

### KEY TOPICS

1. Automated Client Order Processing
2. Authorised Persons

### ASX Market Rules

1. 13.3.2
2. 13.3.3

### Cross-reference

1. ASX Guidance Note: "Automated Order Processing: Operational Requirements"
2. ASX Guidance Note: "Automated Order Processing: Certification"

### Guidance Note History

Issued: 1 July 2004

Previously: ASX Guidance Note 10/02 "SEATS Automated Order Processing: Authorised Persons" dated 6/12/02

## AUTOMATED ORDER PROCESSING: AUTHORISED PERSONS

### Purpose

The purpose of this guidance note is to provide assistance to market participants on the interpretation of the Exchange's expectations in relation to compliance with the requirements applicable to Automated Client Order Processing ("ACOP").

### Background

This Guidance Note is one of a series relating to Automated Order Processing ("AOP").

### Authorised Persons for ACOP

The Authorised Person requirement is intended to ensure that a Trading Participant has considered, and is satisfied with, the market related knowledge of each person allowed access to its proprietary system for ACOP. Trading activity originating with Authorised Persons must be conducted by appropriately knowledgeable persons.

The manner in which each Trading Participant chooses to accredit Authorised Persons will be determined by them and may vary depending upon the nature and scope of access afforded Authorised Persons and the financial products in which they can trade. For example, the requirements for a retail client who can only enter, amend and delete orders will be different from the accreditation requirements for an institutional client who can conduct more complex strategies.

Matters to be considered by a Trading Participant in satisfying itself that an Authorised Person can demonstrate suitable knowledge having regard to the type of financial products and order submission facilities they are given might include:

- (a) developing and providing Authorised Persons with a copy of the Trading Participant's system user's manual relevant to ACOP;
- (b) providing Authorised Persons training in -
  - 1) the operation of the Trading Participant's order entry system;
    - i. order input details;
    - ii. order modification procedures (eg amendment and cancellation);
    - iii. system security;
    - iv. system access requirements;
  - 2) the operation of the relevant Trading Platform;
  - 3) the Rules, Procedures and practices of ASX;
  - 4) the Trading Participant's obligations under the Rules (and the client's corresponding obligations to the Trading Participant);
- (c) testing of the client or where applicable its staff, regarding knowledge of the above; and
- (d) implementing review procedures to ensure that an Authorised Person's knowledge level remains satisfactory.

ASX encourages Trading Participants to enter into appropriate written agreements with their Authorised Persons. This is particularly important in circumstances where an Authorised Person is acting on behalf of a client of the Trading Participant. The execution of a written agreement by the Trading Participant and the client will ensure that the client is liable to the Trading Participant for obligations arising from the Authorised Person's actions on the client's behalf.

Trading Participants that allow ACOP should ensure that Authorised Persons (and where they are acting as agent, clients) understand all relevant aspects of ACOP. For example, whether ACOP will only operate during normal trading hours. ACOP will not be available for late trading which will continue to be conducted by Trading Participant's DTRs. Authorised Persons (and where applicable, clients) who wish to trade late, will need to instruct the Trading Participant accordingly. If this is not done, automated orders entered after normal trading hours will stand in the Trading Participant's order book until the next trading day.

## **Records to be maintained**

A Trading Participant is required to maintain, for 7 years as set out in the Procedures, records relating to Authorised Persons. These records represent a critical aspect of the audit trail relating to the operation of ACOP.

In addition, a Trading Participant must retain records of the security arrangements regarding access by an Authorised Person to the Trading Participant's proprietary systems.

Where the location of a particular computer or other device of an Authorised Person may change, the Trading Participant must have in place effective policies, procedures and systems which can continuously identify all such devices.

## **Qualification**

ASX has published this note to promote commercial certainty and to assist Market Participants. Nothing in this note necessarily binds ASX in the application of the Rules in a particular case. In issuing this note ASX is not providing legal advice and market participants should obtain their own advice from a qualified professional person in respect of their obligations. ASX may replace this Guidance Note at any time without further express notice to any particular person. Readers may contact ASX to ensure they have the latest version.