

# ASIC MARKET INTEGRITY RULES (ASX 24 MARKET) AMENDMENT 2011 (NO. 1)

## EXPLANATORY STATEMENT

Prepared by the Australian Securities and Investments Commission

*Corporations Act 2001*

The Australian Securities and Investments Commission (ASIC) makes the *ASIC Market Integrity Rules (ASX 24 Market) Amendment 2011 (No. 1)* (the *ASX 24 Market Integrity Rules Amendment*) under subsection 798G(1) of the *Corporations Act 2001* (the *Act*).

Subsection 798G(1) of the Act provides that ASIC may, by legislative instrument, make rules that deal with:

- (a) the activities or conduct of licensed markets;
- (b) the activities or conduct of persons in relation to licensed markets;
- (c) the activities or conduct of persons in relation to financial products traded on licensed markets.

On 24 August 2009, the Australian Government announced that it had decided to transfer the responsibility for supervision of Australia's domestic licensed financial markets from market operators to ASIC. The *Corporations Amendment (Financial Market Supervision) Act 2010* (the *Financial Market Supervision Act*) was enacted in March 2010 to transfer that responsibility.

The *Financial Market Supervision Act* commenced on 1 August 2010, and on 1 August 2010, ASIC made market integrity rules for the ASX 24 market in the *ASIC Market Integrity Rules (ASX 24 Market) 2010* (the *ASX 24 Rules*). The *ASX 24 Rules* were adapted from the Sydney Futures Exchange Operating Rules (subsequently superseded by the *ASX 24 Operating Rules*).

When the *ASX 24 Rules* were made, ASIC and Australian Securities Exchange Limited, which operates the ASX 24 market agreed that that the ASX Group would continue to supervise and enforce the requirements for capital, reporting and margins in force for the ASX 24 market for a period of 12 months, until 1 August 2011.

The *ASX 24 Market Integrity Rules Amendment* amends the *ASX 24 Rules* to transfer the requirements for capital, reporting and margins from the *ASX 24 Operating Rules* to the *ASX 24 Market Integrity Rules*.

The *ASX 24 Market Integrity Rules Amendment* inserts rules for capital reporting and margins into the *ASX 24 Rules*, and based on the capital, reporting and margin requirements in Section 8 'Transitional Provisions' of the *ASX 24 Operating Rules* in effect until 31 July 2010 (*ASX 24 Operating Rules*).

To ensure market certainty and minimise impact on participants, ASIC has, to the extent possible, maintained the substance of the regulatory regime for capital, reporting and margins embodied in the *ASX 24 Operating Rules*. In the *ASX 24 Market Integrity Rules Amendment* some changes were made to the drafting of Section 8 of the *ASX 24 Operating Rules* to reflect the transfer of supervisory responsibility for those rules to ASIC, and to incorporate material from the Procedures, and Appendices to the Procedures to the *ASX 24 Operating Rules*.

Details of the *ASX 24 Market Integrity Rules Amendment* are contained in the [Attachment](#).

Public consultation on the *ASX 24 Market Integrity Rules Amendment* was conducted in June 2011. A number of submissions were received and many of the issues raised in the submissions have been addressed in the drafting of the final *ASX 24 Market Integrity Rules Amendment* to the extent possible.

Subsection 798G(1) of the Act provides that market integrity rules are legislative instruments for the purposes of the *Legislative Instruments Act 2003*.

Subsection 798G(2) of the Act provides that market integrity rules may include a penalty amount for a rule. A penalty amount must not exceed \$1,000,000. The penalty amount set out below a Market Integrity Rule in the *ASX 24 Market Integrity Rules Amendment* is the penalty amount for that Rule.

The *ASX 24 Market Integrity Rules Amendment* will commence on the later of 1 August 2011 and the day after it is registered under the *Legislative Instruments Act 2003*.

## **ATTACHMENT**

### **Part 2.3 Account reconciliation obligations**

#### **Rule 2.3.1 Application of Part**

Rule 2.3.1(1) provides that this Part applies to a Market Participant who holds Client monies.

Rule 2.3.1(2) provides definitions for terms that are used in Part 2.3. Rule 2.3.1(2) includes definitions for:

- Associated/Related Company Monies.
- ASX Clear.
- ASX Clear (Futures).
- ASX
- Client
- Clients' Segregated Account at Bank
- Deposits with ASX Clear Client Account
- Deposits with ASX Clear (Futures) Client Account
- Deposits with ASX Clear (Futures) Clearing Participant
- Deposits with ASX Clear Participant.
- Deposits with an ASX 24 Market Participant
- Deposits with an ASX Participant
- Deposits with an Overseas Broker
- Director/Employee Monies
- Total Deposits
- Total Futures Client Monies
- Total Third Party Client Monies
- Variation.

Rule 2.3.1 reflects definitions from both the ASX 24 Operating Rules NTA Return "Statement of Client Funds – Attachment G", and ASIC Market Integrity Rules (ASX Market) 2010 Rule 3.5.8.

#### **Rule 2.3.2 Daily reconciliation of clients' segregated accounts**

Rule 2.3.2(1) provides that a Market Participant must perform an accurate reconciliation, by 7.00 pm on the Business Day after the Business Day to which the reconciliation relates, of the aggregate balance held by it at the close of business on each Business Day in clients' segregated accounts maintained under Rule 2.2.6 and the corresponding balance as recorded in the Market Participant's accounting records.

Rule 2.3.2(2) sets out the matters that must be set out in the daily reconciliation required under Rule 2.3.2(1) as follows:

- the date to which the reconciliation relates;
- for both the day of the reconciliation and the prior day, the dollar amounts of: Total Futures Client Monies; Associated/Related Company Monies; Director/Employee Monies; and Total Third Party Client Monies;
- for both the day of the reconciliation and the prior day, the dollar amounts of: Clients' Segregated Account at Bank; Deposits with ASX Clear (Futures) Client Account; Deposits with ASX Clear Client Account; Deposits with ASX Clear (Futures) Clearing Participant; Deposits with ASX Clear Participant; Deposits with an ASX24 Market Participant; Deposits with an ASX Market

- Participant; Deposits with an Overseas Broker; funds invested in accordance with section 981C(a) of the Corporations Act; and Total Deposits;
- the dollar amount of the Variation for both the day of the reconciliation and the prior day;
  - the percentage amount of the Variation for both the day of the reconciliation and the prior day;
  - an explanation of the reason for a Variation, if the dollar amount of the Variation is more than, or less than, zero;
  - where the movement in Total Futures Client Monies is greater than 20% from the prior day, an explanation of the reason

Rule 2.3.1(2) reflects the information previously required to be lodged by both the ASX 24 Operating Rules NTA Return "Statement of Client Funds – Attachment G". It also reflects the requirement for ASX market participants in ASIC Market Integrity Rule (ASX Market) 2010 Rule 3.5.8. This rule therefore harmonises the obligations of the participants of the ASX 24 and ASX markets.

Rule 2.3.1 (3) provides that a Market Participant does not need to comply with Rule 2.3.2(2) until 1 January 2012. This is to allow Market Participants the opportunity to make any adjustments to their systems required to align the reconciliations they would be undertaking for prudent risk management purposes with the reconciliation required by this Rule

### **Rule 2.3.3 Monthly reconciliation of clients' segregated accounts**

Rule 2.3.3(1) provides that accurate monthly reconciliations of client's segregated accounts must be performed by a Market Participant.

Rule 2.3.3(2) provides that the reconciliation required under Rule 2.3.2(1) must be given to ASIC by the last Business Day of the calendar month following the reconciliation month.

Rule 2.3.3(3) provides for the matters that must set out be in the daily reconciliation required under Rule 2.3.3(1) and those matters mirror the matters that must be set out under Rule 2.3.2(2).

Rule 2.3.3(4) provides for a statement by a Director or a person authorised in writing by a Director of a Market Participant attesting to the accuracy of the monthly reconciliation.

Rules 2.3.3(1) – (4) are sourced from and are consistent with the requirement for daily reconciliations for ASX market participants (see ASIC Market Integrity Rule (ASX Market) 2010 Rule 3.5.8 and harmonise the obligations of the participants of the ASX 24 and ASX markets.

Rule 2.3.3(5) provides that a Market Participant does not need to comply with Rule 2.3.3(1) until 1 January 2012 so that the first reconciliation required to be given to ASIC under Rule 2.3.3 is for the calendar month ended 31 January 2012, and it must be given to ASIC by 29 February 2012. This is to allow Market Participants the opportunity to make any adjustments to their systems required to align the reconciliations they would be undertaking for prudent risk management purposes with the reconciliation required by this rule

### **Rule 2.3.4 Obligation to notify ASIC about daily reconciliation**

Rule 2.3.4 provides that a Market Participant must notify ASIC, in writing, within 2 Business Days if a daily reconciliation under Rule 2.3.2 is not carried out, shows total deposits to be less than third party client monies, or is otherwise unable to be reconciled.

Rule 2.3.4 is sourced from and is consistent with the requirement to notify ASIC if daily reconciliations under ASIC Market Integrity Rule (ASX Market) 2010 Rule 3.5.8 cannot be done, or show an irregularity in client funds. This Rule harmonises the obligations of the participants of the ASX 24 and ASX markets.

### **Rule 2.3.5 Annual declarations for clients' segregated accounts**

Rule 2.3.5(1) provides for the form and content of directors' declarations and auditors declarations to be lodged with ASIC in relation to compliance with the clients' segregated account Rule 2.2.6.

Rule 2.3.5(2) sets out that directors' declarations under Rule 2.3.5(1) must be authorised by two directors of the Market Participant whose names appear in the declaration; or one director of the Market Participant whose name appears in the declaration and one representative of the Market Participant whose name appears in the declaration and who has been authorised by the board or another director of the market participant, or two representatives of the Market participant whose names appear in the declaration who have been authorised by the board or each authorised by a different director of the Market Participant to give the declaration.

Rule 2.3.5 reflects the requirement imposed by ASX 24 Operating Rule 8510 and Procedure 8510 in respect of declarations and reports for client segregated account information.

### **Rule 2.3.6 Scope of audits**

Rule 2.3.5(1) provides that a Market participant must give its auditor access to its premises and employees and all records, documents, explanations and other information required by the auditor in respect of any audit conducted under Rule 2.3.5(1)(b).

Rule 2.3.5(2) provides a Market Participant must not impose any limitations on the audit conducted under Rule 2.3.5(1)(b), and must permit and direct the auditor to notify ASIC immediately if any limitation or hindrance or delay is imposed on the auditor.

Rule 2.3.5(3) provides the records of each of the Market Participants nominee companies must be included in the audit conducted under Rule 2.3.5(1)(b).

Rule 2.3.6 reflect ASX 24 Operating Rule [8520].

## **Chapter 5: Capital requirements**

### **Part 5.1 Interpretation**

#### **Rule 5.1.1 Definitions**

Rule 5.1.1 provides definitions for terms used in Chapter 5. Rule 5.1.1 includes definitions of:

- Approved Subordinated Debt.
- Subordinated Loan Deed
- NTA
- NTA Requirements.

The definitions in Rule 5.1.1 reflect the definitions in ASX 24 Operating Rule [8100].

## **Part 5.2 Capital requirements**

### **Rule 5.2.1 NTA Requirements**

Rule 5.2.1 provides that a Trading Participant other than a Principal Trader or a Trading Participant that is also a Clearing Participant who complies with the Clearing Rules capital requirements, must have net tangible assets (as defined in rule 5.1.1) of \$1,000,000.

Rule 5.2.1 reflects ASX 24 Operating Rule [8401].

## **Chapter 6: Accounts and audit**

### **Part 6.1 Interpretation**

#### **Rule 6.1.1 Application of Rules**

Rule 6.1.1 provides that Chapter 6 does not apply to Trading Participants that are only approved as Principal Traders, or to Trading Participants that are also Clearing Participants.

Rule 6.1.1 reflects ASX 24 Operating Rule [8501].

### **Part 6.2 Financial statements**

The obligations in Part 6.2 reflect Rule 8510, Procedure 8510 paragraphs 1–4, and Appendix 8510(b) of the ASX 24 Operating Rules.

#### **Rule 6.2.1 Reporting to ASIC**

Rule 6.2.1(1) provides for the preparation and delivery to ASIC of annual financial statements, directors' declarations and auditor's reports in relation to the financial position of the Trading Participant, to ASIC.

Rule 6.2.1(2)(a) provides for the form and content of the financial statements, directors' declarations and auditor's reports to be given to ASIC under Rule 6.2.1(1) and provides they must be given to ASIC within 3 months of the end of the financial year of a Trading Participant. Statutory accounts, an audited annual net tangible asset (NTA) return, directors' declarations and auditor's reports about the internal procedures and controls of the Participant are required to be given to ASIC under this Rule.

Rule 6.2.1(2)(b) provides for the form and content of monthly NTA returns and related directors' declarations to be lodged with ASIC within 10 business days of the end of a calendar month.

Rule 6.2.1(3) provides for the form, content and timing of information that must be provided to ASIC if a Trading Participant's NTA falls below the minimum level required by Rule 5.2.1. ASIC must be notified immediately, and a summary NTA return and directors' declaration must be given to ASIC within 24 hours under this Rule.

Rule 6.2.1(4) provides for the form content and timing of information that must be provided to ASIC if the participant's NTA falls below 150% of the minimum level required by Rule 5.2.1. A summary NTA return directors' declaration must be given to ASIC within 5 business days under this Rule.

Rule 6.2.1(5) provides for the form content and timing of information that must be provided to ASIC if a Trading Participant's NTA decreases by more than 20% since the last notification given to ASIC under

Rule 6.2.1. A summary NTA return and a directors' declaration must be given to ASIC within 5 business days under this Rule.

Rule 6.2.1(6) provides for the form content and timing of information that must be provided to ASIC if the ASIC requests that information in writing. An ad hoc NTA return and director's declaration must be given to ASIC within 24 hours of receipt by the participant of ASIC's written request.

Rule 6.2.1(7) sets out that a directors declaration under Rule 6.2.1 must be authorised by 2 directors of the Trading Participant whose names appear in the declaration; or 1 director of the Trading Participant whose name appears in the declaration and who has been authorised by the board of the Trading Participant to give the declaration and one representative of the Trading Participant where that representative has been authorised by the board or by another director; or 2 representatives of the Trading Participant whose names appear in the declaration and who have been authorised by the board or each authorised by a different director of the Trading Participant to give the declaration.

Rule 6.2.1(8) provides that a Trading Participant may comply with the Rules set out below by submitting the information required to be given to ASIC to the electronic return lodgement and monitoring system maintained by the Market Operator:

- Rules 6.2.1(2)(a)(ii) (audited annual NTA return);
- Form 3 Part 1 of Rule 6.2.1(2)(a)(iii) (directors' declaration in relation to audited annual NTA return);
- Rule 6.2.1(2)(b)(i) and (ii) (monthly NTA return and directors' declaration);
- Rule 6.2.1(3)(b)(i) and (ii) (summary NTA return and directors' declaration if NTA falls below minimum level);
- Rule 6.2.1(4)(a) and (b) (summary NTA return and directors' declaration if NTA falls below 150% of minimum level);
- Rule 6.2.1(5)(a) and (b) (summary NTA return and directors' declaration if NTA decreases by more than 20% since last notification to ASIC); and
- Rule 6.2.1(6)(a) and (b) (ad hoc NTA return and directors' declaration if ASIC makes a written request for that information)

Other information required to be given to ASIC by Rule 6.2.1 may not be given to ASIC by submitting the information to the electronic return lodgement and monitoring system maintained by the Market Operator. A Trading Participant may give to ASIC all the information required by Rule 6.2.1 directly to ASIC, and not take advantage of the electronic return lodgement and monitoring system of the Market Operator.

Rule 6.2.1(9) provides that for the calendar months August, September, October, November and December 2011 a Trading Participant may comply with Rule 6.2.1(2)(b) by lodging the monthly return and declaration required by that Rule by the end of the calendar month following the month to which the return relates. This gives Trading Participants five months to make any adjustments to their systems required to be in a position to give ASIC monthly returns within 10 business days, as opposed to the end of calendar month requirement in the ASX 24 Operating Rules.

### **Rule 6.2.2 Scope of audits**

Rule 6.2.2(1) provides that access to records and documents, and explanations and other information must be given by a Trading Participant to an auditor carrying out an audit under Rule 6.2.1(1)(b).

Rule 6.2.2(2) provides that a Trading Participant must not impose any limitation on the audit required under Rule 6.2.1(1)(b), and the Trading Participant must permit and direct the auditor to notify ASIC immediately if any limitation is imposed on the auditor, or if the auditor is hindered or delayed in the performance of the auditor's duties.

Rule 6.2.2(3) provides that the records of each of the Trading Participant's nominee companies must be included in the audit Rule 6.2.1(1)(b).

Rules 6.2.2(1) (2) and (3) reflect ASX 24 Operating Rule [8520].

## **Chapter 7: Margins and right of Close Out**

### **Part 7.1 Interpretation**

#### **Rule 7.1.1 Definitions**

Rule 7.1.1 provides definitions for terms used in Chapter 7. Rule 7.1.1 includes definitions of:

- Approved Ratings Agency
- Approved Securities
- Australian ADI
- Clearing Facility
- Initial Margin.
- Variation Margin

The definitions reflect those in ASX 24 paragraph 9 of Procedure 8600.

### **Part 7.2 Obligations for Trading Participants**

#### **Rule 7.2.1 Margin obligations**

Rule 7.2.1 provides that a Trading Participant, other than a Principal Trader, must comply with the margin obligations in Part 7.2 .

Rule 7.2.1 reflects ASX 24 Operating Rule [8601].

#### **Rule 7.2.2 Calling Initial Margin**

Rule 7.2.2(1) provides that as soon as possible after the execution of the Client's instructions, a Trading Participant must call at least the minimum initial margin that is determined from time to time under the Clearing Rules.

Rule 7.2.2(2) provides that in calculating the amount of Initial Margin, a Trading Participant must not offset the Initial Margin on another Contract due by the Client to the Trading Participant unless that other Contract is for the opposite position in the same delivery month and in respect of the same commodity.

Rule 7.2.2(3) provides that nothing in Rule 7.2.2(1) prevents a Trading Participant from Calling an amount higher than the minimum Initial Margin referred to in Rule 7.2.2(1).



Rule 7.2.2(4) provides that a Trading Participant must not accept anything but cash in satisfaction of Initial Margin from a Client, unless the Trading Participant has agreed to accept and has received Cover by way of Approved Securities.

Rule 7.2.2 reflects ASX 24 Operating Rule [8601](a), and Procedure 8601 paragraph 1 of the ASX 24 Operating Rules.

### **Rule 7.2.3 Calling Variation Margin**

Rule 7.2.3(1) provides that a Trading Participant must Call Variation Margin from the Client when the Client has a net debit Variation Margin Position, unless the Client is a Clearing Participant and the Contracts are registered with the Clearing Facility in the name of that Clearing Participant.

Rule 7.2.3(2) provides that where the amount of a Call in Rule 7.2.3(1) would be \$1,000 or less, the making of such a Call shall be at the discretion of the Trading Participant.

Rule 7.2.3 reflects ASX 24 Operating Rule [8601](b) and Procedure 8601 paragraph 5 of the ASX 24 Operating Rules.

### **Rule 7.2.4 Liability for Margins**

Rule 7.2.4 provides that a Trading Participant's client agreement must state that a Client's liability for Initial Margin arises upon the execution of the Client's instructions irrespective of when a Call is made for it, and that liability for Variation Margin arises at the time that variation comes into existence, again irrespective of when a call for Variation Margin is made.

Rule 7.2.4 reflects ASX 24 Operating Rule [8601](c).

### **Rule 7.2.5 Satisfaction of Calls for Margin**

Rule 7.2.5(1) provides that a Trading Participant's client agreement must state that Calls for Initial and Variation Margin must be satisfied by payment unless the participant has agreed to accept Approved Securities.

Rule 7.2.5(2) provides that a Trading Participant's client agreement must permit the Trading Participant to retain the Client's Approved Securities until the Client's liability to the participant is extinguished or if it is not extinguished, permitting the participant to realise the Approved Securities and apply the proceeds against the Client's liability.

Rule 7.2.5(3) provides that Trading Participant must ensure liability of a Client for Initial Margin is Covered at all times.

Rule 7.2.5 reflects ASX 24 Operating Rule [8601](d).

### **Rule 7.2.6 Time for payment of Margins**

Rule 7.2.6(1) provides that the time for payment of Calls by a Client of a Participant must not be greater than 24 hours for a Client within Australia or 48 hours if the Client's address is outside Australia.

Rule 7.2.6(2) provides that a Trading Participant must not provide credit for a Client beyond the 24 and 48 hour periods specified in Rules 7.2.6(1)(a) and (b).

Rule 7.2.6(3) provides that a Trading Participant's Client agreement must provide that time shall be of the essence in respect of payment or lodgement under Part 7.2

Rule 7.2.6(4) provides that A Trading Participant will not be in breach of Rule 7.2.6(2) where the Trading Participant exercises a reasonable discretion to not Close Out in accordance with Rule 7.2.8(3).

Rule 7.2.6 reflects ASX 24 Operating Rule [8601](e).

### **Rule 7.2.7 Spread Margins**

Rule 7.2.7(1) provides that a Trading Participant must call an Initial Margin not less than the amount determined by the Clearing Facility if the participant holds a spread position on behalf of the Client.

Rule 7.2.7(2) provides that if one leg of a Spread position is in the first delivery (spot) month a Trading Participant must call the Initial Margin determined by the Clearing Facility for that leg, and the other leg of the Spread attracts the normal Initial Margin.

Rule 7.2.7 reflects ASX 24 Operating Rule [8601](f).

### **Rule 7.2.8 Obligation of Close Out**

Rule 7.2.8(1) provides that a Trading Participant must immediately close out a Client's positions to the extent necessary to meet an unpaid call by a Client, if the Client has not paid a call by the 24 or 48 hour time period permitted under Rule 7.2.6(1).

Rule 7.2.8(2) provides that a Trading Participant's client agreement must provide that the Trading Participant shall not be liable to the Client for any loss sustained by the Client as a result of the Trading Participant Closing Out in accordance with Rule 7.2.8(1).

Rule 7.2.8(3) provides a Trading Participant with a discretion in relation to closing out a Client's positions taking into account the financial position and expertise of the Client, whether any genuine attempts to pay the Call have been made and whether a third party's acts or omissions caused the failure to pay.

Rules 7.2.8(1) and (2) reflects ASX 24 Operating Rule [8601](g) and Procedure 8600, paragraph 3.

### **Rule 7.2.9 Margin Requirements for Trading on Financial Markets other than Markets operated by the Market Operator**

Rule 7.2.9(1) provides that a Trading Participant must comply with any margin obligations of markets not operated by the Market Operator.

Rule 7.2.9(2) provides that where markets not operated by the Market Operator do not contain any margin obligations the margin obligations of Part 7.2 of the Rules.

Rule 7.2.9(1)–(2) reflect ASX 24 Operating Rule [8601](h).

Rule 7.2.9(3) provides for the keeping, by a Trading Participant of a Margin Action Book and Margin Default Register and requires a participant to ensure it has procedures in place to ensure calls are being made as soon as possible after the execution of a Client's instructions.

Rule 7.2.9(4) sets out the matters required (without limitation) to be included in a Margin Action Book as being the Client name, amount of call, time of contact, client response and the date funds were received.

Rule 7.2.9(5) sets out the matters required (without limitation) to be included in a Margin Default Register as being Client name; amount of the Call, time and date of the initial Call and any subsequent Calls; details of escalation and other relevant steps taken by the Participant; details of whether the Participant closed out the Client's positions and, if not, the reasons why the Participant has not done so, having regard to Rule 7.2.8(3); and the date and amount of funds received or details of action taken by the Client.

Rules 7.2.9(3)–(5) are sourced from Procedure 8600, paragraphs 6 and 8 of the ASX 24 Operating Rules.

### **Rule 7.2.10 Credit lines**

Rule 7.2.10(a) provides that a Trading Participant must not accept credit lines for payment of margins unless the Trading Participant is an Australian ADI, the monies are lent by a separate credit division of the Australian ADI, such monies are lent in accordance with normal credit policy of the Australian ADI, the facility is used to pay obligations for initial and variation margins and that such obligations are met by actual payment into the clients' segregated account of the Trading Participant through a direct call on the facility.

Rule 7.2.10(10)(b) sets out another circumstance where a Trading Participant can accept credit lines for payment of margins if the credit is provided to Clients of the Trading Participant by a related entity of the Trading Participant to meet initial and variation margins and the related entity is an Australian ADI but not a subsidiary of the Participant and the core business activity of the related entity ADI is the provision of credit to Clients.

Rule 7.2.10 reflects ASX 24 Operating Rules Procedure 8600, paragraph 10.

### **Rule 7.2.11 Notifying ASIC**

Rule 7.2.11(1) provides that a Trading Participant must advise ASIC, in writing, as soon as a margin call has not been met by a Client and the Trading Participant has not closed out the Client's positions.

Rule 7.2.11(2) provides that the notification referred to in Rule 7.2.11(1) must be given as soon as there is any doubt to a reasonable person that the funds will not arrive from the Client, but is subject to the exercise of the participant's discretion not to close out under Rule 7.2.8(3).

Rule 7.2.11 reflects ASX 24 Operating Rules Procedure 8600, paragraph 8.

## **Schedule**

### **Form 1 Part 1**

Form 1 Part 1 sets out the content of the annual directors' declaration required to be given to ASIC under Rule 2.3.5(1)(a) in relation to internal procedures and controls of a Participant designed to ensure compliance with the clients' segregated account Rule 2.2.6. This declaration is adapted from the form required to be given under Appendix 8510(b) of the ASX 24 Operating Rules.

## **Form 1 Part 2**

Form 1 Part 2 sets out the content of the annual auditor's report required to be given to ASIC under Rule 2.3.5(1)(b) in relation to an audit of the internal procedures and controls of a Participant designed to ensure compliance with the clients' segregated account Rule 2.2.6. This declaration is adapted from Form 2 of Appendix 8510(b) of the ASX 24 Operating Rules.

## **Form 2**

Form 3 sets out the detail and form of the annual NTA return required to be given to ASIC under rule 6.2.1(2)(a)(ii). The information and format of this form reflect that of the Market Operator's electronic return lodgement and monitoring system for an annual NTA return required to be lodged under the ASX 24 Operating Rules Procedure 8510 paragraph 1.

## **Form 3 Part 1**

ASX 24 Form 3 Part 1 sets out the content of the directors' declaration required to be given to ASIC under Rule 6.2.1(2)(a)(iii) in relation to the annual financial information and controls of the Participant. The information and format of this declaration reflect that of the Market Operator's electronic return lodgement and monitoring system for directors' declarations required to be lodged under Procedure 8510 paragraph 1 of the ASX 24 Operating Rules.

## **Form 3 Part 2**

Form 3 Part 2 sets out the content of the directors' declaration required to be given to ASIC under Rule 6.2.1(2)(a)(iii) about the effectiveness of internal controls of the participant for compliance with the NTA requirements of Chapter 5 of the Rules. This declaration is adapted from Appendix 8510(b) of the ASX 24 Operating Rules.

## **Form 4 Part 1**

Form 4 Part 1 sets out the content of the annual auditor's report required to be given to ASIC under Rule 6.2.1(2)(a)(iv) about the internal control procedures of a Participant designed to ensure compliance with the NTA requirement in Rule 5.2.1. This declaration is adapted from Form 1 of Appendix 8510(b) of the ASX 24 Operating Rules.

## **Form 4 Part 2**

Form 4 Part 2 sets out the content of the a second annual auditor's report required to be given to ASIC under Rule 6.2.1(2)(a)(iv) about the audit of the financial information in the Participants annual NTA return. This declaration is adapted from Form 2 of Appendix 8510(b) of the ASX 24 Operating Rules

## **Form 5**

Form 5 sets out the detail and form of the monthly NTA return required to be given to ASIC under rule 6.2.1(2)(b)(i). The information and format of this form reflect that of the Market Operator's electronic return lodgement and monitoring system for monthly NTA returns required to be lodged under the ASX 24 Operating Rule 8510, Procedure 8510 paragraph 1.

### **Form 6**

Form 6 sets out the content of the directors' declaration required to be given to ASIC under Rule 6.2.1(2)(b)(ii) about the accuracy of the accounting records maintained and NTA maintained by the Participant during the month the subject of a NTA return given to ASIC by a Participant under Rule 6.2.1. The information and format of this declaration reflect that of the Market Operator's electronic return lodgement and monitoring system for directors' declarations required to be lodged under the ASX 24 Operating Rule 8510, Procedure 8510 paragraph 1.

### **Form 7**

Form 7 sets out the detail and form of the summary NTA return required to be given to ASIC under Rules 6.2.1(3)(b), 6.2.1(4)(a), or 6.2.1(5)(a) as applicable. The information and format of this declaration reflect that of the Market Operator's electronic return lodgement and monitoring system for summary NTA returns required to be lodged under ASX 24 Operating Rule 8510, Procedure 8510 paragraph 1.

### **Form 8**

Form 8 sets out the detail and form of the ad hoc NTA return which ASIC may require a participant to give rule 6.2.1(6). The information and format of this declaration reflect that of the Market Operator's electronic return lodgement and monitoring system for ad hoc returns required to be lodged under the ASX 24 Operating Rule 8510, Procedure 8510 paragraph 1.