

SECTION 19 SHORT SELLING – CASH MARKET PRODUCTS

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SECTION 19 SHORT SELLING – CASH MARKET PRODUCTS

Section 19 sets out the circumstances in which Trading Participants may short sell Cash Market Products and reporting obligations which apply to such short sales.

19.1 GENERAL RULE

19.1.1 Application limited to section 1020B products

This Section 19 applies only to "section 1020B products" within the meaning of section 1020B of the Corporations Act.

Introduced 11/03/04

19.1.2 Compliance with Rule and Corporations Act

A Trading Participant is only permitted to effect a Short Sale in accordance with the Corporations Act and this Section 19.

Introduced 11/03/04 Origin ASX 2.11.1(1)

19.1.3 Arbitrage transactions

Rules 19.2, 19.6.1 and 19.6.2 complement the requirements of Section 1020B(4)(b) of the Corporations Act and must be observed when a Trading Participant wants to effect a Short Sale as part of an arbitrage transaction.

Introduced 11/03/04 Origin ASX 2.11.1(2) Amended 19/11/08

19.1.4 Section 1020B(4)(e) Corporations Act transactions

Subject to Rule 19.6.1, Rules 19.3 to 19.6 contain requirements which must be observed when a Trading Participant wants to effect a Short Sale in accordance with Section 1020B(4)(e) of the Corporations Act.

Introduced 11/03/04 Origin ASX 2.11.1(3)

19.1.5 Section 1020B(4)(d) Corporations Act transactions

Rules 19.6.1 and 19.6.2 refer to reporting requirements which must be observed when a Trading Participant wishes to effect a Short Sale in accordance with Section 1020B(4)(d) of the Corporations Act.

Introduced 11/03/04 Origin ASX 2.11.1(4) Amended 19/11/08

19.1.6 Reporting requirements for 'reportable short sales' – [Deleted]

Introduced 19/11/08 Deleted 11/12/09

19.2 ARBITRAGE TRANSACTIONS

19.2.1 Bona fide arbitrage transaction

A Trading Participant which is registered with ASX as an arbitrageur, may sell Cash Market Products before buying the same Cash Market Products on a bona fide arbitrage account in another market. In doing so, either:

- (a) the sale obligation must be covered by the acquisition of Cash Market Products to fill it, prior to the close of business on the second Business Day after the sale; or
- (b) the shortfall in Cash Market Products to meet the sale obligation must be notified to ASX by the time set out in the Procedures, and then daily until the shortfall no longer exists and the sale obligation is covered.

Introduced 11/03/04 Origin ASX 2.11.2(1)&(2) Amended 28/11/05

19.2.2 Not a bona fide arbitrage transaction

If a Trading Participant effects a sale in another market which, in the opinion of ASX, is not a bona fide arbitrage transaction, the registration of the Trading Participant as an arbitrageur will be cancelled.

Introduced 11/03/04 Origin ASX 2.11.2(3)

19.3 PERMITTED SHORT SELLING OF APPROVED SHORT SALE PRODUCTS AND PUBLIC SECURITIES

19.3.1 Short selling permitted

Except if Rule 19.3.2 applies, a Trading Participant may, subject to Rules 19.5, 19.6, 19.7 and 19.8, Short Sell:

- (a) an Approved Short Sale Product; or
- (b) a Public Security,

in accordance with this Rule 19.3. Except as otherwise provided in this Rule 19.3, the Rules apply to these Short Sales as if they were sales in which the vendor has a presently exercisable and unconditional right to vest the relevant Cash Market Product in the purchaser.

Introduced 11/03/04 Origin ASX 2.11.3(1)&(2) Amended 28/11/05

19.3.2 Exception

The provisions of this Rule 19.3 do not apply to Cash Market Products which are bought and sold in accordance with Rule 19.2.

Introduced 11/03/04 Origin ASX 2.11.7 Amended 28/11/05

19.3.3 Short Sale during Open Session State

A Short Sale of an Approved Short Sale Product during Open Session State may only be made if the price is not lower than the price at which the last reported sale of the Approved Short Sale Product was made during Open Session State.

Introduced 11/03/04 Origin ASX 2.11.3(6) Amended 28/11/05

19.3.4 Short Sale during Pre-Open, Pre-Notice Received or Pre-CSPA Session State

Where a Trading Participant enters an order to effect a Short Sale of an Approved Short Sale Product during the Pre-Open Session State, the Pre-Notice Received Session State or the Pre-CSPA Session State, the order must not result in a reduction of the Equilibrium Price displayed on a Trading Platform immediately before the order is entered. If there is no Equilibrium Price displayed on a Trading Platform, the order may only be made if the price is not lower than the price at which the last reported sale of the Approved Short Sale Product was made during Open Session State.

Introduced 11/03/04 Amended 28/11/05

19.3.5 Short Sale during Closing Phase or After Hours Adjust Phase – [Deleted]

Introduced 11/03/04 Origin ASX 2.11.3(7) Deleted 28/11/05

19.3.6 Short Sale during overnight trading

Where a Trading Participant receives an order to buy or sell Approved Short Sale Products during the period set out in the Procedures, a Short Sale may be made in those Approved Short Sale Products at a price which is agreed between the seller and buyer.

Introduced 11/03/04 Origin ASX 2.11.3(8) Amended 28/11/05

19.3.7 Limitation on consecutive sales

A Trading Participant must not Short Sell an Approved Short Sale Product if the Trading Participant is a party to the last reported sale. This does not apply where:

- (a) the Short Sale is made by the Trading Participant acting as Principal for less than a Marketable Parcel, with the effect of the sale being that a client's order is completed in accordance with the terms of the order;
- (b) Trading Participants, other than the Trading Participant desiring to Short Sell, were involved in dealing at the last reported sale price;
- (c) the party for whom the Trading Participant effects the Short Sale is different from and not associated with the party for whom the Trading Participant dealt in the last reported sale; or
- (d) if the party for whom the Trading Participant effects the Short Sale is the same party or associated with the party for whom the Trading Participant dealt in the last reported sale, the price at which the Short Sale is effected is greater than the price at which the last reported sale of the Approved Short Sale Product was made during Open Session State.

Introduced 11/03/04 Origin ASX 2.11.3(9)&(10) Amended 28/11/05

19.3.8 ASX may prohibit or limit Short Sales

For the purposes of this Rule 19.3 or if it is appropriate having regard to Rule 1.13, ASX may prohibit or limit Short Sales in any Approved Short Sale Product or Public Security or in all Approved Short Sale Products or Public Securities for any period ASX may determine.

Introduced 11/03/04 Origin ASX 2.11.3(13)

19.3.9 Reporting to ASX

A Short Sale effected pursuant to this Rule 19.3 must be reported to ASX in accordance with Rule 16.12.

Introduced 11/03/04 Origin ASX 2.11.8

19.4 PERMITTED SHORT SELLING OF APPROVED SHORT SALE ETFs

19.4.1 Short selling of Approved Short Sale ETFs

Subject to Rules 19.5, 19.6, 19.7 and 19.8, a Trading Participant may Short Sell an Approved Short Sale ETF in accordance with this Rule 19.4. Except as otherwise provided in this Rule 19.4, the Rules apply to these Short Sales as if they were sales in which the vendor has a presently exercisable and unconditional right to vest the relevant Cash Market Product in the purchaser.

Introduced 11/03/04 Origin ASX 2.11.3A(1)&(2) Amended 28/11/05

19.4.2 Short Sale during overnight trading

Where a Trading Participant receives an order to buy or sell Approved Short Sale ETFs during the period set out in the Procedures, a Short Sale may be made in those Approved Short Sale ETFs at a price which is agreed between the seller and buyer.

Introduced 11/03/04 Origin ASX 2.11.3A(7) Amended 28/11/05

19.4.3 ASX may prohibit or limit Short Sales

For the purposes of this Rule 19.4, or if it is appropriate having regard to Rule 1.13, ASX may prohibit or limit Short Sales in any Approved Short Sale ETF for any period ASX may determine.

Introduced 11/03/04 Origin ASX 2.11.3A(8)

19.5 OTHER LIMITATIONS ON SHORT SELLING

19.5.1 Limit on Short Sale volume

ASX may set out in the Procedures limits on the number of Cash Market Products which may be the subject of the Short Sale.

Introduced 11/03/04 Origin ASX 2.11.4(1) Amended 28/11/05

19.5.2 Settlement date for Short Sale of Public Securities

A Short Sale of Public Securities will not be made with a settlement date later than the time set out in the Procedures.

Introduced 11/03/04 Origin ASX 2.11.4(3)

19.5.3 Prohibition of Short Sale during Takeover Bid

Short Sales during a Takeover Bid are subject to the restrictions set out in Rule 20.7.1.

Introduced 28/11/05

19.6 SHORT SALE REPORTING

19.6.1 Reporting of short sales of Cash Market Products

Trading Participants must provide to ASX (via ASX Online unless otherwise directed by Market Control) a short sale report which sets out all the information as required in the Procedures. The short sale report must be provided to ASX by the time specified in the Procedures.

Introduced 11/03/04 Origin ASX 2.11.3(3)&(4) Amended 28/11/05, 19/11/08, 11/12/09

19.6.2 Reporting of short sales of ETF Securities – [Deleted]

Introduced 11/03/04 Origin ASX 2.11.3A(3)&(4) Amended 28/11/05, 19/11/08 Deleted 11/12/09

19.6.3 Net Short Sales of Public Securities – [Deleted]

Introduced 11/03/04 Origin ASX 2.11.3(12) Deleted 11/12/09

19.7 APPROVED SHORT SALE PRODUCTS AND APPROVED SHORT SALE ETFS

19.7.1 Designation of Approved Short Sale Products

ASX may designate a Cash Market Product to be an Approved Short Sale Product if:

- (a) 50 million Cash Market Products of the class have been issued (excluding Cash Market Products of the class issued but held by any entity which ASX considers is related to the Issuer);
- (b) the market capitalisation of the Cash Market Products of the class on issue is not less than \$100 million;
- (c) in the opinion of ASX there is sufficient liquidity in the market for the Cash Market Products of the class; and
- (d) ASX considers that the Cash Market Products should be designated as an “Approved Short Sale Product” for the purposes of these Rules.

Introduced 11/03/04 Origin ASX 2.11.6 Amended 28/11/05

19.7.2 Designation of Approved Short Sale ETFs

ASX may designate an ETF to be an Approved Short Sale ETF if:

- (a) the ETF Securities are in a class of ETF Securities which are quoted on ASX; and
- (b) ASX considers that the ETF should be designated as an “Approved Short Sale ETF” for the purposes of these Rules.

Introduced 11/03/04 Origin ASX 2.11.6A

19.7.3 Amending list of Approved Short Sale Products and Approved Short Sale ETFs

ASX may, from time to time, change its list of Approved Short Sale Products and Approved Short Sale ETFs and will notify Trading Participants of changes to that list.

Introduced 11/03/04

19.8 CLIENT ARRANGEMENTS

19.8.1 Client must inform Trading Participant of Short Sale

A Trading Participant must inform its client that that client must inform the Trading Participant whenever it places an order to effect a sale of Cash Market Products (other than Public Securities) or an Approved Short Sale ETF which would, if executed, constitute a Short Sale. The Trading Participant must notify its Relevant Clearing Participant if a client has informed the Trading Participant that a sale is a Short Sale.

Introduced 11/03/04 Origin ASX 2.11.3(5)&(5A) Amended 09/12/04 Amended 28/11/05

19.8.2 Margin of cover

Before a Trading Participant makes a Short Sale of an Approved Short Sale Product or an Approved Short Sale ETF on behalf of a client, it must ensure that its Relevant Clearing Participant has secured the initial margin of cover as required under Schedule 6.

Introduced 11/03/04 Origin ASX 2.11.3A(5)&(6) Amended 09/12/04, 28/11/05

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