Cash Combinations

Subject to paragraph 8 below, a Trading Participant may effect a Crossing of orders for a Derivative/Cash Combination as a Special Crossing, without complying with Rule [4060], if:

- (a) each component Cash Market Transaction in the combination constitutes a Block Special Crossing under Part A, paragraph 2 of this Procedure;
- (b) the number of component Derivative Market Transactions of the combination which are greater than or equal to the Special Size is equal to at least the following number:
  - (i) where there is only one Contract Series component, it must be equal to or greater than the Special Size;
  - (ii) where there are two Contract Series components, one of the Contract Series components must be equal to or greater than the Special Size.
  - (iii) where there are three Contract Series, one of the Contract Series components must be equal to or greater than the Special Size.

~~(c) the component Derivative Market Transactions 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 (e) below;~~

(cd) the relevant client (or clients in the case of a Crossing referred to in paragraph (a) of the definition of "Crossing") for the transaction in each component Market Transaction is (or are) the same; and

~~(e) the Special Crossing is effected as follows.~~

~~(i) the Trading Participant issues Quote Requests for the total quantity sought to be crossed for the component single Contract Series of the Derivative/Cash Combination being crossed that is (or are) not the Special Size; and~~

~~(ii) the Trading Participant may proceed with the Crossing 30 seconds from making the Quote Requests, whether or not there is a market for each single Contract Series. The price at which the Crossing of any components which are not a Special Size is to occur must be at or within the best current bid and offer for the relevant Contract Series;~~

(df) the Trading Participant must report the Special Crossing to ASX immediately ~~following (e)(ii) above~~ after it is effected.

## 5 Special Crossing of Cross Market Combinations

Subject to paragraph 8 below, a Trading Participant may effect a Crossing of orders for a Cross-Market Combination as a Special Crossing, without complying with Rule [4060], if:

- (a) the transaction in the Non-ASX Contract which forms part of the combination complies with the operating rules and other requirements of the relevant Non-ASX Market relating to large crossings;
- (b) the number of component Derivatives Market Transactions of the combination which are greater than or equal to the Special Size is equal to at least the number set out in (f) below;
- (c) the component Derivatives Market Transactions 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 (f) below;
- (d) the relevant client (or clients in the case of a Crossing referred to in paragraph (a) of the definition of "Crossing") for the transaction in each component Non-ASX Contract and Market Transaction is (or are) the same; and
- (e) the Special Crossing is effected in accordance the procedure set out in (f) below;
- (f) no Procedure is currently prescribed.

## 6 Aggregation of orders

Provided that one side of a Derivatives Market Transaction (or a Derivatives Combination, as the case may be) meets the requirements of Part B paragraph 1 of this Procedure, a Trading Participant may effect the Derivatives Market Transaction (or combination) as a Special Crossing where it has combined:

- (a) for a single Contract Series, orders of more than one client or on their own account on the other side of the Derivatives Market Transaction; or

- (b) for a combination, orders of more than one client or orders on their own account on the other side of the combination, but only provided that the orders for each of the components are combined in the same proportions.

#### 7. Reporting of Special Crossings

- (a) A Trading Participant must report a Special Crossing of orders for single Contract Series under Rule [3500].
- (b) In relation to Special Crossings of Derivatives Only Combinations under Part B paragraph 3 of this Procedure, each component Market Transaction must be reported to ASX simultaneously.
- (c) In relation to Special Crossings of a Derivative/Cash Combination under Part B paragraph 4 of this Procedure, each component Market Transaction must be reported to ASX simultaneously.
- (d) In relation to Special Crossings of a Cross-Market Combination under Part B paragraph 5 of this Procedure, each component Market Transaction and each component transaction for a Non-ASX Contract must be reported to ASX and the Non-ASX Market simultaneously.

#### 8 Restrictions on Crossings of Derivatives Market Products

For avoidance of doubt, the following restrictions on Crossings of Derivatives Market Products In Procedure 4060 Part B paragraph 10 also apply to Special Crossings:

- (a) A Trading Participant must not commence a Crossing in any single Contract Series or Combination until any previous Crossing by that Trading Participant in that Contract Series or Combination has been effected.
- (b) A Trading Participant may effect a Crossing (even though it is not a Special Crossing) within the period after Trading Close referred to in Rule [3431], provided that the Trading Participant complies with Rule [3431]. If the Trading Participant obtains a market quote from Market Makers contacted under the Procedure to Rule [3431], the Crossing must be effected within the market established by those quotes.

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## SECTION 7 DEFINITIONS AND INTERPRETATION

### DEFINITIONS

#### Procedure 7100

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**Special Size** means, in relation to Cash Market Products or Derivatives Market Contracts or Combinations (as applicable), the amount set out below.

- The Special Size for Futures (other than Agricultural or S&P/ASX 200 Property Trusts Index Futures) is:
  - 1,000 contracts x the traded price for the Contract Series x the contract multiplier.
- For Wool Futures the Special Size is:
  - 100 contracts x the traded price for the Contract Series x the contract multiplier.
- For Grain Futures the Special Size is:
  - 200 contracts x the traded price for the Contract Series x the contract multiplier.
- For Grain Futures Options the Special Size is:
  - 200 contracts x the traded price for the Contract Series x the contract multiplier
- For S&P/ASX 200 Property Trusts Index Futures the Special Size is:
  - 50 contracts x the traded price for the Contract Series x the contract multiplier.
- For Tier 1 Equity Market Products, the Special Size is \$1,000,000.
- For Tier 2 Equity Market Products, the Special Size is \$500,000.
- For Tier 3 Equity Market Products and all other Cash Market Products, the Special Size is \$200,000.

“Special Size” means in respect of Options Transactions the lower of either the amount referred to in paragraph (a) or (b) below:-

(a) the amount which is the Special Size for the Equity Market Product which is the Underlying Instrument for the relevant Class of Options Market Contracts, as follows:

- for Classes for which the Underlying Instrument is a Tier 1 Equity Market Products the Special Size is \$1 million;
- for Classes for which the Underlying Instrument is a Tier 2 Equity Market Products the Special Size is \$500,000;
- for Classes for which the Underlying Instrument is a Tier 3 Equity Market Products the Special Size is \$200,000;

(b) the greater of \$50,000 or the Special Size determined by ASX, having regard to a multiple of the minimum number of contracts a Market Maker is required to quote subject to a cap set by reference to the notional value (calculated using the price of the Underlying Instrument on TradeMatch). Details of Special Size for each Class of Options Market Contracts under this paragraph (b) will be determined on this basis quarterly, and set out in the table published online at [www.asx.com.au/options](http://www.asx.com.au/options) in the Quick Link “Special Crossing Thresholds”.

~~\$500,000 where the underlying securities fall within Category 1 (as set out below), \$250,000 where the underlying securities fall within Category 2 (as set out below), \$250,000 where the underlying securities fall within Category 3 (as set out below), \$250,000 where the underlying securities fall within Flex Classes (as set out below), or, if the Option Transaction is for LEPOs, \$1,000,000.~~

~~Category 1 Class:~~

~~A Category 1 class is one where the Market Maker obligation is for a minimum of 30 lots.~~

~~Category 2 Class:~~

~~A Category 2 class is one where the Market Maker obligation is for a minimum of 20 lots.~~

~~Category 3 Class:~~

~~A Category 3 class is one where the Market Maker obligation is for a minimum of 10 lots.~~

~~FLEX Classes:~~

~~FLEX Classes have no Market Maker obligations associated with them.~~

~~The classes in each Category are published online at [www.asx.com.au](http://www.asx.com.au) in a document titled “Volatility and Dividend Parameters”.~~