



# FGL Procedures

Process Document

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# Part 1: Purpose of the Rules, Definitions, Interpretation and General Provisions

## 1.2 Purpose, Definitions and Interpretation

### 1.2.2 Definitions

#### *Accounting Standards*

The following accounting standards are specified as being of an equivalent regulatory standard to the Australian Accounting Standards:

Accounting Standards of the United Kingdom

#### *Approved Security*

The following are specified as Approved Securities:

- (a) a letter of credit or guarantee in favour of the Trading Participant or Clearing Entity from an Australian Authorised Deposit-taking Institution (not being the Client);
  - (b) shares which are:
    - listed on an Australian securities exchange; and
    - shares in one or more companies in the top 200 companies in Australia by market capitalisation listed on a licensed Australian securities exchange, when the securities are tendered, valued at not more than 75% of their market value;
  - (c) shares which are:
    - listed on a foreign securities exchange as approved by the Exchange from time to time following a request from a Trading Participant or Clearing Entity; and
    - shares in one or more companies in the top 100 companies by market capitalisation listed on the foreign securities exchange when the securities are tendered, valued at not more than 65% of their market value;
  - (d) Australian Government securities, valued at no more than:
    - (i) if residual maturity is one year or less – 95% of market value; and
    - (ii) if residual maturity exceeds one year – 90% of market value;where Australian Government security means a security issued by the Australian Federal Government or any Australian State Government;
  - (e) Offshore Government securities, valued at no more than:
    - (i) if residual maturity is one year or less – 90% of market value; and
    - (ii) if residual maturity exceeds one year – 75% of market value;where Offshore Government security means a security which:
    - (iii) is issued by the government of the relevant Offshore Jurisdiction; and
    - (iv) has:
- (A) a Standard & Poor's long-term credit rating for sovereigns of AAA or better; and
  - (B) a Standard & Poor's short-term credit rating for sovereigns of AA or better

- (f) bills of exchange accepted or endorsed by an Australian ADI or Offshore Bank (not being the Client), valued at not more than 95% of the market value of the bills of exchange;
- (g) negotiable certificates of deposit issued by an Australian ADI or Offshore Bank (not being the Client), valued at not more than 90% of the market value of the negotiable certificates of deposit; and
- (h) such other security or credit facility on such terms as may be approved by the Exchange in its discretion;

where

"**Australian ADI**" has the meaning given in the Corporations Act; and

"**Offshore Bank**" means a regulated deposit-taking financial institution which:

- (a) conducts banking business in an Offshore Jurisdiction in which the Trading Participant or Clearing Entity conducts its business; and
- (b) is fully authorised under the laws effective in that Offshore Jurisdiction (including by any central bank or financial services regulator) to conduct banking business (including the taking of deposits and the making of advances) in that Offshore Jurisdiction.

#### **Arbitration Rules**

The Exchange has determined that for the purposes of this definition the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) as adopted on 28 April 1976, or as subsequently amended, will be used.

#### **Clearing Entity Agreement**

See **Annexure A** for the location of a pro-forma Clearing Entity Agreement.

The pro-forma Clearing Entity Agreement is a sample only.

A Clearing Entity may use another format provided:

- (a) it contains the minimum terms set out in Rule 3.6.1(b); and
- (b) does not incorporate additional terms which are inconsistent with those minimum terms.

#### **In the Money: Buffer Amount**

The Buffer Amount for each FGL Option Contract is detailed in the relevant Contract Specification or Clearing Rules.

#### **Primary Contact**

The following procedural information is provided as additional information for the purposes of the definition of Primary Contact and Rule 1.4.6:

- (a) A Trading Participant may authorise a number of Primary Contacts to liaise with the Exchange on the Trading Participant's behalf.
- (b) The Exchange recommends that a Trading Participant nominates a minimum of two (2) Primary Contacts who are available during the Exchange Trading hours.
- (c) Each Trading Participant is responsible for advising the Exchange of any change to the names or contact details for its Primary Contacts.
- (d) To amend Primary Contact details contact the FGL Market Control Manager. See **GN47 – Communicating with FEX**.

- (e) All Derivative Staff Members may contact the Exchange with any other queries, questions or concerns.

### **Interpretation**

Rule 1.2.3(h), Rule 3.3.8(c), and Rule 6.4.8(c)

The manner of calculating interest for the purposes of Rule 1.2.3(h), Rule 3.3.8(c) and Rule 6.4.8(c) is:

- (a) The interest rate payable is the Reserve Bank of Australia Cash Rate Target plus six per cent (6%) per annum. Follow this link for the [RBA Cash Rate Target](#).
- (b) Interest:
- (i) shall be calculated and accrue daily;
  - (ii) shall apply from the date when the relevant amount fell due (irrespective of any grace period) to the date of its final payment in full; and
  - (iii) shall be calculated on the basis of the actual number of calendar days elapsed and a year of 365 days

Unless specified otherwise in the relevant Operating Rule, interest will be payable on demand by the Exchange.

## **1.4 Confidentiality**

### **1.4.3 Confidential Open Position Information**

Rule 1.4.3(d)(v)

The time specified for the purposes of Rule 1.4.3(d)(v) is: **3 Business Days**

Rule 1.4.3(f)

The time specified for the purposes of Rule 1.4.3(f) is: **3 Business Days**

### **1.4.6 Exchange Obligation regarding contact with Trading Participants**

See definition of Primary Contact above.



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## Part 2: Admission Rules

### 2.3 Requirements for Admission as a Trading Participant

#### 2.3.3 AFS Licence

Rule 2.3.3(b)

Licence authorisations considered appropriate by the Exchange: authorisation to

(a) Provide financial product advice in respect to the following classes of financial product:

Energy and Commodity Derivatives; and

Environmental Derivatives

(b) deal in a financial product by:

(i) issuing, applying for, acquiring, varying or disposing of a financial product in respect of the following classes of financial products:

(A) derivatives;

(ii) applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of the following classes of products:

(A) derivatives.

#### 2.3.11 Additional Requirements

No additional requirements have been specified for the purposes of Rule 2.3.11.

### 2.4 Procedures for Admission of Trading Participants

#### 2.4.1 Application Form

Rule 2.4.1(a)

See **Annexure B** for the application form.

Rule 2.4.1(b)

The declaration is included in the application form.

See **Annexure B** for the application form.

#### 2.4.3 Supporting Evidence

Supporting evidence specified for the purposes of Rule 2.4.3:

(a) supporting evidence specified in the application form at **Annexure B**;

(b) any supporting evidence requested by the Exchange in respect of a particular applicant.;

(c) any other supporting evidence the applicant wishes to lodge, as approved by the Exchange in respect of a particular applicant.

#### 2.4.4 Requisitions and Enquiries

**Rule 2.4.4(a)**

The information required in relation to the control and ownership of the applicant for the purposes of Rule 2.4.4(a) is specified in the application form at **Annexure B**.

**2.4.5 Consideration of Application****Rule 2.4.5(e)**

The notice of proposed rejection must be issued to the applicant at least 10 Business Days before the date of the proposed rejection.

**2.4.9 Lapse of Approval**

Specified time for lapse of approval for the purposes of Rule 2.4.9: 40 Business Days

**2.4.10 Procedures Following Rejection of Application**

Specified time to appeal the decision for the purposes of Rule 2.4.10(c): 40 Business Days

**2.6 Suspension and Termination Of Trading Participant Admission****2.6.10 Grounds for Termination of Trading Participants**

No greater time has been specified for the purposes of Rule 2.6.10.

**2.7 Requirements for Admission as a Clearing Entity****2.7.4 Additional Requirements**

No additional requirements have been specified for the purposes of Rule 2.7.4.

**2.8 Procedures for Admission of Clearing Entities****2.8.1 Application Form****Rule 2.8.1(a)**

See **Annexure H** for the application form.

**Rule 2.8.1(b)**

The declaration is included in the Clearing Entity application form.

See **Annexure H** for the Clearing Entity application form.

**2.8.3 Consideration of Application**

The notice of proposed rejection must be issued to the applicant at least 10 Business Days before the date of the proposed rejection.

**2.8.6 Lapse of Approval**

Specified time for lapse of approval for the purposes of Rule 2.8.6: 40 Business Days

**2.8.7 Procedures Following Rejection of Application**

Specified time to appeal the decision for the purposes of Rule 2.8.7(c): 40 Business Days

**2.10 Suspension and Termination of Clearing Entity Admission****2.10.10 Grounds for Termination of Clearing Entities**

No greater time has been specified for the purposes of Rule 2.10.10.

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## Part 3: Business Conduct Rules

### 3.3 Obligations to the Exchange and to the Exchange Market

#### 3.3.8 Fees and interest

##### Rule 3.3.8(a)

The following fees are specified for the purposes of Rule 3.3.8(a): The application and annual subscription Fees are:

Application Fee                   \$ 20,000

Annual Participation Fee   \$ 7,500

Other applicable Fees are as published in the FGL Schedule of Fees and as subsequently determined and communicated by the Exchange from time to time.

##### Rule 3.3.8(c)

For the purposes of Rule 3.3.8(c) – interest will be calculated as specified in FGL Procedure 1.2.3(h).

### 3.4 Periodic Reporting Obligations

#### 3.4.1 Periodical report of financial position

##### Rule 3.4.1(a)

- (a) The form is as required in the Market Integrity Rules, otherwise see **Annexure C** for a pro-forma Periodical Report of Financial Position.
- (b) For the purpose of Rule 3.4.1(a) a Periodical Report of Financial Position is required as frequently as stated in the Market Integrity Rules, otherwise each calendar month.
- (c) The time specified for the purpose of Rule 3.4.1(a) is as stated in the Market Integrity Rules, otherwise within one calendar month from the previous calendar month end, except for the month of June in each year, in which the time specified is within two calendar months.

##### Rule 3.4.1(b)

For the purpose of Rule 3.5.1(b) an annual audit certificate is required within three (3) months of a Participant's financial year end.

#### 3.4.2 Beneficial Owner report

The format for the Beneficial Owner report is specified in **Annexure J**. The time for the Beneficial Owner report to be delivered is daily by 11:30am on the first Business Day after Trade Date. Beneficial Owner reports are to be sent to the Exchange in the manner specified in Annexure J.

#### 3.4.3 Annual statement provided to ASIC or Offshore Regulators

The time specified for the purpose of Rule 3.4.3 is 5 Business Days after lodgement of the annual statement with ASIC or any Offshore Regulator.

### 3.5 Obligations Regarding Records

#### 3.5.2 Form and retention of records

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No other period has been specified for the purpose of Rule 3.5.2(c).

## **3.8 Notification Obligations**

### **3.8.3 Notification of change in Licence or exemption or relief**

- (a) The time specified for the purposes of Rule 3.8.3 with respect to the notification period in relation to any variation to the terms or conditions of a Participating Entity's AFS Licence is 5 Business Days.
- (b) The time specified for the purposes of Rule 3.8.3 with respect to the notification period in relation to any variation to the terms or conditions of a Participating Entity's exemption or relief is 5 Business Days.

### **3.8.4 Notification of breaches and investigations**

#### **Rule 3.8.4(a)**

The time specified for the purposes of Rule 3.8.4(a) with respect to notifications of breaches and investigations is 5 Business Days.

#### **Rule 3.8.4(b)**

The time specified for the purposes of Rule 3.8.4(b) with respect to notifications of breaches and investigations is the same time as the notification is made to ASIC, the Offshore Regulator and/or the Clearing House.

### **3.8.14 Notification of Intention to Deal for Clients**

The time specified for the purposes of Rule 3.8.14 is at least 20 Business Days.

## Part 4: Market Conduct Rules

### 4.2 Trading on the Exchange Market

#### 4.2.8 Order Router Facility

##### Rule 4.2.8(f)

The following procedural requirements are specified for the purposes of Rule 4.2.8(f):

- (a) FGL conformance tests will cover basic functionality such as connectivity, Order management, Trade management and risk management as a minimum. The Order Routing Facility must pass all elements of this functional testing.
- (b) Passing a FGL conformance test does not imply certification or approval of the Order Router Facility technology by the Exchange.
- (c) The Exchange may charge a fee for facilitating a conformance test.

#### 4.2.10 Position limits

##### Rule 4.2.10(a)

For the purposes of Rule 4.2.10(a), the following maximum number of Open Contracts are specified:

- (i) 50% of all Open Contracts in a FGL Product or in an Individual FGL Product
- (ii) 50% of all Open Contracts in a FGL Product or in an Individual FGL Product
- (iii) 50% of all Open Contracts in a FGL Product or in an Individual FGL Product
- (iv) 50% of all Open Contracts in a FGL Product or in an Individual FGL Product

##### Rule 4.2.10(c)

For the purposes of Rule 4.2.10(c), there are no further requirements specified.

#### 4.2.11 Power to limit access

The following limitations, parameters and restrictions are specified for the purposes of Rule 4.2.11(c):

- (a) The maximum number of Orders that may be transmitted by each Trading Participant is [100 Orders per second]
- (b) The maximum quantity for each Order that may be entered by a Trading Participant is 10,000
- (c) If requested by a Trading Participant for risk management purposes, the Exchange is able to set limits for the Trading Participant, or for a specific connection ID for the Trading Participant, to:
  - (i) limit access to a subset of FGL Products;
  - (ii) impose more restrictive price limits than the Exchange has implemented for Order entry of a FGL Product, separately for Futures Contracts and Option Contracts; and/or
  - (iii) impose more restrictive quantity limits than the Exchange has implemented for Order entry for a FGL Product, separately for Futures Contracts and Option Contracts.

To request that the Exchange sets any of these limits, please contact the FGL Market Control department

- (d) The maximum frequency for polling the Trading System for data [to be provided]

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#### 4.2.12 Power to cancel an Order

##### Rule 4.2.12(a)(iii)

The following are specified for the purposes of Rule 4.2.12(a)(iii):

(a) Procedure for a Trading Participant to request cancellation of an Order

The request to cancel an Order may be made by telephone to the FGL Market Control department.

(b) Details to be provided in a request to cancel an Order include:

- (i) the reason why the Trading Participant is unable to cancel the Order;
- (ii) if the request to cancel is for a specific Order, the request must include
  - (A) the Trading System Order number;
  - (B) the Trading Participant connection ID;
  - (C) the Individual FGL Product;
  - (D) the Order price; and
  - (E) the Order quantity.
- (iii) if the request to cancel is for all Orders or for a group of Orders the request must include:
  - (A) the Trading Participant connection ID; and
  - (B) sufficient detail for the Exchange to confirm the Orders to be cancelled.

(c) The Exchange will cancel Trading Participant Orders when requested on a 'best endeavour' basis and cannot guarantee that an Order will be cancelled prior to it trading partially or in full. If a Trade occurs prior to a requested Order cancellation being processed, the Trading Participant may request cancellation of the Trade as an Error Trade in accordance with Operating Rule 4.8.

If the Exchange determines to cancel an Order in accordance with Rule 4.2.12(a)(i) or 4.2.12(a)(ii), it will notify the Trading Participant responsible for the Order as soon as practicable after cancellation of the Order and provide the FGL Trading System Order number and the reason for the cancellation.

## 4.4 Strategy Trading

### 4.4.2 Defined Strategy Trades

#### Rule 4.4.2(a)(i)

The types of Defined Strategies which may be listed on the Exchange Market specified for the purposes of Rule 4.4.2(a)(i) are:

- (a) intra-spread– a strategy to simultaneously buy one Individual FGL Product (month) and sell another Individual FGL Product (month) in the same FGL Product;
- (b) strip– a strategy to simultaneously buy or sell a series (strip) of Individual FGL Products (months) in the same FGL Product;
- (c) inter-spread - a strategy to simultaneously buy one Individual FGL Product and sell another Individual FGL Product in a different FGL Product .

#### Rule 4.4.2(a)(ii)

The Individual FGL Products available for each leg of a Defined Strategy are specified in the Contract Specifications section of the FGL Operating Rules.

### 4.4.3 Tailored Strategy Trades

#### Rule 4.4.3(b)(i)

The following procedures are specified for the purposes of Rule 4.4.3(b)(i):

A Trading Participant must request a market for a new Tailored Strategy as follows:

Prior to the entry of a Tailored Strategy Order, the Trading Participant must enter a 'Request for Quote' (RFQ) into the Trading System outlining the Individual FGL Product for each leg comprising the Tailored Strategy Order and the ratios to be used.

See **GN29 – Tailored Strategies for more information – including examples.**

#### Rule 4.4.3(b)(ii)(A)

The following is specified as the period a Trading Participant must wait after issuing a Request for Quote, before submitting an Order for a new Tailored Strategy for the purposes of Rule 4.4.3(b)(ii)(A): 30 seconds.

See **GN29 – Tailored Strategies for more information – including examples.**

#### Rule 4.4.3(b)(ii)(B)

The following is specified as the period during within which a Trading Participant must enter an Order for a new Tailored Strategy after issuing a Request for Quote for the purposes of Rule 4.4.3(b)(ii)(B): 5 minutes and 30 seconds.

See **GN29 – Tailored Strategies for more information – including examples.**

#### Rule 4.4.3(b)(iii)

The minimum and maximum number of legs for a Tailored Strategy Order specified for the purposes of Rule 4.4.3(b)(iii) are:

- (a) minimum number of 2 legs; and



(b) maximum number of 8 legs.

**Rule 4.4.3(b)(v)**

The maximum size of the lowest common denominator for each leg in the Tailored Strategy Order is 50 lots

See **GN29 – Tailored Strategies for more information – including examples.**

**Rule 4.4.3(b)(vi)**

No additional requirements are specified for the purposes of Rule 4.4.3(b)(vi)

**Rule 4.4.3(c)**

Each leg’s price must meet the following criteria:

- (i) If the underlying product has not traded for the current trade date and there are no valid bids and/or offers, the individual leg price must fall within the Order Price Movement Limit from the Reference Price for the product.
- (ii) If the underlying product has traded for the current trade date and there are no valid bids and/or offers, the individual leg price must fall within the Order Price Movement Limit from the last traded price.
- (iii) If the underlying product has valid bids and/or offers, the individual leg price must fall within the Order Price Movement Limit from the relevant bid or offer.

**4.5 Block Trades**

**4.5.2 Individual FGL Products available for a Block Trade**

**Rule 4.5.2(a)**

The Individual FGL Products in which Block Trades may be arranged are specified in the following table:

Contract Name	Minimum Volume Threshold for Block Trading	Pre-expiry no Block Trading Period
FEX ESPO Asia Crude Futures	100 lots	3 days
FEX ESPO Asia Crude Options	100 lots	3 days
FEX API5 Newcastle Coal (AUD) Futures	100 lots	3 days
FEX API5 Newcastle Coal (AUD) Options	100 lots	3 days
FEX Base Load Power Quarterly Futures	25 lots	NIL: Block trades may be done any time to expiry
FEX Peak Load Power Quarterly Futures	25 lots	NIL: Block trades may be done any time to expiry
FEX \$500 Strike 5MS Cap Power Quarterly Futures	25 lots	NIL: Block trades may be done any time to expiry

FEX \$300 Strike 5MS Cap Power Quarterly Futures	25 lots	NIL: Block trades may be done any time to expiry
FEX Base Load Power 4qtr Strip Option	25 lots	NIL: Block trades may be done any time to expiry
FEX Base Load Power Quarterly Option	25 lots	NIL: Block trades may be done any time to expiry
FEX JCC Asia Crude Futures	100 lots	3 days
FEX JCC Asia Crude Options	100 lots	3 days
FEX Mysteel (SEADEx) 62 Iron Ore (AUD) Futures	100 lots	3 days
FEX Mysteel (SEADEx) 62 Iron Ore (AUD) Options	100 lots	3 days
FEX DWGM Gas Monthly Futures	25 lots	NIL: Block trades may be done any time to expiry
FEX STTM Gas Monthly Futures	25 lots	NIL: Block trades may be done any time to expiry

For FEX Power and Gas futures and related options products, multi-legged Block Trades may also be registered through the Block Trade Facility providing that the multi-legged functionality is used and that:

- (a) Each leg of the multi-legged Block Trade must be registered as a Block Trade; and
- (b) Each leg of the multi-legged Block Trade must be for a defined FEX Power or Gas product; and
- (c) the volume of each leg meets the Minimum Volume Threshold for Block Trading, unless the Exchange determines that a leg that is less than the designated Minimum Volume Threshold entered through the multi-legged functionality constitutes a reasonable hedge when considering the complete multi-legged Block Trade.

#### **Rule 4.5.2(b)**

The number of days prior to expiry of an Individual FGL Products in which Block Trades may be arranged is specified in the table above.

### **4.5.5 Restrictions on conducting a Block Trade**

#### **Rule 4.5.5(b)(ii)**

Block Trades for FGL power products may be arranged overnight and must be registered through the Block Trade Facility before the Pre-Open period for the Day Session commences. Any Block Trades arranged during the Day Session must be entered and confirmed in the Block Trade Facility within 30 minutes from the close of the Day Session for the purposes of Rule 4.5.5(b)(ii).

### **4.5.6 Submission of a Block Trade request**

#### **Rule 4.5.6(a)**

The following is specified for the purposes of Rule 4.5.6(a):

For all FGL products:

- (a) A Block Trade must be entered into the Block Trade Facility as soon as practicable and in any case within 5 minutes following arrangement.
- (b) For a Block Trade to be cleared as a Trade on the current Trade Date, FGL power products must be entered and confirmed in the Block Trade Facility within 30 minutes from the close of the day session and all other products must be entered and confirmed in the Trading System within 10 minutes from the close of the day session.
- (c) A Block Trade request must be entered into the Block Trade Facility by the seller of the Block Trade.
- (d) The following information must be entered into the Block Trade Facility:
  - (i) Buyer Trading Participant;
  - (ii) Individual FGL Product;
  - (iii) quantity;
  - (iv) price.

#### **Rule 4.5.6(b)**

The time within which the buyer of the Block Trade must approve or reject the request specified for the purposes of Rule 4.5.6(b) is: as soon as practicable and in any case within 5 minutes following notification of the Block Trade request.

## **4.6 Exchange for Physical (EFP)**

### **4.6.1 Availability of an EFP facility**

#### **Rule 4.6.1(b)**

A Trading Participant must act in accordance with Rule 4.6.5.

### **4.6.2 Individual FGL Products available for an EFP**

#### **Rule 4.6.2(a)**

The Individual FGL Products in which EFP's may be arranged are specified in the relevant Contract Specification.

#### **Rule 4.6.2(b)**

There is no limit on the size of the Individual FGL Products that may be exchanged for a physical position.

### **4.6.5 Submission of an EFP request**

#### **Rule 4.6.5(a)**

The following times are specified for the purposes of Rule 4.6.5(a):

- (a) An EFP request must be entered into the Trading System within 5 minutes after arrangement.
- (b) For an EFP to be cleared for the current Trade date, FGL power products must be entered and confirmed in the Trading System within 30 minutes from the close of the day session and all other products must be entered and confirmed in the Trading System within 10 minutes from the close of the day session.

The requirements for the entry of an EFP specified for the purposes of 4.6.5(a) are:

- 
- (a) When the EFP request is entered into the Trading System, both parties to the EFP must intend to complete the physical Trade and must not intend to cancel the physical Trade.
- (b) Where the EFP consists of more than one Individual FGL Product being exchanged for a physical, a separate EFP request must be entered into the Trading System for each Individual FGL Product. The corresponding physical trade may be settled as one Trade.
- (c) Process for entering the EFP request:
- (i) The Trading Participant selling the Individual FGL Product leg of the EFP must enter the EFP request into the Trading System.
  - (ii) (The following information must be entered for the Individual FGL Product leg:
    - (A) Buyer Trading Participant;
    - (B) Individual FGL Product;
    - (C) quantity;
    - (D) price.
  - (iii) The following information must be entered for the physical leg:
    - (A) description of physical
    - (B) quantity or face value of physical
    - (C) price or yield (as applicable) at which the physical is traded;
    - (D) start or settlement date of physical;
    - (E) maturity date of physical (if applicable);
    - (F) coupon rate of physical (if applicable);
    - (G) coupon frequency of physical (if applicable).
- (d) The physical leg of an EFP must take place at the same time as the Individual FGL Product.

Note: Deliberate passing of erroneous information (including in relation to EFPs) is a breach of the FGL Operating Rules (OR 3.3.6).

#### **Rule 4.6.5(b)**

The following is specified for the purposes of Rule 4.6.5(b):

The buyer of the Individual FGL Product leg of the EFP must confirm or reject the EFP within 5 minutes after the notification of the EFP request.

## **4.7 Daily Settlement Price**

### **4.7.2 Indicative Daily Settlement Price for Futures Contract**

#### **Rule 4.7.2**

The following matters are specified for the purposes of Operating Rule 4.7.2(c)(iv):

For FEX Power Futures

For a Bid or Offer to be valid for use in the Indicative Daily Settlement Price calculation it must have been entered more than one (1) minute prior to the close of trading session, remain active at the close and have a minimum volume of five (5) lots.

### 4.7.3 Indicative Daily Settlement Price for Option Contracts

#### Rule 4.7.3

The following matters are specified for the purposes of Operating Rule 4.7.3(b)(iv):

FEX Power Option Products

- (i) the Exchange will undertake a weekly survey of implied volatilities for ATM strikes for all FEX Power Option Contracts;
- (ii) Removing the outliers, the Exchange will calculate the mean volatilities and assign the calculated volatility to the relevant option series for daily settlements at the close of the Trading Day.

The following matters are specified for the purposes of Operating Rule 4.7.3(b)(iv):

For Orders in an Individual FGL Product to be included in the calculation of the Daily Settlement Price for an Option Contract, they must be:

- Entered into the Trading System at least ten (10) minutes prior to the close of Trading for the Individual FGL Product; and
- • Have a total minimum quantity as described in the following table available ten (10) minutes prior to the close of Trading for the Individual FGL Product; and
- • Have a total minimum quantity as described in the following table available at the close of Trading for the Individual FGL Product;

For Tailored Strategy Orders to be included in the calculation of the Daily Settlement Price for an Option Contract, they must be for:

- A strategy including the Underlying (Futures Contract) and the at-the-money Option Contract for the Individual FGL Product that have:
  - Been entered into the Trading System at least ten (10) minutes prior to the close of Trading for the Individual FGL Product; and
  - minimum total quantity as described in the following table available ten (10) minutes prior to the close of Trading for the Individual FGL Product; and
  - minimum total quantity as described in the following table available at the close of Trading for the Individual FGL Product; or
- An at-the-money Option Contract straddle strategy for the Individual FGL Product that have:
  - Been entered into the Trading System at least ten (10) minutes prior to the close of Trading for the Individual FGL Product; and
  - A minimum total quantity as described in the following table ten (10) minutes prior to the close of Trading for the Individual FGL Product; and
  - A minimum total quantity as described in the following table at the close of Trading for the Individual FGL Product.

Option Contracts	Minimum Volume Threshold for Settlement Price Consideration
FEX ESPO Asia Crude Options	100 lots
FEX API5 Newcastle Coal (AUD) Options	100 lots
FEX Base Load Power 4qtr Strip Options	50 lots

FEX Base Load Power Quarterly Options	50 lots
Option Tailored Strategy in an Individual FGL Product	Combined Option leg volume equivalent to Individual Options Contract minimum volumes
Option Straddle Strategy in an Individual FGL Product	Combined Option leg volume equivalent to Individual Options Contract minimum volumes
FEX JCC Asia Crude Options	100 lots
FEX Mysteel (SEADEx) 62 Iron Ore (AUD) Options	100 lots

**4.7.5 Objections to Indicative Daily Settlement Price**

The time specified for the purposes of Rule 4.7.5(a) is: 5 minutes.

**4.8 Error Trades**

**4.8.2 Procedures for considering and cancelling an Error Trade**

**Rule 4.8.2(a)**

The following are specified for the purposes of Rule 4.8.2(a):

Process for Requesting Cancellation of an Error Trade

- (a) The request to cancel an Error Trade may be made by telephone to the FGL Market Control department or by completing and lodging **Annexure G**.
- (b) Details to be provided are:
  - (i) the Trading System Order number;
  - (ii) the error that was made;
  - (iii) the Trading System Trade number;
  - (iv) the Individual FGL Product;
  - (v) the Trade price; and
  - (vi) the Trade quantity.

**4.10 Pre-Negotiated Orders**

For the purposes of Rule 4.10 only the following Contracts may be pre-negotiated:

Contract	Minimum prescribed time between message and entry of orders: Outright market	Minimum prescribed time between message and entry of orders: Tailored Strategy	After prescribed time - time allowed for order execution:	Minimum volume threshold
FEX Base Load Power Quarterly Futures	30 seconds	30 seconds	90 seconds	5 lots

FEX Peak Load Power Quarterly Futures	30 seconds	30 seconds	90 seconds	5 lots
FEX \$500 Strike 5MS Cap Power Quarterly Futures	30 seconds	30 seconds	90 seconds	5 lots
FEX \$300 Strike 5MS Cap Power Quarterly Futures	30 seconds	30 seconds	90 seconds	5 lots
FEX Base Load Power 4qtr Strip Options	30 seconds	30 seconds	90 seconds	5 lots
FEX Base Load Power Quarterly Options	30 seconds	30 seconds	90 seconds	5 lots
FEX DWGM Gas Monthly Futures	30 seconds	30 seconds	90 seconds	5 lots
FEX STTM Gas Monthly Futures	30 seconds	30 seconds	90 seconds	5 lots

Pre-negotiation of the above Contracts may be carried out during any trading session up until expiry.

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## Trading Procedures

- (a) Where a Trading Participant receives instruction from a Client that an Order can be executed as pre-negotiated business, the Trading Participant may:
  - (i) withhold transmission of the Order in order to solicit Orders from Clients and other Trading Participants; and
  - (ii) disclose details of Clients' Order; and
  - (iii) aggregate Orders received from Clients in satisfaction or part satisfaction of the originating Client Order.
- (b) Once counterparties have been solicited - the Trading Participant(s) must enter the Orders on the Trading Platform for execution.
- (c) Prior to entering the pre-negotiated Orders on the Trading Platform for execution in the relevant Individual FGL Product or strategy, the Trading Participant holding the originating Client Order must make an enquiry via the Trading Platform Message Facility for a market in that Individual FGL Product or strategy.
- (d) Pre-negotiated Orders shall only be entered into the Trading Platform after the prescribed time or such other time, as determined by the Exchange, has elapsed after the entry of the enquiry into the Trading Platform Message Facility and before the expiry of the time allowed for Order execution.
- (e) The following information must be included when submitting an enquiry:
  - (i) Product type
    - (A) Individual FGL Product; or
    - (B) Defined strategy – provided at least one leg of the strategy meets the minimum volume threshold; or
    - (C) Tailored strategy- provided at least one leg of the strategy meets the minimum volume threshold; and
  - (ii) ratios of futures/options (if applicable); and
  - (iii) any other information relevant to the pricing of the trade.
- (f) Where a Trading Participant holds opposing Orders at a particular price, and a market is made following a Request for Quote or Message that touches or overlaps that particular price, then a Trading Participant must trade with the market even if it means missing out on a cross trade.
- (g) Client Authorisation.

See **ASIC Market Integrity Rules (Futures Market) 2017**



## **Part 5: Exchange Market Oversight Rules**

### **5.2 General Provisions**

#### **5.2.6 General power to suspend or halt the Exchange Market, and related powers**

No additional details are specified for the purposes of Rule 5.2.6.

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## Part 6: Clearing

### 6.3 Obligations of Clearing Entities to the Exchange

#### 6.3.5 Open interest reports

The formats for the Open Interest report, and other Trading or Position Reports, are as defined by the Clearing House for such electronic reports.

All Reports are required to be delivered to the Clearing House according to the requirements under the CME Clearing Rules.

### 6.4 Conduct Obligations to the Exchange and to the Exchange Market

#### 6.4.8 Fees and Interest

##### Rule 6.4.8(a)

The following fees are specified for the purposes of Rule 6.4.8(a): The application and annual subscription Fees are:

Application Fee               \$ 20,000

Annual Participation Fee   \$ 10,000

Other applicable Fees are as published in the FGL Schedule of Fees and as subsequently determined and communicated by the Exchange from time to time.

##### Rule 6.4.8(c)

For the purposes of Rule 6.4.8(c) – interest will be calculated as specified in FGL Procedure 1.2.3(h).

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## Part 7: Disciplinary Procedures and Dispute Resolution

### 7.3 Disciplinary Proceedings: General Rules and Powers

#### 7.3.6 Appeal

Notice of appeal must be given to the Exchange, within 20 Business Days of the date of the decision to which it relates.

### 7.4 Commencement of Disciplinary Proceedings

#### 7.4.2 Notice

See **Annexure D** for pro-forma Commencement of Disciplinary Proceedings Notice.

### 7.5 Powers of CCC in Disciplinary Proceedings

#### Rule 7.5.1(e)

The maximum amount with respect to the following types of Respondent applies:

- (a) where the Respondent is a natural person – \$50,000;
- (b) where the Respondent is a Corporation or Firm – \$500,000.

#### Rule 7.5.1(n)

The maximum period the CCC can order that a Derivatives Staff Member not be employed, or otherwise appointed, in a specified capacity is 3 months.

#### 7.5.4 Payment of fines and costs

The period specified for a fine or costs becoming a debt due for the purposes of Rule 7.5.4(a) is 28 Business Days after the date of the notice of the decision to the Respondent.

### 7.6 Conduct of Compliance and Conduct Committee Proceedings

#### 7.6.1 Determination on the Papers

The time in which to request an oral hearing specified for the purposes of Rule 7.6.1(b) is within 10 Business Days of notice to commence disciplinary proceedings being given under Rule 7.4.2.

#### 7.6.12 Reasons for decision

The CCC shall notify the Respondent and the Exchange in writing of its decision and the reasons within 40 Business Days of making its decision.

### 7.7 Consolidation of Proceedings – Regulated Persons

#### 7.7.2 Right to object

The time specified for the purposes of Rule 7.7.2(a) is within 10 Business Days (or such other longer period as may be approved by the Exchange in its discretion).

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## Part 8: Appeals Tribunal

### 8.2 Appeals Tribunal and Appeals Procedure

#### 8.2.4 Commencement of Appeal

See **Annexure E** for pro-forma Notice of Appeal.

#### 8.2.5 Payment of Fee

The appeal Fee specified for the purposes of Rule 8.2.5 is: \$2,000

### 8.5 Commencement of Appeals Proceedings

#### 8.5.1 The Exchange to notify Appeals Tribunal

##### Rule 8.5.1(c)

The following procedures are specified for the purposes of Rule 8.5.1(c):

The Chairperson shall convene a meeting within 10 Business Days after appointment as Chairperson of an Appeals Tribunal.

### 8.6 Conduct of Appeals Tribunal Proceedings

#### 8.6.2 Determination on the Papers

The following timeframe is specified for the purposes of Rule 8.6.2(a)(ii):

A request for an oral appeal hearing must be submitted to the Exchange within 10 Business Days of the filing of the appeal notice.

#### 8.6.9 Attendance at Proceeding

##### Rule 8.6.9(a)

No information is currently specified for the purposes of Rule 8.6.9(a).

##### Rule 8.6.9(b)

The following timeframe is specified for the purposes of Rule 8.6.9(b):

Written notice must be given to the Participating Entity or Derivatives Staff Member no less than 10 Business Days before the appeal hearing date or such other longer period of notice as is reasonable in the circumstances to allow them to appear.

#### 8.6.11 Reasons for decision

The time specified for the purposes of Rule 8.6.11(a) is: 40 Business Days

## Part 9: Classes and Contractual Terms of Financial Products Dealt With on the Exchange Market

### 9.5 Formation of, and Parties to, Each Market Contract and Open Contract

#### 9.5.1 Acceptance of a buy Order or sell Order

No other time has been specified for the purposes of Rule 9.5.1(a)(ii).

#### 9.6.1 Determinations by the Exchange

The details of current Exchange determinations for the list of general Contract terms for each relevant product is documented and published by FGL prior to market launch of a product and maintained on an ongoing basis within the FGL Product Determinations document available on the FEX Global website.

##### Price limits

Price limits for each Individual FGL Product are specified in the relevant FGL Product section of the FGL Product Determinations document.

##### Daily Price Movement Limit

- (a) A Daily Price Movement Limit is specified for each Individual FGL Product in the relevant FGL Product Determinations document.
- (b) The Daily Price Movement Limit provides the maximum amount above and the maximum amount below the Reference Price that Trades may occur in an Individual FGL Product.
- (c) The Exchange may halt Trading in an Individual FGL Product if a Trade will occur at a price above the Reference Price plus the Daily Price Movement Limit or below the Reference Price minus the Daily Price Movement Limit.
- (d) At the start of a Trading Day, the Reference Price for each Individual FGL Product will be set to the Daily Settlement Price for the Individual FGL Product for the previous Trading Day.
- (e) If an Individual FGL Product which is a Futures Contract is halted, all Individual FGL Products (Futures Contracts and Options Contracts), Defined Strategies and Tailored Strategies for that FGL Product will be halted.
- (f) If an Individual FGL Product which is an Option Contract is halted, only that Individual FGL Product and any Tailored Strategies for that Individual FGL Product will be halted.
- (g) The Reference Price may be changed by the Exchange at any time, at its discretion. The Exchange will notify Trading Participants of any change made to a Reference Price.
- (h) The Exchange will determine, at its discretion, when and how to resume Trading in a halted Individual FGL Product. The Exchange will notify Trading Participants of the timing and manner in which Trading will be resumed.

See **GN38 - Price Limits**

See **GN43 - System Failure and Market Halts**

##### Matching Algorithms

Trade execution in the FGL Market occurs using a price/time priority matching algorithm. The algorithm used for each Individual FGL Product is specified in the relevant Contract Specification.

Price / time algorithm

- (i) Orders are matched based on a best price priority followed by an earliest time priority.

- (j) Rules of Order amendment where the price/time algorithm is used are:
- (i) A change to an Order price up or down moves the Order to lowest in time priority at the new price.
  - (ii) A change to an Order to increase the quantity moves the Order to the lowest in time priority at that price.
  - (iii) A change to an Order to decrease the quantity retains the existing time priority at that price.

#### Examples

See **GN22 – Matching Algorithm Examples** for examples of the application of the matching algorithm.

## **Annexure A Pro Forma Clearing Entity Agreement**

This document can be found on the FEX Global website and by contacting the FEX Global Customer Support team by email to [onboarding@fex.com.au](mailto:onboarding@fex.com.au) or phone +61 2 8024 5200

## **Annexure B Trading Participant Application Form**

This document can be found on the FEX Global website and by contacting the FEX Global Customer Support team by email to [onboarding@fex.com.au](mailto:onboarding@fex.com.au) or phone +61 2 8024 5200

## **Annexure C Pro Forma Periodical Report of Financial Position**

This document can be found on the FEX Global website and by contacting the FEX Global Customer Support team by email to [onboarding@fex.com.au](mailto:onboarding@fex.com.au) or phone +61 2 8024 5200

A PERIODICAL REPORT OF FINANCIAL POSITION IS TO BE COMPLETED BY:

- (i) Trading Participants; and
- (ii) Clearing Entities (unless an equivalent report has been lodged with CME).

This Periodical Report of Financial Position must be lodged with FGL by the **fifteenth** business day following the last day of each month.

The Report may be emailed to the Chief Compliance Officer at [Compliance@fex.com.au](mailto:Compliance@fex.com.au)

## **Annexure D Pro Forma Commencement of Disciplinary Proceedings Notice**

This document can be found on the FEX Global website and by contacting the FEX Global Customer Support team by email to [onboarding@fex.com.au](mailto:onboarding@fex.com.au) or phone +61 2 8024 5200

## **Annexure E Pro Forma Notice of Appeal**

This document can be found on the FEX Global website and by contacting the FEX Global Customer Support team by email to [onboarding@fex.com.au](mailto:onboarding@fex.com.au) or phone +61 2 8024 5200

## **Annexure G Error Trade Report**

This document can be found on the FEX Global website and by contacting the FEX Global Customer Support team by email to [onboarding@fex.com.au](mailto:onboarding@fex.com.au) or phone +61 2 8024 5200

## **Annexure H Clearing Entity Application Form**

This document can be found on the FEX Global website and by contacting the FEX Global Customer Support team by email to [onboarding@fex.com.au](mailto:onboarding@fex.com.au) or phone +61 2 8024 5200

## **Annexure J Pro Forma Beneficial Owner Report**

This document can be found on the FEX Global website and by contacting the FEX Global Customer Support team by email to [onboarding@fex.com.au](mailto:onboarding@fex.com.au) or phone +61 2 8024 5200