

SECTION 23 MARKET MAKERS – DERIVATIVES MARKET CONTRACTS

23.1	REGISTRATION OF MARKET MAKERS	3
23.1.1	Registration by ASX	3
23.1.2	Registration criteria	3
23.1.3	ASX may give conditional registration	3
23.1.4	Applicant may specify Class preferences	3
23.1.5	ASX to assign Classes.....	4
23.1.6	Changes to assigned Classes.....	4
23.1.7	Notification of assignments.....	4
23.1.8	Appeal	4
23.2	SEPARATION OF MARKET MAKER FUNCTIONS.....	4
23.2.1	Trading Participant must separate Market Maker activities.....	4
23.2.2	Throughput Capacity.....	5
23.2.3	Orders in Classes with obligations	5
23.2.4	Separate Accounts for Market Maker transactions	5
23.3	GENERAL MARKET MAKING OBLIGATIONS	5
23.3.1	Market Maker obligations	5
23.3.2	Minimum quantity.....	5
23.3.3	Maximum spreads	6
23.3.4	Markets in Classes not assigned	6
23.3.5	Quote Requests from ASX.....	6
23.4	MAKING A MARKET ON A CONTINUOUS BASIS.....	6
23.4.1	Obligations	6
23.4.2	Making a market on a continuous basis.....	6
23.4.3	Market Maker’s Bid or Offer matches with another Order	6
23.5	MAKING A MARKET IN RESPONSE TO QUOTE REQUESTS	7
23.5.1	Receipt of Quote Requests.....	7
23.5.2	Obligations	7
23.5.3	Response to Quote Requests.....	7
23.5.4	Market Maker may amend Bids and Offers.....	7
23.5.5	Market Maker’s Bid or Offer matches with another Order	7
23.5.6	Response frequency	8
23.6	SUSPENSION AND RESUMPTION OF MARKET MAKING OBLIGATIONS	8
23.6.1	Suspension of market making obligations.....	8
23.6.2	Resumption of market making obligations.....	8
23.7	SUSPENSION OF CLASS ASSIGNED TO MARKET MAKER	8
23.7.1	ASX may suspend assignment of a Class	8
23.7.2	Effect of suspension of assignment of a Class.....	9
23.7.3	Appeal	9

23.8	SUSPENSION AND WITHDRAWAL OF MARKET MAKERS	9
23.8.1	ASX may suspend or withdraw registration	9
23.8.2	Effect of suspension	10
23.8.3	Withdrawal of registration under Rule 23.8.1.....	10
23.8.4	Appeal	10
23.9	RESIGNATION OF MARKET MAKERS	10
23.9.1	Resignation as Market Maker	10
23.9.2	Continuation as Market Maker.....	10

SECTION 23 MARKET MAKERS – DERIVATIVES MARKET CONTRACTS

Section 23 sets out provisions in relation to regulation and on-going obligations in respect of Market Participants who act as Market Makers in respect of one or more Derivatives Market Contracts.

23.1 REGISTRATION OF MARKET MAKERS

23.1.1 Registration by ASX

Subject to this Rule 23.1, ASX may, upon receipt of an application in writing from a person in the form set out in the Procedures, register the person as a Market Maker for one or more Derivatives Market Contracts.

Introduced 11/03/04 Origin ASX 7.2.4.1, ASXF 12.1.1 Amended 28/11/05

23.1.2 Registration criteria

To be eligible for registration as a Market Maker in respect of a Derivatives Market Contract, a person must:

- (a) be a Trading Participant with Trading Permission in respect of that Derivatives Market Contract; and
- (b) accept obligations to make markets in Classes assigned by ASX under Rule 23.1.5.

These criteria must continue to be satisfied at all times.

Introduced 11/03/04 Origin ASX 7.2.4.2, 7.2.4.5, ASXF 12.1.2 Amended 28/11/05

23.1.3 ASX may give conditional registration

ASX may register a person as a Market Maker subject to any conditions it considers appropriate in the interests of maintaining a fair and orderly market.

Introduced 11/03/04 Origin ASX 7.2.4.4, ASXF 12.1.3

23.1.4 Applicant may specify Class preferences

In an application under this Rule 23.1, the applicant may specify:

- (a) one or more Classes as the applicant's preferred Classes in which to make markets; and
- (b) any Class which the applicant does not wish to have assigned as a Class in which to make markets.

Introduced 11/03/04 Origin ASX 7.2.5.2, ASXF 12.1.4

23.1.5 ASX to assign Classes

ASX will assign Classes to a Market Maker, having regard to factors including:

- (a) any preferences specified by the Market Maker under Rule 23.1.4; and
- (b) the aim of achieving coverage of the Market with at least one Market Maker with obligations in each Class.

Introduced 11/03/04 Origin ASX 7.2.5.3, ASXF 12.1.5

23.1.6 Changes to assigned Classes

ASX may re-assign Classes to a Market Maker having regard to the matters specified in Rule 23.1.5.

Introduced 11/03/04 Origin ASX 7.2.5.4, ASXF 12.1.6

23.1.7 Notification of assignments

ASX will notify Trading Participants of the assignment of Classes to a Market Maker.

Introduced 11/03/04 Origin ASX 7.2.5.6, ASXF 12.1.7

23.1.8 Appeal

An applicant may appeal to the Appeal Tribunal against:

- (a) a decision to reject its application to be registered as a Market Maker;
- (b) the assignment of a Class to a Market Maker under Rule 23.1.5; or
- (c) a decision to re-assign a Class to a Market Maker under Rule 23.1.6,

in accordance with the provisions of the Australian Securities Exchange Disciplinary Processes and Appeals Rulebook.

Introduced 11/03/04 Origin ASX 7.2.5.5, 7.12.2.1(d), ASXF 12.1.8 Amended 31/03/08

23.2 SEPARATION OF MARKET MAKER FUNCTIONS

23.2.1 Trading Participant must separate Market Maker activities

A Trading Participant must separate effectively its Market Maker activities (including, without limitation, trading in assigned Classes) from its other activities including:

- (a) using designated Open Interface Devices exclusively for Market Maker activities; and
- (b) ensuring that the DTRs performing Market Maker activities do not execute client orders or have access to client orders or client information.

Introduced 11/03/04 Origin ASX 7.2.7.1, 7.2.7.2, ASXF 12.2.1

23.2.2 Throughput Capacity

Subject to ASX's powers under Rule 14.4.1, a Market Maker who uses a server system to operate multiple Open Interface Devices in parallel for trading in their capacity as a Market Maker, is entitled to a maximum number of Open Interface Devices and a maximum aggregate Throughput Capacity for those Open Interface Devices, as set out in the Procedures.

Introduced 11/03/04 Origin ASX 7.2.7.4, ASXF 12.2.2

23.2.3 Orders in Classes with obligations

A Market Maker to which Rule 23.2.2 applies must ensure that at least the percentage set out in the Procedures of orders submitted into a Trading Platform using the Open Interface Devices operating in parallel are in Classes assigned to the Market Maker.

Introduced 11/03/04 Origin ASX 7.2.7.5, ASXF 12.2.3 Amended 28/11/05, 19/08/09

23.2.4 Separate Accounts for Market Maker transactions

A Market Maker must ensure that the Clearing Participant which clears its Derivatives Market Transactions establishes a separate Account solely for the registration of Derivatives Market Transactions entered into by the Market Maker pursuant to its Market Maker activities referred to in Rule 23.2.1.

Introduced 11/03/04 Origin ASXF 12.2.4 Amended 28/11/05

23.3 GENERAL MARKET MAKING OBLIGATIONS

23.3.1 Market Maker obligations

A Market Maker must make markets during the Relevant Period in Classes assigned to the Market Maker. When ASX assigns a Class to a Market Maker, ASX will specify whether the Market Maker must make markets in that Class:

- (a) on a continuous basis under Rule 23.4;
- (b) in response to Quote Requests under Rule 23.5; or
- (c) on a continuous basis and in response to Quote Requests.

ASX will set out in the Procedures the Contract Series within each Class for which Market Makers assigned to that Class must make markets.

Introduced 11/03/04 Origin ASX 7.6.1.1, ASXF 12.3.1

23.3.2 Minimum quantity

ASX will set out in the Procedures a minimum quantity for the Contract Series in a Class in which a Market Maker must make a market.

Introduced 11/03/04 Origin ASX 7.6.1.2, ASXF 12.3.2

23.3.3 Maximum spreads

ASX will set out in the Procedures a maximum spread (being the maximum difference allowed between the Bid and the Offer) for the Contract Series in a Class in which a Market Maker must make a market.

Introduced 11/03/04 Origin ASX 7.6.1.3, ASXF 12.3.3

23.3.4 Markets in Classes not assigned

Subject to Rule 23.2.3 and the other provisions of these Rules, a Market Maker may enter into Derivatives Market Transactions in, but is not required to make a market in, any Class which has not been assigned to the Market Maker.

Introduced 11/03/04 Origin ASX 7.6.1.4, ASXF 12.3.4 Amended 28/11/05

23.3.5 Quote Requests from ASX

ASX may at any time during the Relevant Period request a Market Maker to make a market in a Class assigned to the Market Maker whether by ASX issuing Quote Requests or otherwise, in which case the Market Maker must make a market in accordance with the Rules.

Introduced 11/03/04 Origin ASX 7.6.3.7, ASXF 12.3.5 Amended 28/11/05

23.4 MAKING A MARKET ON A CONTINUOUS BASIS

23.4.1 Obligations

A Market Maker assigned a Class on the basis referred to in either paragraph (a) or (c) of Rule 23.3.1 must make markets on a continuous basis for the Contract Series set out in the Procedures and enter into any resulting Derivatives Market Transactions.

Introduced 11/03/04 Origin ASX 7.6.2.1, ASXF 12.4.1 Amended 28/11/05

23.4.2 Making a market on a continuous basis

For the purposes of Rule 23.4.1, making a market on a continuous basis means making a market (which may be amended) for at least the percentage (set out in the Procedures) of the Relevant Period.

Introduced 11/03/04 Origin ASX 7.6.2.2, ASXF 12.4.2

23.4.3 Market Maker's Bid or Offer matches with another Order

If a Market Maker's Bid or Offer (or part of the Bid or Offer) is matched with another order in the Central Orderbook and the effect of the matching is that the Market Maker is no longer making a market, the Market Maker is not required to make a market again until the expiry of the period set out in the Procedures. During this period if the Market Maker does not choose to make a new market, any balance of the Bid or Offer which is not matched must remain in the Central Orderbook and may only be amended for:

- (a) quantity, if the minimum quantity requirement is met; and

- (b) price, if the maximum spread requirement is met (unless there is no balance of either the Bid or the Offer remaining).

Introduced 11/03/04 Origin ASX 7.6.2.3, ASXF 12.4.3

23.5 MAKING A MARKET IN RESPONSE TO QUOTE REQUESTS

23.5.1 Receipt of Quote Requests

Quote Requests for single Contract Series and Standard Combinations are only sent to Market Makers who have been assigned the relevant Class, unless there are no Market Makers in the relevant Class, in which case the Quote Requests are sent to all Trading Participants with Trading Permission in respect of the relevant Product.

Introduced 11/03/04 Origin ASX 7.6.3.1, ASXF 12.5.1 Amended 28/11/05

23.5.2 Obligations

A Market Maker assigned a Class on the basis referred to in either Rule 23.3.1(b) or 23.3.1(c) must make markets upon receipt of a Quote Request for Contract Series set out in the Procedures and enter into any resulting Derivatives Market Transactions.

Introduced 11/03/04 Origin ASX 7.6.3.2, ASXF 12.5.2 Amended 28/11/05

23.5.3 Response to Quote Requests

A Market Maker must:

- (a) respond to a Quote Request by making a market for the single Contract Series in the Central Orderbook within the period set out in the Procedures; and
- (b) subject to Rules 23.5.4 and 23.5.5, maintain the Bid and Offer in the Central Orderbook for the period set out in the Procedures.

Introduced 11/03/04 Origin ASX 7.6.3.3, ASXF 12.5.3

23.5.4 Market Maker may amend Bids and Offers

Unless Rule 23.5.5 applies, a Market Maker may amend a Bid and Offer entered in response to a Quote Request for:

- (a) quantity, if the minimum quantity requirement is met; and
- (b) price, if the maximum spread requirement is met.

Introduced 11/03/04 Origin ASX 7.6.3.4, ASXF 12.5.4

23.5.5 Market Maker's Bid or Offer matches with another Order

If a Market Maker's Bid or Offer (or part of the Bid or Offer) is matched with another Order in the Central Orderbook during the period referred to in Rule 23.5.3(b) and the effect of the matching is that the Market Maker is no longer making a market, the Market Maker is not required to make a market again during that period. If the Market Maker does not choose to make a market again, any balance of the Bid or Offer which is not

matched must remain in the Central Orderbook for the period set out in the Procedures and may only be amended for:

- (a) quantity, if the minimum quantity requirement is met; and
- (b) price, if the maximum spread requirement is met (unless there is no balance of either the Bid or the Offer remaining).

Introduced 11/03/04 Origin ASX 7.6.3.5, ASXF 12.5.5

23.5.6 Response frequency

A Market Maker must respond in accordance with Rule 23.5.3 to at least the percentage of Quote Requests set out in the Procedures.

Introduced 11/03/04 Origin ASX 7.6.3.6, ASXF 12.5.6

23.6 SUSPENSION AND RESUMPTION OF MARKET MAKING OBLIGATIONS

23.6.1 Suspension of market making obligations

If ASX considers the obligations of a Market Maker to make a market in a Class under this Section 23 should be suspended:

- (a) to maintain a fair and orderly market in that Class; or
- (b) for any other reason ASX considers appropriate having regard to Rule 1.13,

ASX may suspend the obligations to make markets on a continuous basis or in response to Quote Requests (or both) in that Class and notify the Market Maker that it is not required to comply with those obligations during the period of suspension. ASX must, as soon as practicable, notify all Trading Participants of a suspension effected under this Rule 23.6.1.

Introduced 11/03/04 Origin ASX 7.6.4.1, ASXF 12.6.1 Amended 19/08/09

23.6.2 Resumption of market making obligations

A Market Maker's obligations which have been suspended under Rule 23.6.1 resume when ASX notifies the Market Maker. ASX must, as soon as practicable, notify all Trading Participants of a resumption of obligations under this Rule 23.6.2.

Introduced 11/03/04 Origin ASX 7.6.4.2, ASXF 12.6.2 Amended 19/08/09

23.7 SUSPENSION OF CLASS ASSIGNED TO MARKET MAKER

23.7.1 ASX may suspend assignment of a Class

ASX may suspend the assignment of a Class to a Market Maker if ASX considers:

- (a) the Market Maker has failed to comply with the Rules, directions, decisions or requirements of ASX in respect of the Class;

- (b) the Market Maker has failed to perform the obligations of a Market Maker in the Class; or
- (c) it is appropriate having regard to Rule 1.13.

ASX must notify the Market Maker in writing of the suspension of the assignment of the Class and the reasons for the suspension of the assignment.

Introduced 11/03/04 Origin ASX 7.2.5A.1, ASXF 12.7.1

23.7.2 Effect of suspension of assignment of a Class

If ASX suspends the assignment of a Class to a Market Maker under Rule 23.7.1:

- (a) the initial period of suspension must not exceed one month although ASX may extend that period for additional periods of not more than one month at a time if it reasonably believes an extension is necessary or desirable; and
- (b) the Market Maker must not hold themselves out as a Market Maker in that Class during a period of suspension.

Introduced 11/03/04 Origin ASX 7.2.5A.2, ASXF12.7.2

23.7.3 Appeal

A Market Maker may appeal to the Appeal Tribunal against a decision to suspend the assignment of a Class in accordance with the provisions of the Australian Securities Exchange Disciplinary Processes and Appeals Rulebook.

Introduced 11/03/04 Origin ASX 7.2.5A.3, 7.12.2.1(e), ASXF 12.7.3 Amended 31/03/08

23.8 SUSPENSION AND WITHDRAWAL OF MARKET MAKERS

23.8.1 ASX may suspend or withdraw registration

ASX may suspend and, subject to Rule 23.8.3, withdraw the registration of a Market Maker for one or more types of Derivatives Market Contracts, if ASX considers:

- (a) the Market Maker has failed to comply with the Rules, directions, decisions or requirements of ASX;
- (b) ASX has suspended an assignment of any Class to the Market Maker under Rule 23.7.1 twice in any 12 month period;
- (c) the person has failed to perform the obligations of a Market Maker;
- (d) the person has failed to comply with any conditions imposed under Rule 23.1.3; or
- (e) it is appropriate having regard to Rule 1.13.

ASX must notify the Market Maker in writing of the suspension or withdrawal of registration and reasons for the suspension or withdrawal.

Introduced 11/03/04 Origin ASX 7.2.6.1, ASXF 12.8.1 Amended 28/11/05

23.8.2 Effect of suspension

If ASX suspends the registration of a person as a Market Maker under Rule 23.8.1:

- (a) the initial period of suspension must not exceed one month although ASX may extend that period for additional periods of not more than one month at a time if it reasonably believes an extension is necessary or desirable;
- (b) the person must not hold themselves out as a Market Maker during a period of suspension; and
- (c) subject to Rule 23.8.3, during a period of suspension, ASX may withdraw the registration of the person as a Market Maker.

While a person's registration as a Market Maker is suspended, the person is not taken to be a Market Maker under these Rules.

Introduced 11/03/04 Origin ASX 7.2.6.2, ASXF 12.8.2

23.8.3 Withdrawal of registration under Rule 23.8.1

ASX must not withdraw the registration of a Market Maker unless ASX first gives the Market Maker an opportunity to either, at the option of the Market Maker:

- (a) appear in person or be represented before ASX; or
- (b) lodge a written submission for consideration by ASX in relation to the proposed withdrawal.

Introduced 11/03/04 Origin ASX 7.12.2.1(b), ASXF 12.8.3 Amended 28/11/05

23.8.4 Appeal

A Market Maker may appeal to the Appeal Tribunal against a decision to suspend or withdraw its registration as a Market Maker in accordance with the provisions of the Australian Securities Exchange Disciplinary Processes and Appeals Rulebook.

Introduced 11/03/04 Origin ASX 7.12.2.1(e), ASXF 12.8.4 Amended 31/03/08

23.9 RESIGNATION OF MARKET MAKERS

23.9.1 Resignation as Market Maker

A Market Maker must notify ASX in writing of their intention to resign as a Market Maker in a Class at least two weeks before the date the Market Maker proposes the resignation to be effective, unless ASX consents in writing to a lesser period of notice. The resignation does not take effect until it is accepted by ASX. ASX must not unreasonably refuse to accept a resignation.

Introduced 11/03/04 Origin ASX 7.2.6.3, ASXF 12.9.1

23.9.2 Continuation as Market Maker

Without limiting the discretion of ASX to reject a resignation, ASX may require the Market Maker to continue as a Market Maker in the relevant Class until Trading Close

on the date on which Contract Series in the Class next expire or mature following the lapse of the two week notification period.

Introduced 11/03/04 Origin ASX 7.2.6.4, ASXF 12.9.2

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