

## ASX Information Session Q&A - 6 Dec 2007

### **"BROKERS CAN ACCEPT ON-SCREEN ORDERS WHICH INCLUDE DISCRETION"**

#### **Can brokers accept discretionary orders from clients to be worked on-screen?**

E.g. can a client instruct the broker to "bid \$57.00 for 10 contracts of BNU8 with discretion to pay up to \$60.00"? The broker would then release a \$57.00 bid on-screen.

YES. Furthermore, the broker can solicit offers from other clients which also have discretion, to be worked on-screen.

- E.g. broker can say to other clients "There is a \$57.00 bid on screen. Do you have interest in showing an offer at \$61.00 or better?"
- A client may respond "Offer 10 contracts at \$61.00 with \$1.00 discretion."
- **The broker can then IMMEDIATELY cross on-screen orders at \$60.00 (i.e. buy and sell instantaneously) without having to wait the prescribed time period for pre-negotiated orders.**

N.b. When a broker receives an on-screen order from a client with discretion, by immediately bidding or offering on-screen (i.e. via SYCOM) albeit at not necessarily the best discretionary price, the client may be filled at a better price and/or the broker can avoid many of the procedural constraints (e.g. 30 second delay prior to executing) associated with pre-negotiated business.

### **FRONT RUNNING AND INSIDER TRADING: ACTING ON BLOCK TRADE AND PRE-NEGOTIATED INFORMATION**

#### **Can a client or broker with knowledge of information gained from negotiation of Block Trades or pre-negotiated business act on that information (e.g. trade in the same or related products) prior to the Block Trade or pre-negotiated business being announced (or traded)?**

No.

E.g. If a client has been told that a Block Trade is being negotiated and that "a buyer has shown an off-market bid of \$50 for HVZ9", the client with this information cannot buy HVZ9 (or related products) if better offered on-screen or via a different off-market negotiation e.g. at \$49.00, prior to the original Block Trade information becoming announced via a Message Board Broadcast (after the Block Trade occurs) or upon the information becoming no longer material. Also see Corporations Act s1043.

### **SFE (SYCOM Operations) WILL CALCULATE STRIP TRADE LEG PRICES**

#### **As the leg prices resulting from strip trades and block strip trades will be calculated by SYCOM Operations to a set methodology, will the legs still be reported via the SYCOM Message facility?**

Yes.

N.b. After SYCOM has instructed the Participant(s) of leg prices, the Participant(s) must register allocated price levels in SFEIN within 10 minutes.

### **PRE-NEGOTIATION PROCEDURES**

**If a broker has pre-negotiated orders and releases an RFQ, if during the 30 second minimum prescribed period a better bid or offer enters the market, can the broker hit the better bid or offer on behalf of either of the pre-negotiated orders before the prescribed time is up (e.g. immediately)? Or does the broker have to wait the prescribed time period prior to executing a pre-negotiated order?**

A broker must wait the 30 second time period prior to executing any part of a pre-negotiated order.

This is to allow the wider market the full 30 seconds to respond with bids or offers.

**If a client has given a pre-negotiated order to a broker and then a better bid or offer enters into the market, can the client then hit the better bid/offer through their front end system?**

Yes, but the client is not able to cancel the pre-negotiated order (so they could then end up with more volume than they want). Alternatively the broker will endeavour to hit the better bid/offer (after 30 seconds has elapsed after the time of the RFQ) as part of the pre-negotiated order, and give the client the better fill.

**When is the latest time a pre-negotiated order can be executed?**

You must allow a minimum of 30 seconds after the RFQ has been released before the orders can be executed. Therefore a broker cannot accept pre-negotiated orders any later than (30 seconds + execution time) before market close. Pre-negotiated orders cannot be executed after market close (4:50 pm).

### **DIFFERENCE BETWEEN "RFQ" AND "EXPRESSION OF INTEREST"**

**Is there a difference between a Request for Quote (RFQ) and an Expression of Interest (EOI)?**

1. A broker can only release a RFQ (via the SFE Message Board) if the broker has received one or more orders (either pre-negotiated or on-screen order(s)) in the same product;
2. An RFQ must be released by a broker immediately after pre-negotiated orders have been matched, prior to executing pre-negotiated orders on-screen; however
3. A broker can issue an EOI via the Message Board without requiring a firm order to have been received from a client. E.g. inviting other Participants to respond with bids and/or offers.