



SIM Venture Securities Exchange Business Rules

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Business Rules

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Introduction

OVERVIEW

The Exchange business rules set out the obligations of Exchange brokers who trade on the Exchange on behalf of their clients. In particular, they cover Exchange broker membership requirements, financial and liquid capital requirements, obligations to clients and other Exchange brokers, dealing, clearing and settlement and supervisory arrangements.

The Exchange business rules therefore play an important role in setting standards for the conduct of brokers who trade on the Exchange.

The Exchange business rules also play an important role in the overall legal and regulatory framework for the Exchange. In particular, they are additional and complementary to obligations of Exchange brokers under statutes, such as the Corporations Act, and under common law.

The Exchange business rules create a contract between the Exchange and the Exchange brokers and also between the Exchange brokers themselves. This contract is enforceable by the Exchange as well as a range of other people under the Corporations Act.

There are restrictions on how the Exchange can change its business rules. Any rule amendments need to be lodged by the Exchange with the Australian Securities and Investments Commission and can be disallowed by the Minister (for example, if the Minister regards the changes as inconsistent with good regulatory practice).

Key Principles

The Exchange business rules are based on the following key principles:

1. applicants for recognition as the Exchange brokers must meet minimum standards in relation to integrity, competency, experience and financial capacity;
2. Exchange brokers must carry out their obligations to their clients in a fair and professional manner and in the best interests of their clients at all times;
3. Exchange brokers must meet continuing requirements in relation to integrity, competency, experience and financial capacity to ensure they remain capable of properly carrying out their obligations to the Exchange, their clients and other Exchange brokers;
4. activities of the Exchange brokers and their clients must be carried out in a efficient and certain manner to reduce risk and promote confidence in the functioning of the Exchange.

Assistance

The Exchange welcomes enquires from organisations wishing to join the Exchange as an Exchange broker. Please contact the Exchange Broker's office.

Chapter 1: Exchange Broker Membership

OVERVIEW

This chapter sets out the key requirements for Exchange brokers including how to apply to become recognised as an Exchange broker.

Exchange broker recognition

- 1.1 The Exchange will recognise a natural person or company as an Exchange broker if they satisfy, and continue to satisfy, the eligibility and ongoing requirements for Exchange brokers set out in the rules.

Eligibility requirements for Exchange brokers

- 1.2 To be eligible to become recognised as an Exchange broker, a company applicant:
- (a) Must have a majority of directors who are residents of a State or Territory of Australia;
 - (b) with one director, must ensure the director satisfies the principal requirements in rule 1.4;
 - (c) with between two and four directors, must have at least two directors who satisfy the principal requirements in rule 1.4;
 - (d) with more than four directors, must have not less than one quarter of its directors who satisfy the principal requirements in rule 1.4;
 - (e) must satisfy the Exchange that:
 - (i) each director who does not satisfy the principal requirements in rule 1.4; and
 - (ii) each person who is, or would be, a substantial shareholder within the meaning of part 6.7 of the Corporations Act of the applicant or its holding company
- is of good character and high business integrity and has undertaken to the Exchange and to the applicant to comply with and be bound by the rules in connection with the stockbroking business to be conducted by the applicant as an Exchange broker;
- (f) must satisfy the Exchange it has the required financial resources to meet its obligations as an Exchange broker; and
 - (g) must have a constitution which contains provisions:
 - (i) requiring continued compliance by the applicant with the rules of the Exchange; and
 - (ii) authorising the applicant, on its own initiative or at the request of the Exchange, to obtain from its members any information which could be obtained if part 6C.2 of the Corporations Act applied to the applicant.
- 1.3 To be eligible to become an Exchange Broker, a natural person:
- (a) must satisfy the Exchange they are capable of carrying out the obligations of a Broker efficiently, honestly and fairly;
 - (b) must satisfy the principal requirements in rule 1.4; and

- (c) must have the necessary financial resources to meet their obligations as an Exchange broker.

Principal Requirements

- 1.4 The principal requirements for the purposes of rules 1.2 and 1.3 require a person to:
- (a) have been employed for at least two years in a stockbroking capacity:
 - (i) by a broker or member organisation of a recognised stock exchange; or
 - (ii) by a business which in the opinion of the Exchange provided substantially equivalent experience to that which would have been derived from employment under sub-paragraph (i) above;
 - (b) either:
 - (i) have successfully completed the Diploma or the Certificate Course conducted by Securities Institute Education or a course considered by the Exchange to be substantially equivalent; or
 - (ii) hold an accepted tertiary qualification in commerce, economics, law, accountancy, business administration, banking, secretarial practice or any other qualification considered by the Exchange to be substantially equivalent;
 - (c) have successfully completed any subjects conducted by Securities Institute Education that are prescribed by the Exchange from time to time or subjects considered by the Exchange to be substantially equivalent;
 - (d) not be an insolvent under administration within the meaning of that expression in the Corporations Act;
 - (e) be of good character and high business integrity; and
 - (f) satisfy the Exchange they will devote a substantial amount of time each week working as a broker whether as a principal, officer, employee or authorised representative.

Good Character Requirements

- 1.5 For the purpose of deciding a person's good character, and without in any way limiting the discretion of the Exchange, the Exchange may take into account any conviction of the person for any offence at any time (other than a traffic offence) and any adverse mention of the person at any time in a report made by or at the request of any government or governmental authority or agency.
- 1.6 Without in any way limiting the discretion of the Exchange, the Exchange may deem a person not to be of good character if the person is prohibited under the Corporations Act from being a director or promoter of, or being in any way concerned in or taking part in the management of, a corporation.

Application to Become Recognised as an Exchange Broker

- 1.7 An applicant to become recognised as an Exchange Broker must:
- (a) complete and provide to the Exchange an application in the form of Annexure 1A;
 - (b) provide to the Exchange any other documents or information required from the applicant, or any other person, in relation to the application;

- (c) pay any fees payable to the Exchange under chapter 11; and
- (d) obtain, within 3 months of recognition by the Exchange as an Exchange Broker, an Australian financial services licence under the Corporations Act that authorises the applicant to engage in stockbroking.

1.8 The Exchange will determine an application within 6 months of receiving a fully completed application.

Key Rights and Obligations of Exchange Brokers

1.9 An Exchange broker may describe themselves as a 'SIM Venture Securities Exchange Ltd' or 'SIM VSE' broker.

1.10 The rights provided to an Exchange Broker under the rules cannot be transferred to any other person.

1.11 Subject to rule 1.12, an Exchange Broker:

- (a) has no voting rights whatsoever in relation to any shareholder or other meetings of the Exchange;
- (b) is not entitled to share in any distribution of profits of the Exchange or in a distribution on a winding up or reduction in capital of the Exchange; and
- (c) has no other claim whatsoever on the property or funds of the Exchange.

1.12 If an Exchange Broker is also a shareholder of the Exchange, their rights in relation to the matters in rules 1.11(a), (b) and (c) are limited to their rights as a shareholder as provided in the constitution of the Exchange.

Exchange Broker Certificates

1.13 The Exchange may issue a certificate to an Exchange Broker certifying that they are a broker of the Exchange. Any such certificate remains the property of the Exchange and must be returned immediately by an Exchange Broker if the Exchange requests the Exchange broker in writing to do so.

Right to Make Submissions

1.14 The Exchange will not reject an application for recognition as an Exchange Broker without providing the applicant with the opportunity to make submissions to the Exchange in relation to their application.

1.15 If the Exchange rejects any application it will, within 30 days after reaching such a decision, send by registered mail to the applicant at the address of the applicant stated on the application the reasons in writing for the rejection of the application. The applicant shall be deemed to have received the reasons on the second business day after dispatch.

1.16 An applicant must meet its own expenses and costs incurred in connection with the determination of its application.

Resignation by an Exchange Broker

1.17 An Exchange Broker may resign as an Exchange Broker by giving notice in writing to the Exchange. The resignation will not take effect until it is accepted by the Exchange. The Exchange will not unreasonably refuse to accept the resignation of an Exchange Broker.

Termination of an Exchange Broker Recognition

- 1.18 The Exchange may request any Exchange broker it believes is no longer actively carrying on their stockbroking business or does not hold any necessary licence pursuant to the Corporations Act to conduct a stockbroking business to show cause why they should not cease to be an Exchange Broker.
- 1.19 If, after considering the representations of an Exchange Broker, the Exchange is satisfied the Exchange broker is no longer actively carrying on their stockbroking business or does not hold any necessary licence pursuant to the Corporations Act to conduct a stockbroking business the Broker will, subject to rule 1.24, cease to be an Exchange Broker from the time determined in writing by the Exchange.
- 1.20 If, at any time after the admission of an applicant as an Exchange Broker, the Exchange is satisfied that:
- (a) in the case of a corporate Exchange broker - an officer or shareholder of the applicant; or
 - (b) the case of a natural person Exchange broker - the applicant
- made a wilful omission or mis-statement upon a material point prior to admission in or in connection with the application for admission that Exchange broker will, subject to rule 1.24, on being given notice to that effect by the Board, cease to be an Exchange Broker.
- 1.21 If, at any time after admission of an Exchange Broker, the Exchange is satisfied the Exchange broker no longer complies with each of the requirements for admission to membership specified in the rules the Exchange may give notice to the Exchange broker to that effect and the Exchange broker will, subject to rule 1.24, cease to be an Exchange Broker on the day specified in the notice.
- 1.22 In determining whether an Exchange Broker no longer complies with each of the requirements for recognition as a Broker for the purposes of rule 1.21, the Exchange will not take account of any requirements it waived when recognising the Exchange broker.
- 1.23 An Exchange Broker ceases to be an Exchange Broker on:
- (a) resignation;
 - (b) if a natural person Exchange broker, death;
 - (c) if a natural person Exchange broker, becoming bankrupt or insolvent or making an arrangement or composition with creditors of the person's joint or separate estate generally;
 - (d) if a natural person Exchange broker, becoming of unsound mind or a person whose person or estate is liable to be dealt with in any way under a law relating to mental health;
 - (e) if a corporate Exchange broker, being dissolved or otherwise ceasing to exist, having a liquidator or provisional liquidator appointed to it, or being unable to pay its debts; or
 - (f) The Exchange terminating the Exchange broker's recognition in accordance with these rules.

Right to Appeal

- 1.24 A person whose application to be recognised as an Exchange Broker is rejected by the Exchange or if the Exchange takes action against an Exchange broker under rule 1.21 the person or Exchange broker may appeal to the Compliance Committee.

- 1.25 An applicant making an appeal under rule 1.24 must lodge a notice of appeal, setting out the grounds of appeal, with the Exchange within 14 business days of the Exchange notifying the applicant in writing that their application has been rejected.
- 1.26 The decision of the Compliance Committee will be final and binding upon the applicant and the Exchange.

Chapter 2: Financial Obligations Of Exchange Brokers

OVERVIEW

This chapter sets out the key obligations of Exchange brokers in relation to financial matters.

FINANCIAL RECORDS AND ARRANGEMENTS

Corporations Act Requirements

- 2.1 An Exchange broker must maintain records as required by Part 7.8 of the Corporations Act and as otherwise required by the Exchange from time to time.

Trust Account

- 2.2 An Exchange Broker must maintain at least one trust account in accordance with the Corporations Act with an Australian ADI.
- 2.3 All deposits and withdrawals of funds from a trust account maintained by an Exchange Broker must be made in accordance with the Corporations Act.
- 2.4 All funds required to be deposited into a trust account maintained by an Exchange Broker and received by the Exchange broker after bank trading hours must be paid into the trust account on the first bank trading day following the day the funds are received.

Trial Balances

- 2.5 An Exchange Broker must ensure, not later than the 14th day of every month, that their books of account are in balance as at the end of the immediate preceding month. A record of the monthly trial balances must be retained by the Exchange broker until each succeeding audit under the Corporations Act has been completed.

Annual Accounts

- 2.6 An Exchange Broker must cause accounts relating to its business to be prepared for each financial year ending 30th June or such other date approved by the Exchange.
- 2.7 The assets and liabilities of an Exchange Broker's business must be brought into account in the balance sheet at such amounts and must be classified and described in the balance sheet in such manner that the balance sheet gives a true and fair view of the state of affairs of the Exchange broker's business as at the date to which it is made up.
- 2.8 An Exchange Broker must provide, or cause to be provided, to the Exchange Accountant the accounts referred in rule 2.6 not later than two months after the end of the Exchange broker's financial year in each year. If the Exchange is satisfied that in the circumstances an Exchange Broker should be granted an extension of time to provide the accounts it may grant an extension of one month for the lodgement of the accounts.

Audit Arrangements

- 2.9 An Exchange Broker must appoint an accountant or a firm of accountants as auditors to hold office, subject to the approval of the Exchange, until they are removed or retire. An Exchange Broker must appoint an auditor to fill any vacancy in the office of auditor within 14 days of the vacancy occurring or by such other time prescribed by law.
- 2.10 An Exchange Broker must notify the Exchange of:

- (a) the appointment of auditors; or
- (b) the removal or retirement of auditors,

within seven days of the appointment, removal or retirement of the Broker's auditors.

- 2.11 The records of an Exchange Broker's nominee companies must be included in the audit.
- 2.12 An Exchange Broker must have its internal control procedures and such other matters as designated by the Exchange audited by the Exchange broker's auditors once during the Exchange broker's financial year.
- 2.13 The form of an Exchange Broker's auditors' report will be prescribed by the Exchange.
- 2.14 An Exchange Broker must not place any limitations on the extent of an audit conducted by the Exchange broker's auditors. If any limitation is imposed, the Broker must cause its auditors to report the matter to the Exchange Accountant.
- 2.15 An Exchange Broker must give its auditors access to its premises and must supply to its auditors all records, documents, data and other information required by the auditors to conduct an effective audit.
- 2.16 An Exchange broker must provide, or cause to be provided, to the Exchange Accountant an auditors' report for each financial year not later than two months after the end of the Exchange broker's financial year. If the Exchange is satisfied that in the circumstances an extension should be granted to provide the auditor's report it may grant an extension of one month for the lodgement of the auditor's report. The copy of the auditors' report must be provided to the Exchange Accountant at the same time the Exchange broker provides its accounts pursuant to Rule 2.8 above.
- 2.17 If the Exchange believes it is necessary to do so, it may direct an Exchange broker to obtain a further audit of its internal control procedures and such other matters designated by the Exchange from its auditors. The Exchange Broker will provide, or cause to be provided, to the Exchange Accountant the further audit report by the date specified by the Exchange.

RETURNS TO THE EXCHANGE

Investments Schedule

- 2.18 An Exchange broker must prepare a schedule of its investments as at the end of their financial year and include the schedule with the accounts furnished to the Exchange Accountant under rule 2.8.
- 2.19 The schedule of investments must show the details prescribed by the Exchange.

Trust Account Schedule

- 2.20 On the first business day of each week an Exchange broker must reconcile the balance held in the Exchange broker's trust account on the last business day of the preceding week with the corresponding balance in the Exchange broker's accounting records.
- 2.21 If an Exchange broker fails to carry out a reconciliation during any week they must immediately notify the Exchange.
- 2.22 Within 5 business days of 31 March, 30 June, 30 September and 31 December in each year an Exchange broker must prepare, or cause to be prepared, a schedule showing the respective amounts held in the Exchange broker's trust account on behalf of clients together with the name of the particular client in relation to each amount as at the above dates.

Underwriting

- 2.23 An Exchange broker that participates in underwriting activities must maintain a register containing the following information in relation to each underwriting agreement entered into by the Exchange broker:
- (a) the number of securities covered by the underwriting agreement;
 - (b) the gross amount the Exchange broker is liable for under the underwriting agreement;
 - (c) the dates of commencement, termination and/or crystallisation of the Exchange broker's underwriting obligations under the underwriting agreement; and
 - (d) the number of securities disposed of or allocated to sub underwriters by the Exchange broker during the period of the underwriting agreement.
- 2.24 If the gross amount an Exchange broker is liable for under current underwriting agreements exceeds 25% of the Exchange broker's net tangible assets (as disclosed in the most recent balance sheet provided by the Exchange broker to the Exchange Accountant) the Broker must immediately notify the Exchange Accountant.
- 2.25 An Exchange broker will provide the Exchange Accountant with details of any current underwriting agreement they are a party to if required by the Exchange Accountant.

Financial Position Statutory Declaration

- 2.26 If required by the Exchange or the Exchange Accountant, an Exchange broker will provide to the Exchange Accountant a statutory declaration of their financial position (in such form and by the date required by the Exchange or the Exchange Accountant).

Information Contained in Returns to the Exchange

- 2.27 All returns, schedules and calculations submitted to the Exchange or the Exchange Accountant by an Exchange broker must be prepared in accordance with the rules.
- 2.28 All returns, schedules and calculations submitted to the Exchange or the Exchange Accountant must be certified as having been prepared in accordance with the rules by:
- (a) a director, in the case of a corporate Exchange broker; or
 - (b) the Exchange broker, in the case of a natural person Exchange broker.
- 2.29 The information contained in the returns, schedules and calculations referred to in rule 2.27 must be extracted from the books and records of the Exchange broker and accurately reflect the state of affairs of the Exchange broker.

Chapter 3: Capital Liquidity Requirements

OVERVIEW

This chapter sets out the obligations of the Exchange Brokers in relation to capital liquidity.

Capital Liquidity

3.1 An Exchange broker must ensure at all times that the surplus liquid capital in the business of the Exchange broker is not less than:

- (a) \$50,000; or
- (b) 5% of the Exchange broker's adjusted liabilities

whichever is greater.

3.2 An Exchange broker's surplus liquid capital for the purposes of rule 3.3 will be calculated as follows:

$$\text{surplus liquid capital} = A + B + C - D - E$$

Where:

- A means the Exchange broker's current assets
- B means non-current assets of the broker that are capable of being realised within one month and which the Accountant has approved for inclusion in the Exchange broker's surplus liquid capital calculation
- C means subordinated debt owed by the Exchange Broker that the Accountant has approved for inclusion in the Exchange broker's surplus liquid capital calculation
- D means the Exchange broker's total liabilities less any amounts approved by the Exchange Accountant for exclusion from the Exchange Broker's surplus liquid capital calculation
- E means assets of the Exchange Broker that are prescribed as excluded assets by the Exchange.

3.3 An Exchange broker's adjusted liabilities for the purposes of rule 3.1 means its total liabilities less:

- (a) any amount due to or received from clients and held in the Exchange Broker's trust account or accounts; and
- (b) any subordinated debt owed by the Exchange Broker that the Exchange Accountant has approved for inclusion in the Exchange Broker's surplus liquid capital calculation.

Notification to the Exchange

3.4 An Exchange Broker must notify the Exchange immediately if they breach rule 3.1.

Records and Returns

- 3.5 An Exchange broker must prepare and keep available for inspection by the Exchange Accountant a summary return, in the form prescribed by the Exchange from time to time, showing their level of surplus liquid capital, the level of adjusted liabilities and the level of surplus liquid capital as a proportion of adjusted liabilities.
- 3.6 An Exchange broker must forward to the Exchange Accountant a completed return of surplus liquid capital calculations, in the form prescribed by the Exchange from time to time, no later than 5.00p.m. on the fifth business day after the last day of the preceding calendar month.
- 3.7 An Exchange broker must forward to the Exchange Accountant a completed return of aged debtors, in the form prescribed by the Exchange from time to time, by no later than 5.00p.m. on the fifth business day after the last day of the preceding calendar month.

Exemptions

- 3.8 The Exchange may at any time or from time to time in the case of a particular Exchange Broker grant an exemption from all or any of the rules in this Chapter 3 on such terms as the Exchange may determine.

Chapter 4: Obligations to Clients

OVERVIEW

This chapter sets out the obligations owed by Exchange brokers to their clients under the business rules.

These obligations are in addition to the obligations Exchange brokers owe to their clients under Chapter 7 of the Corporations Act including, in particular, provisions relating to acting as principal in a transaction with a client, contract notes and insider trading. In several areas the Exchange business rules simply expand the obligations of Exchange brokers under the Corporations Act. Exchange brokers therefore need to be well aware of the obligations they owe their clients both under the Corporations Act and the Exchange business rules.

GENERAL REQUIREMENTS

Exchange Broker Acting as Principal

- 4.1 A Exchange broker must keep a register of prescribed persons to assist the Exchange broker in complying with the provisions of the Corporations Act which apply where the Exchange broker acts as principal in any transaction.

Prohibition on Advice to Client

- 4.2 For the purposes of this rule:
- (a) client includes a shareholder in a Exchange broker; and
 - (b) a chinese wall means an arrangement of the type described in sections 1043F and 1043G of the Corporations Act.
- 4.3 If as a result of their relationship with a client, an Exchange broker is in possession of information in relation to a security that is not generally available and which would be likely to materially affect the price of the security if the information was generally available, the Exchange broker must not give any advice to any other client of a nature that would damage the interests of either client.
- 4.4 An Exchange broker is not regarded as having possession of information described in Rule 4.3 if:
- (a) the Exchange broker has a chinese wall in place; and
 - (b) the person actually advising the client is not in possession of that information.
- 4.5 A Exchange broker who informs a client they are precluded from giving the client advice is not, for the purposes of this rule, regarded as giving advice.

Incapacity of a Client

- 4.6 If after a client has ordered an Exchange broker to buy or sell securities on their behalf:
- (a) the client dies or becomes incapable of receiving and paying for or delivering or transferring the securities; and
 - (b) the Exchange broker is unable to establish anyone legally authorised to complete the contract on the client's behalf after making reasonable enquires

the Exchange broker may, with the approval of the Exchange, re-sell or re-purchase the securities and the client (or their estate) is liable for any deficiency and entitled to any surplus which may result.

Expenses

- 4.7 An Exchange broker may charge a client for additional expenses incurred in the purchase or sale of securities, but those charges must not be covered by an increase or decrease in the price for the securities.

Nominee Shareholdings

- 4.8 An Exchange broker may establish a nominee company to hold securities that are beneficially owned by clients of the Exchange broker. The nominee company must:

- (a) be incorporated in Australia;
- (b) be beneficially owned and operated by the Exchange broker;
- (c) include the word “nominee” in its name; and
- (d) include provisions in its constitution that prohibit the nominee company from beneficially owning any securities or other property except cash.

- 4.9 An Exchange broker must not register securities it does not beneficially own in its own name or in the name of any of its associates.

Disclosure of Underwriting Shortfall

- 4.10 Where an Exchange broker acquires securities as an underwriter or sub-underwriter they must not offer such securities to a client unless they first inform the client of the closing date of the issue or offering of the securities and the reasons for their acquisition of the securities. This rule ceases to apply 90 days after the closing date of the relevant issue or offering of securities.

Contract Notes

- 4.11 In addition to complying with the requirements of the Corporations Act in relation to contract notes, an Exchange broker must ensure that a contract note issued to a client states that it is subject to:
- (a) the rules, customs and usages of the Exchange; and
 - (b) the correction of errors and omissions.

DISCRETIONARY ACCOUNTS

Authorisation

- 4.12 An Exchange broker may manage or operate a discretionary account for a client if the client has provided a written authorisation to the Exchange broker setting out the terms and conditions of operation of the discretionary account (including the rates of brokerage which may be charged by the Exchange broker).

Excessive Transactions

- 4.13 An Exchange broker that manages or operates a discretionary account for a client must not enter into a number of transactions on behalf of the client which is excessive in the circumstances.

Reports

- 4.14 An Exchange broker that manages or operates a discretionary account on behalf of a client must, if requested by the client, prepare and forward to the client a report on the client's discretionary account made up to the end of each quarter in each year setting out for the relevant period:
- (a) the value of transactions in securities entered into on behalf of the client; and
 - (b) the total brokerage, commission, management fees and other fees charged to the client.
- 4.15 Reports prepared under Rule 4.14 must be sent by the Exchange broker to their client within 14 days of the date to which the report is made up.

Register

- 4.16 An Exchange broker that operates a discretionary account for a client must keep a written register including the following information:
- (a) the date on which the account commenced;
 - (b) the name and address of the client;
 - (c) the date of the client's written authorisation;
 - (d) the client's account number or numbers;
 - (e) any qualifications, limitations or other client directions as to the disposition of the discretionary account; and
 - (f) any other information required from time to time by the Exchange.

Disputes and Complaints

- 4.17 The Exchange will consider any complaint against an Exchange broker submitted to it in writing by a person who is not an Exchange broker.
- 4.18 Any dispute between Exchange brokers arising (other than arising out of dealings at a trading session on the Exchange) or between a person who is not an Exchange broker and an Exchange broker will be referred to the Exchange and the Exchange will assess and if thought fit investigate the dispute unless it considers that:
- (a) the issue in dispute is such that it does not warrant an investigation by the Exchange; or
 - (b) it would be more appropriate for the dispute to be investigated and heard by a court or other body with jurisdiction to make a decision in respect of the dispute.

Chapter 5: Business Obligations of Exchange Brokers

OVERVIEW

This chapter outlines the business obligations Exchange brokers must comply with on an ongoing basis.

Carrying on Business

5.1 An Exchange broker:

- (a) must comply with the rules at all times;
- (b) must not carry on the business of stockbroking unless they hold an Australian financial services licence under the Corporations Act which authorises the holder to engage in the business of stockbroking; and
- (c) must not carry on business in partnership with any other person.

Responsibility for Approved Representatives

5.2 An Exchange broker is responsible to the Exchange for the conduct of each of their approved representatives. In particular, the Exchange broker is responsible to the Exchange for:

- (a) the compliance by the approved representative with the provisions of the Rules; and
- (b) all debts, liabilities and actions incurred or undertaken by the approved representative in their capacity as an approved representative of the Exchange broker or in any way arising out of their connection with the Exchange broker.

Insurance

5.3 A Exchange broker must:

- (a) take out and maintain in full force and effect at all times insurance policies covering and indemnifying the Exchange broker against liability for negligence, errors, omissions, mis-statements, statutory warranties and indemnities, civil liability, infidelity of staff and loss, destruction or deprivation of cash, securities or other documents of title;
- (b) ensure that the insurance obtained under rule 5.3(a), is of a type and amount that a reasonable stockbroker would regard as adequate having regard to the nature and extent of business carried on by the Exchange broker;
- (c) make any changes the Exchange reasonably requires to the type and amount of the insurance they have obtained to comply with rule 5.3(a) if requested to do so by the Exchange; and
- (d) provide the Exchange with a copy of the certificate of currency for each such insurance policy within 14 business days of the end of each financial year.

5.4 If an Exchange broker becomes aware of a claim or potential claim being made against them in relation to any of the matters referred to in rule 5.3(a), they must immediately notify the Exchange of:

- (a) the existence of the claim or potential claim;

- (b) the receipt of a notice from any person of any intention to make a claim; and
- (c) the details of any claim or potential claim.

Information to be Provided to the Exchange

- 5.5 An Exchange broker must provide the Exchange with such information as the Exchange requests from time to time.
- 5.6 Without limiting the generality of Rule 5.5, an Exchange broker must:
- (a) where it proposes amending its constitution, provide the Exchange with copies of each draft resolution and any explanatory material it proposes providing to its shareholders at least 14 days prior to sending the material to its shareholders;
 - (b) if requested by the Exchange, provide to the Exchange within two business days any information regarding its members that could be obtained if Part 6C.2 of the Corporations Act applied to the Exchange broker;
 - (c) notify the Exchange immediately of:
 - (i) any action which may place the Exchange broker into bankruptcy or liquidation (as the case may be);
 - (ii) any issue of securities in the Exchange broker (including the names of the allottees); and
 - (iii) any change in shareholders in the Exchange broker;
 - (d) notify the Exchange by the end of the next business day of any change in the directors of the Exchange broker;
 - (e) notify the Exchange by the end of the next business day if they are advised by ASIC or its delegates or any other person authorised by the Corporations Act, of any action that may be taken against them;
 - (f) notify the Exchange within two business days of receiving written notification of any alteration or variation of the conditions of their Australian financial services licence.

Business Offices

- 5.7 An Exchange broker must notify the Exchange of the address of its principal place of business and the address of each other place at which they carry on business.
- 5.8 If an Exchange broker proposes changing its principal place of business or any other place of business or opening a new place of business, they must notify the Exchange in advance.
- 5.9 An Exchange broker must ensure that each place at which they carry on business is under the supervision and direct control of an approved representative who is located at the place of business.

Business Name

- 5.10 An Exchange broker must obtain the approval of the Exchange for any business name that the Exchange broker proposes to use to carry on business as a stockbroker.
- 5.11 The Exchange may at any time, and without providing reasons, withdraw its approval for an Exchange broker to use a particular business name. If the Exchange does so, the Exchange broker must cease carrying on business under that business name.

Cessation of Business by an Exchange Broker

- 5.12 Subject to rule 5.13, the personal representatives or estate of a deceased natural person Exchange broker or the liquidator of a corporate Exchange broker have no legal claim whatsoever on the property or funds of the Exchange.
- 5.13 If the Exchange broker was, or is, a shareholder of the Exchange, any rights their personal representatives or liquidator (as the case may be) have in relation to the property or funds of the Exchange are limited to their rights as shareholders under the provisions of the constitution of the Exchange.
- 5.14 The Exchange may permit the business of a deceased natural person Exchange broker to be carried on for such period as it may determine pending the grant of probate of the will or letters of administration of the estate of the Exchange broker or for such further period as may be agreed upon between the Exchange and the executors or administrators of the Exchange broker. Such business may be conducted through another Exchange broker or a person appointed by the Exchange. The terms upon which the business is conducted will be as agreed between that person and the executors or administrators. If requested by the Exchange, those terms must be disclosed to the Exchange. The Exchange may revoke or vary any permission given under this rule 5.14 at any time.

Complaints

- 5.15 An Exchange broker must maintain a register which includes copies of any written complaints received from clients and records of verbal complaints and copies of the Exchange broker's responses to such complaints.
- 5.16 Copies of complaints and responses must be maintained for a period of not less than 5 years from the date of the last correspondence in relation to the relevant complaint.
- 5.17 An Exchange broker must provide the Exchange with access to the register if requested by the Exchange.

Chapter 6: Dealing

OVERVIEW

This chapter sets out the requirements for dealing on the Exchange.

Right to Deal on the Exchange

- 6.1 Only Exchange brokers have the right to make bids and offers and enter into transactions on the Exchange.

Suspension of Dealing Rights

- 6.2 If all or any of an Exchange broker's rights under the rules are suspended, the Exchange may suspend the Exchange broker's right to deal on the Exchange and remove all of the Exchange broker's bids and offers from the Exchange trading system.

Authorised Trading Representatives

- 6.3 An Exchange broker must appoint one or more authorised trading representatives to deal on the Exchange on their behalf.
- 6.4 An Exchange broker may only appoint a person as an authorised trading representative if the person has been approved by the Exchange.
- 6.5 To be approved as an authorised trading representative a person must:
- (a) be at least 20 years of age and have been engaged in the securities industry for a period of not less than nine months;
 - (b) hold a written notice issued by the Exchange broker that authorises the person to deal in securities on behalf of the broker;
 - (c) have not less than one month's supervised training on the rules and procedures of the Exchange; and
 - (d) have satisfied the Exchange of their knowledge of the rules and procedures of the market and all relevant provisions of the Corporations Act.
- 6.6 Applications for approval to appoint an authorised trading representative must be made to the Exchange in the form prescribed by the Exchange from time to time.
- 6.7 The Exchange may refuse approval for an employee, consultant or agent of an Exchange broker to act, or continue to act, as an authorised trading representative. The Exchange will notify the Exchange broker of the reasons for the refusal or withdrawal of approval.
- 6.8 All transactions entered into by an Exchange broker's authorised trading representatives are on account of the Exchange broker and the Exchange broker is responsible for all such transactions.
- 6.9 An Exchange broker that cancels the appointment of any of their authorised trading representatives must immediately notify the Exchange. The Exchange broker's responsibility for any such authorised trading representatives continues until the Exchange has notified the cancellation to all Exchange brokers. The Exchange will do so as soon as reasonably practicable and in any event within three business days.

Trading Responsibilities

- 6.10 An Exchange broker is responsible for the accuracy of details of all bids and offers.
- 6.11 An Exchange broker must have adequate arrangements in place so they can at all times determine the origin of all orders, bid and offers, including:
- (a) the different stages of processing each order;
 - (b) the identity and capacity of the person placing the order; and
 - (c) whether the order was submitted as principal or for a client.

Orderly Market

- 6.12 An Exchange broker must ensure the conduct of an orderly market and is responsible for ensuring that their authorised trading representatives do so.
- 6.12A If the Exchange determines that a market is not orderly or that trading has been disrupted, the Exchange may take such action it deems necessary including but not limited to imposition of a trading halt on a particular security or suspension of a particular security to restore order or resolve the disruption, or it may suspend the operation of the market until order has been restored or the disruption overcome.
- 6.13 An Exchange broker must not make bids and/or offers for securities with the intention of creating a false or misleading appearance with respect to the market for, or the price of, any securities.
- 6.14 An Exchange Broker must not knowingly engage in a transaction or give an order for the purchase or sale of securities, the execution of which would involve no change of beneficial ownership.

Prohibition on Trading Off Market

- 6.15 An Exchange Broker must not deal in securities quoted on other than as set out in this chapter 6.

Marketable Parcels

- 6.16 The Exchange will specify from time to time what constitutes a marketable parcel. All bids and offers must be in amounts not less than a marketable parcel.

Minimum Bids

- 6.17 The Exchange will specify from time to time and may, in its discretion, vary the size of a minimum bid.

Short Selling

- 6.18 An Exchange broker must not short sell a security other than in accordance with the Corporations Act.

Crossings

- 6.18A An Exchange broker may only cross bids and offers in accordance with the following provisions:
- (a) bids and offers may only be crossed during normal trading;
 - (b) an Exchange broker must enter either a bid or offer at the price at which they wish to cross;
 - (c) where a bid is entered it will be matched with offers in order of priority from the lowest offer price up to but not including offers at the price at which the Exchange broker wishes to cross;
 - (d) where an offer is entered it will be matched with bids in order of priority from the highest bid price down to but not including bids at the price at which the Exchange broker wishes to cross; and
 - (e) any amount of securities remaining available after the procedure outlined in rules 6.18A(b) to (d) has been followed may then be crossed.

Exchange Suspension Powers

- 6.19 The Exchange may:
- (a) suspend an Exchange broker's dealing rights; or
 - (b) generally suspend access to the Exchange trading system,
- if the Exchange considers it necessary to do so in order to ensure the ongoing efficiency and integrity of the market or the proper functioning of the Exchange trading system.
- 6.20 Any suspension under rule 6.19 will continue until the Exchange is satisfied that a satisfactory resolution has been implemented in relation to the act, omission or circumstance that lead to the suspension.
- 6.21 If the Exchange takes action under rule 6.19 it will immediately notify the Exchange broker or Exchange brokers generally as the case may be.

Dealing

- 6.22 Each bid or offer price for securities entered into the Exchange trading system is placed in priority according to the highest priced bid and the lowest priced offer. An earlier entered bid price has priority over a bid at the same price entered at a later time. An earlier entered offer price has priority over an offer at the same price entered at a later time.
- 6.23 During the pre-opening phase:
- (a) bids and offers may be entered, amended or cancelled (including bids and offers in the Exchange trading system from the previous trading session);
 - (b) unless a bid or offer is amended or cancelled, bids or offers that were in the Exchange trading system at the close of the previous trading session will retain their priority in accordance rule 6.22;

(c) no bids or offers will be matched.

6.24 During the opening phase:

- (a) no new bids or offers may be entered and no existing bids or offers may be amended or cancelled.
- (b) subject to rule 6.24 (c), all bids and offers must be matched in accordance with the following:
 - (i) the priority bid is paired with the priority offer so that either the bid or the offer is fully satisfied;
 - (ii) a new priority of bids and offers is determined, ignoring the quantity of securities previously paired;
 - (iii) the processes in rules 6.24 (b) (i) and (ii) are repeated until the priority bid price is below the priority offer price; and
 - (iv) each paired bid and offer is then matched at the Opening Price
- (c) where the highest bid price and the lowest offer price do not match or overlap, those bids and offers must not be matched in accordance with rule 6.24 (b); and
- (d) any bids and/or offers which have not been matched at the completion of the procedures in this rule 6.24 will be carried through to normal trading.

6.25 During normal trading, bids and offers may be entered, amended or cancelled and will be matched in accordance with rule 6.22.

Conditional Trading

6.26 Despite any provision of these rules to the contrary, a conditional sale will be cancelled in accordance with rules 6.27 to 6.36 below if the condition is not fulfilled.

6.27 The Exchange may declare a market to be a conditional market if:

- (a) an issuer or vendor has:
 - (i) requested the Exchange in writing to provide a conditional market;
 - (ii) specified at least one condition which satisfies rule 6.28(b);
 - (iii) specified the date by which each condition is required to be satisfied; and
 - (iv) undertaken to notify the Exchange immediately of the fulfilment or non-fulfilment of each condition;
- (b) the disclosure document offering to which the request for a conditional market relates:
 - (i) has a total value of not less than the value prescribed by the Exchange from time to time and not objected to by ASIC; or
 - (ii) anticipates pre-allotment or pre-transfer trading on an overseas market; and
 - (iii) sets out the responsibility of and procedures for an applicant for securities pursuant to that prospectus offering to verify their holding and describes the basis of pre-allotment or pre-transfer trading in a manner which clearly describes the underlying contingent nature of the issue of securities until allotment or transfer occurs;

- (c) the issuer or vendor agrees with the Exchange to observe a despatch date stipulated by the Exchange and being a date not more than 5 business days after the date of satisfaction of the conditions;
- (d) an announcement of the basis of quotation as being conditional has been made on the trading system; and
- (e) the issuer or vendor provides a market announcement of the conditions for the conditional market and any other information required by the Exchange listing rules for release to the market.

6.28 A conditional market will be subject to the following conditions:

- (a) the allotment or transfer of the securities to successful applicants under the offer; and
- (b) each condition which is specified by the issuer or the vendor of the securities under rule 6.27 (a)(ii) and which is:
 - (i) (in the case of a condition specified by an issuer) a prerequisite to the issuer allotting securities to applicants under the offer;
 - (ii) (in the case of a condition specified by the vendor) a prerequisite to the vendor transferring securities to applicants under the offer; and
 - (iii) (in any case) a condition the satisfaction of which cannot be influenced by those who will buy and sell the securities on the conditional market.

6.29 The Exchange will make any declaration pursuant to rule 6.27 in writing.

6.30 A conditional market will only be permitted to operate:

- (a) if prior to the commencement of the conditional market:
 - (i) the issue or sale price of the securities the subject of the prospectus offering has been determined; and
 - (ii) the issuer or vendor has made arrangements satisfactory to the Exchange to enable applicants for securities the subject of the prospectus offering to determine their entitlements; and
- (b) for such period of time as is agreed by the Exchange.

6.31 Trading of securities on a conditional market will be on a deferred settlement basis.

6.32 If no notification is given to the Exchange of the fulfilment or non-fulfilment of a condition on the date by which that condition was required to be satisfied the condition will be deemed not to have been fulfilled.

6.33 If rule 6.32 does not apply, the Exchange and parties to a conditional sale are entitled to rely on advice given to the Exchange pursuant to rule 6.27(a)(iii) as to the fulfilment or non-fulfilment (as the case may be) of the conditions as conclusive evidence of that circumstance.

6.34 Immediately on receipt of advice by the Exchange of fulfilment of all conditions specified pursuant to rule 6.27(a)(ii), all sales that were conditional become unconditional. The Exchange will announce that conditional sales pursuant to rules 6.27 to 6.36 have become unconditional. Subject to rule 6.33, the settlement day of all such contracts shall be the date determined and announced by the Exchange. The settlement day will usually be the sixth business day after the despatch date stipulated by the Exchange pursuant to rule 6.27(c).

- 6.35 Despite any provision of these rules to the contrary, parties to a conditional sale may:
- (a) agree to a particular settlement date which is a date other than the settlement day so determined and announced by the Exchange; or
 - (b) effect delivery obligations other than on that settlement day,
- provided that the particular settlement date or the date of effecting delivery obligations is not prior to the date of the announcement by the Exchange pursuant to rule 6.34 that conditional sales have become unconditional.
- 6.36 Cancellation of a conditional sale (and the corresponding conditional purchase) for non-fulfilment of a condition is effective:
- (a) if notice of non-fulfilment was given to the Exchange, upon receipt of that notice; or
 - (b) if no notice of fulfilment or non-fulfilment was received by the Exchange, on the trading day immediately following the date on which the condition was required to be satisfied,
- without any liability whatsoever other than for the return of any money paid, or securities or documents delivered, in connection with settlement of the conditional sale (and corresponding conditional purchase). The effect of such cancellation is to avoid the contract for the sale and purchase of securities.

Announcements and Trading Halts

- 6.37 The Exchange may impose a trading halt if:
- (a) The Exchange releases an announcement in relation to an issuer that in the opinion of the Exchange is market sensitive; or
 - (b) an issuer requests a trading halt and the Exchange agrees to the request.
- 6.38 Securities subject to a trading halt will be placed into pre-opening phase. However, if the trading halt is imposed after the close of trading, the securities subject to the trading halt will be placed into pre-opening phase the next trading day.
- 6.39 Securities subject to a trading halt must not be traded during the period of the trading halt regardless of whether the securities have been placed into pre-opening phase.
- 6.40 A trading halt will end at the earlier of:
- (a) the time announced by the Exchange that the trading halt will end (and the Exchange will provide at least ten minutes notice before the end of the trading halt); or
 - (b) the commencement of normal trading on the second trading day after the trading halt is imposed.
- 6.41 When a trading halt ends, the securities will be placed in the phase next applying to the Exchange as a whole unless the Exchange decides otherwise.

Suspensions

- 6.42 Securities that have been suspended must not be traded by an Exchange broker.
- 6.43 Bids and offers in securities that have been suspended will be placed in adjust phase.
- 6.44 When a period of suspension ends, trading in the securities which are the subject of the suspension will proceed to normal trading.

Errors

- 6.45 Where the Exchange becomes aware of any error in the entry of a bid or offer into the Exchange trading system, and a transaction is effected in relation to that bid or offer, the Exchange may, if it believes it is appropriate in the circumstances, cancel the transaction. If it does so, it will promptly advise the Exchange brokers to the transaction.

Cancellation Of Transaction

- 6.46 Other than as provided in rule 6.45, a transaction will not be cancelled by the Exchange except by agreement between the Exchange brokers to the transaction and with the consent of the Exchange.

Exchange Brokers Deal as Principals

- 6.47 Exchange brokers are deemed to deal with each other as principals and are responsible for satisfying the obligations associated with any contract they enter into as a result of the matching of a bid and offer on the Exchange system at the price and for the volume specified in the matched bid and offer as a principal.

Dispute Resolution

- 6.48 Any dispute arising between Exchange brokers in relation to the rules in this chapter 6 must be promptly referred to the Exchange.
- 6.49 The Exchange will investigate the dispute and make a determination in relation to it. Subject to rule 6.51, the determination will be binding upon the parties to it.
- 6.50 A party to a determination made by the Exchange under rule 6.49 may appeal the determination to the Compliance Committee.

Chapter 7: Clearing and Settlement

OVERVIEW

This chapter sets out the requirements in relation to clearing and settlement for the Exchange.

In particular, it deals with:

- settlement of Exchange transactions
- settlement agents
- the clearing and settlement administrator
- corporate action adjustments;
- taxation adjustments; and
- documentation requirements.

Rules 7.01 to 7.28 apply in respect of CHES approved securities.

Rules 7.29 to 7.89 apply in respect of non CHES approved securities.

SETTLEMENT OF EXCHANGE CHES APPROVED SECURITIES TRANSACTIONS

Exchange obligations to participate in CHES and settlement of CHES approved securities

- 7.1 The Exchange may elect to be admitted to participate in CHES as a participating exchange.
- 7.2 Each Exchange broker who is eligible to participate in CHES (directly or indirectly), may with the approval of the Exchange participate in CHES for the purposes of settling transaction conducted on the Exchange.
- 7.3 The Exchange, and each Exchange broker that is admitted to participate in CHES as a broker or participating exchange, shall comply with the ASTC Settlement Rules.
- 7.4 The Exchange calculates, in respect of all qualifying transactions in the same security, the delivery position of every Exchange broker which has settlement obligations in relation to that security designated for settlement on a particular settlement day. The Exchange issues settlement directions to Exchange brokers. Every Exchange broker that has a delivery obligation in the security must meet that obligation on the settlement day.
- 7.5 The Exchange will calculate the payment position of every Exchange broker which has settlement obligations on the settlement day. The Exchange issues a settlement statement to the Exchange broker specifying the amount of the payment to be made by the Exchange broker into the designated account of the Exchange, or the amount of payment to be made by the Exchange to the Exchange broker.
- 7.6 The Exchange facilitates this process by making and receiving payments or causing payments to be made or received but its net position for each day's settlement is zero.
- 7.7 If ASTC announces a date on which transactions in the Exchange securities become eligible to be settled in DvP settlement, the Exchange, and each Exchange broker, shall, unless otherwise agreed with the counterparty, on and from that date:
 - (a) deliver or receive securities in DvP settlement;
 - (b) if the Exchange broker is the selling Exchange broker in relation to a transaction in those securities:

- (i) irrevocably authorise ASTC to include its PID in each settlement instruction; and
 - (ii) irrevocably authorise ASTC to effect a settlement transfer in respect of the transaction; and
- (c) if the Exchange broker is the buying Exchange broker in relation to a transaction in those securities, irrevocably authorise ASTC to include its PID in each settlement instruction.

Delivery of Securities

7.8 The Exchange or the Exchange broker shall deliver securities by settling a transaction in accordance with these rules.

Part Delivery

7.9 If the number of securities delivered by an Exchange broker falls short of its settlement obligations, the Exchange may apply the lesser number of securities that are available for part settlement.

Dividend, Interest, Capital Returns

7.10 Unless otherwise determined by the Exchange, transactions in securities will be officially quoted by the Exchange on the Exchange trading system as "ex dividend", "ex interest" or "ex capital return" as the case may be, on the fifth Business day prior to and inclusive of the books closing date.

Corporate Action

7.11 The Exchange may at any time publish guidelines on procedures to be taken by an Exchange broker in relation to corporate actions.

New Issues - Cum Bonus

7.12 Unless otherwise determined by the Exchange, where bonus issues are not subject to ratification by a meeting of holders of equity securities, transactions in securities will be officially quoted by the Exchange on the Exchange trading system as "ex bonus" on the fifth business day prior to, and inclusive of, the books closing date.

7.13 Unless otherwise determined by the Exchange, where bonus issues are subject to ratification by a meeting of holders of securities, transactions in securities will be officially quoted by the Exchange on the Exchange trading system as "ex bonus" on the later of the meeting of holders of equity securities which ratifies the issue, or on the fifth business day prior to and inclusive of the books closing date.

New Issues - Cum Entitlement

7.14 Unless otherwise determined by the Exchange, transactions in securities carrying a specific entitlement of non-renounceable rights, will be officially quoted by the Exchange on the Exchange trading system as "ex entitlement" on the fifth business day prior to and inclusive of the books closing date.

New Issues - Cum Priority

7.15 Unless otherwise determined by the Exchange, transactions in securities carrying a general priority, without a specific entitlement to participate in a new issue for which there are no renounceable rights, will be officially quoted by the Exchange on the Exchange trading system as "ex priority" on the fifth business day prior to and inclusive of the books closing date.

New Issues - Cum Rights

- 7.16 Unless otherwise determined by the Exchange, where rights issues are not subject to ratification by meeting of holders of equity securities, transactions in securities will be officially quoted by the Exchange on the Exchange trading system as "ex rights" on the fifth business day prior to and inclusive of the books closing date.
- 7.17 Unless otherwise determined by the Exchange, where rights issues are subject to ratification by a meeting of holders of equity securities, transactions in securities will be officially quoted by the Exchange on the Exchange trading system, as "ex rights" on whichever is the later of the first business day following the meeting of holders of equity securities which ratifies the issue, or the fifth business day prior to and inclusive of the books closing date.

Settlement Of Transactions

- 7.18 Except in the case of sales of securities:
- (a) when by mutual consent the parties agree to a particular settlement date no more than 30 days after the date of the transaction;
 - (b) classified by the Exchange as deferred delivery; or
 - (c) classified by the Exchange as deferred settlement
- settlement of sales shall be on the third business day after the date that the transaction was created on or reported to the Exchange trading system.
- 7.19 The settlement day of sale of securities referred to in rule 7.18(b), when:
- (a) the classification has been removed; and
 - (b) the parties have not agreed to a particular settlement date,
- shall be the third business day after the day on which the classification was removed.
- 7.20 Subject to rules 6.26 to 6.36, the settlement day of a sale of securities referred to in rule 7.18(c) shall be the fourth business day after the despatch date for those securities.
- 7.21 If the Exchange publishes a despatch date that has been varied, an Exchange broker may vary the date by which settlement with a client is required notwithstanding previous notification to the client of a date for settlement.

Failure to Deliver Securities

- 7.22 If a buying the Exchange broker does not receive securities by 10.30am on the settlement day (or such other time as may be notified by the Exchange from time to time) then there will be a failure of delivery. The failed delivery shall incur an immediate and continuing fee on such terms and conditions as determined by the Exchange from time to time, until such time as an effective delivery is made.

Settlement Agent

- 7.23 Unless it is itself a clearing broker, an Exchange broker must appoint the Exchange as its settlement agent, or with the approval of the Exchange, another settlement agent.

Obligations of an Exchange broker in relation to a Settlement Agent other than the Exchange

7.24 An Exchange broker shall ensure that a settlement agent other than the Exchange appointed by the Exchange broker:

- (a) complies with the rules, the ASTC Settlement Rules, the Corporations Act and all relevant law, in so far as they relate to the settlement of securities transactions on behalf of the Exchange broker and, without limiting the generality of the foregoing, facilitates investigations and disciplinary proceedings conducted by the Exchange pursuant to the rules;
- (b) keeps an office open during ordinary office hours on every business day where the Exchange broker conducts a securities business for the receipt, delivery and settlement of securities transactions, on behalf of the Exchange broker;
- (c) on an annual basis, takes out and maintains in full force and effect professional indemnity insurance and such other insurance policies which provide to the settlement agent cover against liability for negligence, errors, omissions, misstatements, statutory warranties and indemnities and loss or deprivation of securities or loss or destruction of documents of title;
- (d) has taken out and maintains insurance in accordance with rule 7.24(c) of a kind and amount which the Exchange broker determines to be adequate having regard to the nature and extent of the business carried on by the settlement agent and the responsibilities and risks assumed or which may be assumed by the settlement agent in connection with that business;
- (e) co-operates in the external audit of the Exchange broker required by the rules, the ASTC Settlement Rules and the Corporations Act;
- (f) arranges for an audit of the operations of the settlement agent to be carried out once every financial year. The audit will review compliance by the settlement agent with the rules and the ASTC Settlement Rules and any other procedures prescribed from time to time by the Exchange or ASTC;
- (g) within five business days after completion of the audit, arranges for a copy of the auditor's report to be provided to the auditor of the Exchange broker;
- (h) keeps detailed records of all banking transactions carried out by the settlement agent in relation to the Exchange broker trust account and accounts to the Exchange broker on a daily basis for all such banking transactions;
- (i) holds an Australian financial services licence which authorises it to undertake the relevant activities and is an Exchange broker; and
- (j) observes the following obligations in respect of settlement of securities transactions carried out by the settlement agent on behalf of that Exchange broker to:
 - (i) transfer securities from that Exchange broker's account only if the sub-ledger records for that Exchange broker record sufficient securities to cover that transfer;
 - (ii) keep detailed records for each client of the Exchange broker and the Exchange broker, with respect to the Exchange broker's account; and
 - (iii) reconcile the Exchange broker's account.

7.25 Unless the contrary intention appears, where an Exchange broker appoints a settlement agent in accordance with these rules:

- (a) the settlement agent may exercise a right or perform an obligation on behalf of that Exchange broker; and
- (b) reference to an Exchange broker shall include a reference to its settlement agent.

Liability of Exchange Broker for Acts and Omissions of a Settlement Agent

7.26 If a settlement agent does any act or refrains from doing an act which if done or not done (as the case may be) by an Exchange broker would constitute a breach of the rules, the ASTC Settlement Rules, the Corporations Act and/or and other relevant law, such act or omission shall be deemed for the purposes of these rules to be the act or omission of the Exchange broker which appointed the settlement agent to perform or exercise on behalf of that Exchange broker the obligations or rights of the Exchange broker from which such breach arises.

Obligations of Exchange Brokers

7.27 If the Exchange broker has appointed a settlement agent other than the Exchange then:

- (a) an Exchange broker shall give at least five business days notice to the Exchange prior to commencing or ceasing to use the settlement agent's certification stamp;
- (b) an Exchange broker shall immediately notify the Exchange of the termination of the appointment of a settlement agent;
- (c) the obligations of an Exchange broker which are imposed upon Exchange brokers by the rules, the ASTC Settlement Rules, the Corporations Act and other relevant law shall not be qualified or removed by the Exchange broker using the services offered by a settlement agent; and
- (d) an Exchange broker shall at all times ensure that all documents created by a settlement agent in performing the obligations or exercising the rights of the Exchange broker in connection with settlement of securities transactions are and shall remain the property of the Exchange broker over which the settlement agent shall not be able to assert or impose a lien.

Charges for Exchange Services

7.28 Charges payable by Exchange brokers in relation to services provided by the Exchange under chapter 7 shall be determined by the Exchange from time to time.

SETTLEMENT OF NON- CHESSE APPROVED SECURITIES TRANSACTIONS

Delivery and Settlement Obligations

7.29 The delivery and settlement obligations in relation to an Exchange transaction are as follows:

- (a) the selling Exchange broker must deliver the securities to the buying Exchange broker by delivering all valid documents necessary for the securities to be registered in the name of the buyer; and
- (b) the buying Exchange broker must pay to the selling Exchange broker the consideration for the securities

in accordance with rule 7.30.

- 7.30 Unless otherwise determined by the Exchange, settlement of a transaction must take place on the fifth business day after the date the transaction was created on the Exchange trading system.
- 7.31 Exchange brokers must keep open an office for the receipt, delivery and settlement of transactions on every business day.

Failure to Settle

- 7.32 If an Exchange Broker fails to settle an Exchange transaction in accordance with rule 7.30, the Exchange broker must pay a fee to the Exchange at the rate determined by the Exchange from time to time. Payment of such a fee does not remove the Broker's obligation to complete their settlement obligations under rule 7.30.

Settlement Agents

- 7.33 The Exchange may approve an organisation to act as a settlement agent for Exchange brokers in relation to transactions if the organisation:
- (a) is a public company;
 - (b) maintains appropriate professional indemnity insurance and insurance against fraud of its officers;
 - (c) has net tangible assets of not less than \$5,000,000 dollars;
 - (d) satisfies that it has the necessary:
 - (i) skills;
 - (ii) experience;
 - (iii) procedures; and
 - (iv) resourcesto properly carry out the functions of a settlement agent in relation to transactions; and
 - (e) confirms in writing to the Exchange its willingness to act as a settlement agent for Exchange Brokers.
- 7.34 The Exchange will from time to time publish a list of organisations approved to act as settlement agents for Exchange brokers.
- 7.35 An Exchange Broker may, upon giving prior written notice to the Exchange, appoint an organisation that is approved by the Exchange under rule 7.33 to act as their settlement agent in relation to Exchange transactions.
- 7.36 Unless the contrary intention appears, where an Exchange broker appoints a settlement agent in accordance with the rules:
- (a) the settlement agent may exercise or perform an obligation on behalf of the Exchange broker; and
 - (b) a reference to the Exchange broker in this chapter 7 of the rules includes a reference to its settlement agent.

- 7.37 Where an Exchange broker appoints a settlement agent, the Exchange broker must ensure that the settlement agent complies with the rules in so far as they relate to the settlement of transactions by the Exchange broker.
- 7.38 An act or failure to act by a settlement agent that would constitute a breach of the rules by an Exchange broker is deemed for the purposes of these rules to be an act or failure to act by the Exchange broker that appointed the settlement agent and who would otherwise have had an obligation in relation to the relevant act.

Clearing and Settlement Administrator

- 7.39 The Exchange may appoint a clearing and settlement administrator on such terms as the Exchange believes are appropriate to monitor the orderly settlement of transactions.
- 7.40 During any period that the Exchange has not appointed a clearing and settlement administrator, the Exchange will be the clearing and settlement administrator for the purpose of the rules.
- 7.41 An Exchange broker must, by 4.30pm or such other time prescribed by the Exchange on each day on which they have a transaction or transactions due to settle, notify the clearing and settlement administrator which of their transactions have settled or failed to settle. Where a transaction has failed to settle, the reasons for the failure to settle must also be provided. The notification must be in the form prescribed by the clearing and settlement administrator and approved by the Exchange.

CORPORATE ACTIONS ADJUSTMENTS

Dividend, Interest and Capital Returns

- 7.42 Unless otherwise determined by the Exchange, transactions in securities will be quoted by the Exchange on the Exchange trading system as 'ex dividend', 'ex interest' or 'ex capital return', as the case may be, on the seventh business day before and inclusive of the books closing date to determine shareholders entitled to participate in the distribution.
- 7.43 When a transfer of securities sold 'ex dividend', 'ex interest' or 'ex capital return' is delivered either on the business day before, or on the books closing date:
- (a) the selling Exchange broker must clearly endorse the security description on the transfer 'ex dividend', 'ex interest' or 'ex capital return', as applicable; and
 - (b) the buying Exchange broker must not lodge the transfer with the issuer for registration on or before the books closing date.
- 7.44 When a transfer of securities sold 'cum dividend', 'cum interest', or 'cum capital return' is delivered during the two business days before and inclusive of the books closing date, or on any day afterwards, the selling Exchange broker must allow the amount of the dividend, interest or capital return at the time of settlement.
- 7.45 When a transfer of securities sold 'cum dividend', 'cum interest' or 'cum capital return' is delivered either on the business day before, or on the books closing date, and the buyer has agreed to receive the benefit in cash, and settlement is adjusted by the amount of the dividend, interest, or capital return involved:
- (a) the Exchange broker must clearly endorse the security description on the transfer 'ex dividend', 'ex interest' or 'ex capital return', as applicable; and
 - (b) the Exchange broker must not lodge the transfer with the issuer for registration until after the books closing date.

New Issues - Cum Bonus

- 7.46 Bonus issues not subject to ratification by a meeting of holders of securities are governed by the following:
- (a) Unless otherwise determined by the Exchange, transactions in securities will be quoted by the Exchange on the Exchange trading system, as 'ex bonus' on the seventh business day before and inclusive of the books closing date.
 - (b) A selling Exchange broker may, during the two business days before and inclusive of the books closing date or on any day thereafter, effect delivery of the old securities by a deduction from the settlement of a cash adjustment at a value determined by the Exchange in accordance with rule 7.65 in lieu of the accruing bonus securities.
 - (c) The cash adjustment must be paid by the buying Exchange broker on delivery of the accruing bonus securities by the selling Exchange broker.
 - (d) Any transfer of securities delivered by the selling Exchange broker on any of the two business days before and inclusive of the books closing date must be endorsed 'ex bonus' as adjunct to the security description and the buying Exchange broker must not lodge the transfer with the issuer for registration purposes until after the books closing date.
- 7.47 Bonus issues subject to ratification by a meeting of holders of securities are governed by the following:
- (a) Unless otherwise determined by the Exchange, transactions in securities will be quoted by the Exchange on the Exchange trading system, as 'ex bonus' on whichever is the later of the first business day following the meeting of holders of securities which ratifies the issue, or on the seventh business day before and inclusive of the books closing date.
 - (b) The selling Exchange broker must not deliver securities during the period from the second business day before the books closing date to the day on which the issue is ratified by a meeting of holders of securities, both days inclusive.
 - (c) When securities are delivered in settlement of a 'cum bonus' transaction on either of the two business days before and inclusive of the books closing date, the settlement will be adjusted at a value determined by the Exchange in accordance with rule 7.65 and the transfer will be registered 'ex' the benefit.
 - (d) Any transfer of securities making up the delivery must be clearly endorsed 'ex bonus' as an adjunct to the security description and the buying Exchange broker must not lodge the transfer with the issuer for registration purposes until after the books closing date.
 - (e) The cash adjustment must be paid by the buying Exchange broker on delivery of the accruing bonus securities by the selling Exchange broker.

New Issues - Cum Entitlement

- 7.48 Unless otherwise determined by the Exchange, transactions in securities carrying a specific entitlement of non-renounceable rights will be quoted by the Exchange on the Exchange trading system as 'ex entitlement' on the seventh business day before and inclusive of the books closing date.

- 7.49 When a transfer of securities sold 'ex entitlement' is delivered either on the business day before or on the books closing date:
- (a) the selling Exchange broker must clearly endorse the security description on the transfer 'ex entitlement'; and
 - (b) the buying Exchange broker must not lodge the transfer with the issuer for registration on or before the books closing date.
- 7.50 When a transfer of securities sold 'cum entitlement', is delivered either on the business day before or on the books closing date, and settlement is adjusted by a value determined by the Exchange in accordance with rule 7.65:
- (a) the selling Exchange broker must clearly endorse the security description on the transfer 'ex entitlement'; and
 - (b) the buying Exchange broker must not lodge the transfer with the issuer for registration until after the books closing date.
- 7.51 A selling Exchange broker may during the two business days before and inclusive of the books closing date, effect delivery of the old issue securities by a deduction from the settlement of a cash adjustment (refer rule 7.65) in lieu of the accruing securities.
- 7.52 Unless advised by the buying Exchange broker on or before the fifth business day before and inclusive of the final date of closing of acceptances of the offer that the buyer does not wish to participate in the issue, the cash adjustment must be paid by the buying Exchange broker on delivery by the selling Exchange broker of the accruing new issue securities.

New Issues - Cum Priority

- 7.53 Unless otherwise determined by the Exchange transactions in securities carrying a general priority, without a specific entitlement to participate in a new issue for which there are no renounceable rights, will be quoted by the Exchange on the Exchange trading system, as 'ex priority' on the seventh business day before and inclusive of the books closing date.
- 7.54 When a transfer of securities sold 'ex priority' is delivered on the business day before or on the books closing date to determine holders of securities entitled to participate in the issue:
- (a) the selling Exchange broker must clearly endorse the security description on the transfer 'ex priority'; and
 - (b) the buying Exchange broker must not lodge the transfer with the issuer for registration on or before the books closing date.
- 7.55 Securities sold 'cum priority' may be delivered by a selling Exchange broker on a continuing basis but when not delivered by the third last business day before and inclusive of the books closing date, the buying Exchange broker on or before the fifth business day before and inclusive of the date on which the priority entitlement will lapse, must advise the selling Exchange broker of the amount of the new issue securities for which application is desired and must place the seller in funds to the extent of the required application money.
- 7.56 When securities are sold 'cum priority' and are delivered by the selling Exchange broker on or before the third business day before and inclusive of the books closing date but are not transferred to the buyer's name on a 'cum priority' basis and the buyer decides to participate in the issue, the buying Exchange broker on or before the fifth business day before and inclusive of the date on which the priority will lapse, must claim on the original selling Exchange broker in

writing for the number of new issue securities for which application is desired, and must place the seller in funds to the extent of the required application money. The request for protection must also include details of:

- (a) the original selling Exchange broker's code and transfer identification number;
- (b) the name of the transferor; and
- (c) the actual date of purchase by the claimant.

New Issues - Cum Rights

7.57 Rights issues not subject to ratification by meeting of holders of securities are governed by the following:

- (a) Unless otherwise determined by the Exchange, transactions in securities will be quoted by the Exchange on the Exchange trading system, as 'ex rights' on the seventh business day before and inclusive of the books closing date.
- (b) When a transfer of securities sold 'ex rights' or 'cum rights' in respect of which settlement is adjusted under rule 7.57(c), is delivered on any of the two business days before and inclusive of the books closing date. It must be clearly endorsed by the selling Exchange broker 'ex rights' as an adjunct to the security description and the buying Exchange broker must not lodge it with the issuer for registration purposes until after the books closing date.
- (c) When Securities sold 'cum rights' are delivered during the last two business days before and inclusive of the books closing date or any day thereafter, the selling Exchange broker must allow a deduction from the settlement of a cash adjustment at a value determined by the Exchange in accordance with rule 7.65 in lieu of the accruing rights.
- (d) The cash adjustment must be paid by the buying Exchange broker on delivery of either a renunciation form for the accruing rights or the accruing securities by the selling Exchange broker.

7.58 Rights issues subject to ratification by a meeting of holders of securities are governed by the following:

- (a) Unless otherwise determined by transactions in securities will be quoted by the Exchange on the Exchange trading system, as 'ex rights' on whichever is the later of, the first business day following the meeting of holders of securities which ratifies the issue, or the seventh business day before and inclusive of the books closing date.
- (b) The selling Exchange broker must not deliver securities during the period from the second business day before the books closing date to the day on which the issue is ratified by a meeting of holders of securities both days inclusive.
- (c) When securities are delivered in settlement of a 'cum rights' transaction on either of the two business days before and inclusive of the books closing date settlement will be adjusted by the cash adjustment at a value determined by Exchange in accordance with rule 7.65, and the transfer will be registered 'ex rights'.
- (d) Any transfer of securities comprising the delivery must be clearly endorsed 'ex rights' as an adjunct to the security description, and the buying Exchange broker must not lodge the transfer(s) with the issuer for registration purposes until after the books closing date.

- (e) The cash adjustment must be paid by the buying Exchange broker on delivery of either a renunciation form for the accruing rights or the accruing securities by the selling Exchange broker.

Rights

- 7.59 Except by arrangement with the buying Exchange broker, or unless otherwise determined by the Exchange, renounceable rights must not be delivered on any of the last two business days before and inclusive of the date announced by the issuer as being the final date for the receipt of renunciation forms.
- 7.60 When rights have not been delivered, in the terms of rule 7.59, the seller, unless otherwise instructed in writing by the buyer as provided in rule 7.61, must protect the buyer by applying to the issuer for the securities in respect of such right and the amount of application money payable by the seller must not exceed the minimum required by the issuer.
- 7.61 An instruction issued by the buyer in the terms of rule 7.60 must be delivered to the seller by the buyer not later than 3.00 p.m. on the last day for delivery of rights. The instruction must state that:
 - (a) protection is not required; or
 - (b) protection is required and payment of application money in excess of the minimum is to be made in which case such excess must be provided by the buyer at that time.

Options

- 7.62 When options are undelivered on the third business day before and inclusive of the date on which the buying Exchange broker must lodge transfers and related documents for exercise, the buyer must on or before the second business day before and inclusive of that last day for lodgement date, advise the selling Exchange broker of the number of options to be exercised and shall place the selling Exchange broker in funds to the extent required and the selling Exchange broker is bound to exercise the options.

Convertible Securities

- 7.63 Where:
 - (a) the settlement day for a transaction in convertible securities is on or before the third business day before and inclusive of the last business day designated on each occasion by the issuer for holders to convert their securities;
 - (b) the selling Exchange broker has not made valid delivery by the settlement day; and
 - (c) the buyer of such securities wishes to convert any of the securities,then:
 - (d) the buying Exchange broker must on or before the second business day before and inclusive of the last business day designated for conversion, advise the selling Exchange broker of the number of convertible securities to be converted; and
 - (e) the selling Exchange broker must:
 - (i) take immediate action to effect the conversion; and
 - (ii) effect delivery of the converted securities within five business days of receipt of share certificates or allotment listings.

Securities Subject Of A Takeover

- 7.64 Securities subject of a takeover offer, must from the first business day following the day on which the offer is despatched, be quoted on each of the following bases:
- (a) normal delivery - which will not be distinctly denoted and whereby the seller has not accepted the offer and the buyer is entitled to delivery of securities purchased; and
 - (b) offer accepted - which will be distinctly denoted as offer accepted - delivery of securities received from the offeror company or should the takeover offer lapse, settlement will be by delivery of securities of the company originally traded.

Cash Adjustments

- 7.65 A cash adjustment for the purposes of rules 7.46, 7.47, 7.50, 7.57 and 7.58 is a value determined by the Exchange when a selling Exchange broker has not delivered securities sold 'cum bonus', 'cum entitlement' or 'cum rights' by the third business day before and inclusive of the books closing date.
- 7.66 The cash adjustment represents an amount in lieu of the accruing securities.
- 7.67 Cash adjustments (including application money) will be made for all accruing securities notwithstanding that some or all of the accruing securities may be issued for no cash consideration.

TAXATION ADJUSTMENTS

Dividend Withholding Tax

- 7.68 When securities sold 'cum dividend' are delivered in the name of a non-resident, on or before the third business day before and inclusive of the books closing date, and a claim for the dividend is received, the non-resident seller is responsible for the amount of the dividend less withholding tax. The selling Exchange broker must supply the name and address of the seller to the buying Exchange broker who is then responsible for lodging an application for the refund of withholding tax with the Deputy Commissioner of Taxation.
- 7.69 When securities owned by a non-resident are sold "cum dividend" or "cum interest" and delivered with an adjustment for dividend or interest the selling Exchange broker will be responsible to the buying Exchange broker for the full amount of the dividend or interest. It is the selling Exchange broker's responsibility to lodge an application for the refund of withholding tax with the Deputy Commissioner of Taxation.

Claims

- 7.70 When securities are purchased 'cum dividend' and delivered by the seller before the last two business days before and inclusive of the books closing date, but are not transferred to the buyer's name on a 'cum' basis, the original seller is only responsible to the buyer for the tax paid amount received by him from the issuer.

Dividend Imputation Credits - Transfer Of Shareholder Status For Tax Purposes

- 7.71 When a claim is made in respect of a franked dividend, a cum dividend disposer must either:
- (a) transfer the franked dividend to the unregistered cum dividend acquirer under this rule and Division 6A of Part 111AA of the Income Tax Assessment Act 1936; or
 - (b) compensate the unregistered acquirer in accordance with rule 7.77 for the loss of entitlement to the franked dividend, if required to do so, in accordance with that rule.

7.72 Prior to issuing:

- (a) a dividend statement to the disposer under rule 7.73; and
- (b) an Exchange broker's transfer of franked dividend certificate under rule 7.74; or
- (c) a dividend statement to the acquirer under rule 7.75

the selling Exchange broker must verify, from evidence supplied by or on behalf of the disposer, that the disposer, or the disposee's nominee, received or has an entitlement to receive the franked dividend.

7.73 Except for claims settled under rule 7.77, the selling Exchange broker must issue to the disposer a dividend statement in the form prescribed by the Exchange from time to time.

7.74 Subject to verification of the disposer's dividend entitlement under rule 7.73, the Exchange broker transferring the franked dividend must issue a transfer of franked dividend certificate in the form prescribed by the Exchange from time to time. Such certificate must be issued to the Exchange broker making the claim:

- (a) if the claim is made on or before the books closing date, at the time of settlement of the relevant transaction or by the fifth business day after the dividend payment date, whichever is the earlier; or
- (b) if the claim is made after the books closing date, at the time of paying the dividend to the acquirer in satisfaction of the claim.

7.75 Subject to verification of the disposer's dividend entitlement under rule 7.73 the selling Exchange broker must issue to the acquirer a dividend statement in the form prescribed by Exchange from time to time.

7.76 If the franked dividend cannot be transferred to the acquirer in accordance with the provisions of this rule 7.76, and the acquirer is an Australian taxpayer, the disposer must, if required by the acquirer, pay to the buying Exchange broker, on behalf of the acquirer, an amount equal to the imputation credit that would have been attached to the franked dividend, in addition to settlement of the claim.

7.77 Where a compensatory payment is made under rule 7.76, the selling Exchange broker must pay to the acquirer the amount claimed under rule 7.76 and at the same time advise the acquirer of the receipt of a dividend equivalent, rather than a franked dividend.

7.78 Where a transfer of securities is delivered during the ex period:

- (a) in settlement of an ex dividend transaction; or
- (b) in respect of an outstanding cum dividend transaction where the selling Exchange broker's transfer of franked dividend certificate under rule 7.74 or a dividend statement under rule 7.75 has been issued

and the transfer is registered in error before the books closing date, the acquirer must either:

- (c) transfer the franked dividend back to the disposer in accordance with this rule 7.78, as if the acquirer had disposed of the securities to the disposer on a cum dividend basis; or
- (d) if required to do so, compensate the unregistered disposer in accordance with rule 7.77 for the loss of entitlement to the franked dividend.

- 7.79 If the selling Exchange broker issues a dividend statement or a transfer of franked dividend certificate, the selling Exchange broker may be called on by either the Australian Taxation Office or the Exchange to substantiate the basis on which such documentation was issued.

DOCUMENTATION REQUIREMENTS

Certification Stamps

7.80 An Exchange broker must have a certification stamp that includes:

- (a) the name – SIM Venture Securities Exchange Ltd;
- (b) the Exchange broker's name and code number; and
- (c) the Exchange broker's facsimile signature.

7.81 A settlement agent must have a certification stamp that includes:

- (a) the name – SIM Venture Securities Exchange Ltd;
- (b) the settlement agent's name and code number;
- (c) the settlement agent's facsimile signature; and
- (d) a statement that it is executed as agent and the Exchange broker's identity is available on written request.

Use of Certification Stamps

7.82 A selling Exchange broker must place its certification stamp in part 1 of a transfer form before delivering the transfer form to the buying Exchange broker.

7.83 A buying Exchange broker must place its certification stamp in part 2 of a transfer form before delivering the transfer form to the issuer or its share registrar for registration.

7.84 A reference in this chapter 7 to a buying or selling Exchange broker's using their certification stamp includes a reference to a settlement agent using their certification stamp on behalf of the Exchange broker.

Transfer Documents

7.85 Unless otherwise determined by the Exchange, Exchange brokers must use white forms of transfer or renunciation which conform with the layout prescribed by the Corporations Act.

Registration Of Documents

7.86 For the purposes of rules 7.87, 7.88 and 7.89, transfers or renunciations includes split transfers and split renunciations.

7.87 Except where transfers or renunciations require the transferee's signature, the buying Exchange broker must forward transfers to the issuer for registration within five business days of receipt, but when the books of the issuer close for any purpose all transfers in its possession must be lodged with the issuer before the registers close, unless the transfers are in respect of a transaction settled on an 'ex entitlement' basis.

7.88 All transfers and renunciations forwarded to the issuer for registration must be accompanied by an advice of lodgement for registration. The advice must be dated and include the:

- (a) number of units;
- (b) name of the transferor;
- (c) name of the transferee;
- (d) register in which the securities are to be registered;
- (e) certificate or reference number relative to each transfer

but where all transfers and renunciations are micro-filmed before lodgement and are suitably referenced, the advice of lodgement need not contain the details set out in paragraphs (a) to (e) above.

Transfer Noting in Estate Matters

7.89 A security transfer or a security renunciation and transfer executed under grant of probate or letters of administration is valid delivery when relevant documents of probate have been sighted by the issuer and a 'probate exhibited' stamp has been applied to the transfer by the issuer or its share registrar.

Chapter 8: Supervision

OVERVIEW

This chapter sets out the supervisory arrangements for the Exchange.

The Exchange Accountant

- 8.1 The Exchange will appoint as the Exchange Accountant one or more persons who are accountants or firms of accountants.
- 8.2 During the term of their appointment, each person or firm appointed under rule 8.1 as the Exchange Accountant must not act as auditor of any Exchange broker or act for any Exchange broker or a director of any Exchange broker without the prior written consent of the Exchange.
- 8.3 The Exchange Accountant will receive on behalf of the Exchange the documents and returns required to be lodged by the Exchange brokers with the Exchange Accountant under the rules. If the Exchange Accountant believes it requires further information or explanation in relation to such documents or returns it will be entitled to request it from an Exchange broker and the Exchange broker must comply with the request.
- 8.4 The Exchange Accountant will carry out a special examination of an Exchange broker's books and records:
 - (a) if after considering the documents and returns lodged by an Exchange broker the Exchange Accountant believes a special examination should be conducted; or
 - (b) if directed to do so by the Exchange.
- 8.5 An Exchange broker that is subject to a special examination as provided in rule 8.4 will provide the Exchange Accountant with full access to all relevant financial books and records including the working papers of the Exchange broker's auditors and records relating to the Exchange broker's financial affairs held by their bankers. The Exchange broker will provide the Exchange with all necessary authorities and permission to access such books and records.
- 8.6 The Exchange Accountant will liaise with the Exchange as required and in any event not less than quarterly on matters arising out of its duties under the rules.

Surveillance Officers

- 8.7 The Exchange will appoint one or more suitably qualified persons to act as surveillance officers.
- 8.8 The Exchange may at any time direct a surveillance officer or surveillance officers to determine whether an Exchange broker selected by the Exchange is:
 - (a) complying with the rules, the provisions of chapter 7 of the Corporations Act or regulations made under that chapter, the conditions of the Australian financial services licence held by the Exchange broker;
 - (b) has behaved in a manner that constitutes unprofessional conduct; or
 - (c) has failed or is expected to fail to meet its obligations under commitments entered into on the Exchange.

A determination that a Broker has failed to comply with the provisions of chapter 7 of the Corporations Act or regulations made under that chapter or the conditions of its Australian financial services licence shall only be made with reference to ASIC.

- 8.9 An Exchange broker must provide or cause to be provided to a surveillance officer any accounts, records or documents of any kind whatsoever that are relevant to an inquiry being undertaken by the surveillance officer. The Exchange broker must also provide the surveillance officer with all reasonable assistance in relation to their inquiry.
- 8.10 A surveillance officer directed to carry out an inspection under rule 8.8 will provide a written report to the Exchange upon the completion of their investigation.
- 8.11 If a report of a surveillance officer indicates that, in the surveillance officer's opinion, an Exchange broker has:
- (a) failed to comply with its obligations under the rules;
 - (b) failed to comply with the provisions of chapter 7 of the Corporations Act or regulations made under that chapter;
 - (c) failed to comply with any condition of the Australian financial services licence held by the Exchange broker;
 - (d) behaved in a manner that constitutes unprofessional conduct; or
 - (e) failed or is expected to fail to meet its obligations under commitments entered into on the Exchange

the Exchange may take action against the Exchange broker under rule 8.13.

- 8.12 If the Exchange decides to take action against an Exchange broker under rule 8.13 on the basis of a surveillance officer's report the Exchange will provide a copy of the report to the Exchange broker.

Disciplining of Exchange Brokers

- 8.13 If, in the opinion of the Exchange, an Exchange broker has:
- (a) contravened:
 - (i) any of the rules;
 - (ii) any of the provisions of chapter 7 of the Corporations Act or regulations made under that chapter;
 - (iii) any condition of the Australian financial services licence held by the Exchange broker; or
 - (b) behaved in a manner that constitutes unprofessional conduct; or
 - (c) failed or is expected to fail to meet its obligations under commitments entered into on the Exchange

then the Exchange may give the Exchange broker written notice of the particulars of the charge and of the date (being not less than 7 days after the date the notice is served) when the charge will be heard.

- 8.14 For the purposes of rule 8.13, any act or omission by an officer, employee or authorised representative of an Exchange broker is deemed to be an act or omission of the Broker.

- 8.15 The Exchange will permit an Exchange broker that is the subject of a charge to appoint any officer, employee or other authorised representative to be heard in relation to the charge.
- 8.16 The Exchange will determine any charge without bias, give the Exchange broker a fair hearing and otherwise observe the rules of natural justice.

Penalties

- 8.17 If the Exchange makes a determination that an Exchange broker has contravened any of the rules, any of the provisions of chapter 7 of the Corporations Act or any regulations made under that chapter or any condition of the Australian financial services licence held by the Exchange broker or behaved in a manner that constitutes unprofessional conduct, the Exchange may censure the Exchange broker; or
- (a) impose a fine not exceeding \$25,000.00 upon the Exchange broker;
 - (b) suspend the Exchange broker from all or any of the rights of membership as a broker of the Exchange;
 - (c) prohibit the Exchange broker from transacting any business with or through any Exchange broker for a period not exceeding three months upon such terms and conditions as the Exchange thinks fit;
 - (d) require the Exchange broker to implement or upgrade an education and compliance program in a form directed by the Exchange which is designed to prevent further contraventions by the Exchange broker;
 - (e) require the Exchange broker to pay the total commission or gross profit or part thereof arising from the transaction concerned to the Exchange and the Exchange may deal with such amount in such manner as it thinks fit; and/or
 - (f) cancel the recognition of the Exchange broker.
- 8.18 In addition to any penalty imposed under rule 8.17, the Exchange may require the Exchange broker to pay the reasonable costs or part thereof incurred by the Exchange in determining the matter.

Reasons for Decision

- 8.19 If the Exchange makes a determination against an Exchange broker, the Exchange will notify the Exchange broker in writing of its determination, the reasons for its determination and any penalty imposed under rule 8.17.

Appeals

- 8.20 If the Exchange makes a determination against an Exchange broker, the Exchange broker may appeal the determination and any penalty imposed under rule 8.17 to the Compliance Committee.
- 8.21 A notice of appeal setting out the grounds of appeal must be lodged by the Exchange broker with the chairman of the Compliance Committee within 14 days of the Exchange broker receiving notice of the determination under rule 8.19.
- 8.22 No action will be taken by the Exchange to announce a determination or implement any penalty imposed upon an Exchange broker under rule 8.17 until expiry of the time allowed for an appeal or, where a notice of appeal is lodged under rule 8.20, until the appeal is determined by the Compliance Committee.

Suspension or Cancellation of Recognition

8.23 If, in the opinion of the Exchange:

- (a) it is desirable to do so in order to protect the interests of the Exchange or the public; or
- (b) an Exchange broker has insufficient capital for the conduct of their business

the Exchange may suspend or cancel the recognition of an Exchange broker.

8.24 If the Exchange suspends an Exchange broker:

- (a) the period of suspension will not exceed one month (unless extended by the Exchange, in which case it may not be extended by the Exchange by more than 1 month on each such occasion);
- (b) the Exchange broker must not enter into any new transaction with other parties without the approval of the Exchange but will be liable to complete all outstanding transactions with other parties that were uncompleted at the time of suspension;
- (c) the Exchange broker must not deliver any securities or settle any transactions without the approval of the Exchange;
- (d) the Exchange may at any time during the suspension appoint any person to manage the business of the Exchange broker and may remove the manager and appoint another manager in the manager's place and may fix the remuneration of any such manager. Such remuneration will be paid by the Exchange broker or may be retained by the manager from the proceeds of realisation of the assets of the Exchange broker;
- (e) any manager appointed under rule 8.24 (d) is the agent of the Exchange broker and the Exchange broker will be responsible for such manager's acts and defaults. The manager will be bound to carry out any directions which may be given to the manager by the Exchange in relation to the business of the Exchange broker and may, without any consent from the Exchange broker, do all things necessary or convenient to be done, including the delivery of securities and settling of transactions to conduct the business and management of the Exchange broker in such manner as the manager thinks fit;
- (f) an Exchange broker who is suspended under rule 8.23 irrevocably constitutes the Exchange as its attorney to appoint a manager for the purposes of this rule 8.24; and
- (g) if during the period of suspension of an Exchange broker the Exchange, from its own investigations or from the investigations carried out by the manager of the Exchange broker, reaches the opinion the Broker has insufficient capital for the conduct of its business the Exchange may cancel the recognition of the Exchange broker.

Default by an Exchange Broker

8.25 Where an Exchange broker:

- (a) has, in the opinion of the Exchange, failed or is unable to fulfil their obligations under the rules;
- (b) failed to pay to the Exchange any levy, fee, fine or other monies within one month of the time the levy, fee, fine or other monies were payable; or
- (c) is, in the opinion of the Exchange, insolvent

the Exchange may declare the Exchange broker to be a defaulter and thereupon the Exchange broker will cease to be entitled to carry on business as an Exchange broker.

- 8.26 Where an Exchange broker is declared as a defaulter all transactions in securities between the defaulter and other Exchange member that were uncompleted at the time the Exchange broker was declared a defaulter will be completed in a manner determined by the Exchange.
- 8.27 At any time after an Exchange broker is declared as a defaulter the Exchange may appoint a person who is a registered liquidator pursuant to the Corporations Act to be a receiver or receiver manager ("receiver") of the defaulter's business and may remove such receiver and appoint another receiver in his place and may fix the remuneration of any such receiver and such remuneration shall be paid by the defaulter or, subject to any applicable law, may be retained by the receiver from the proceeds of realisation of the Exchange broker's assets.
- 8.28 Any receiver appointed under rule 8.27 will be the agent of the Exchange broker and the Exchange broker alone will be responsible for his acts and defaults and such receiver so appointed will without any consent on the part of the Exchange broker have power to do all things necessary or convenient to be done for or in connection with, or as incidental to, the conduct of the business and management, and the realisation of the assets, of the Exchange broker in such manner as the receiver thinks fit, and the receiver may exercise all the powers conferred, or which would have been conferred if the Exchange broker were a corporation, under the Corporations Act.
- 8.29 An Exchange broker who is declared a defaulter under rule 8.25 irrevocably constitutes any receiver appointed pursuant under rule 8.28 as their attorney for the purpose of enabling them on behalf of the Exchange broker:
- (a) to sign or sign, seal and deliver all such transfers, conveyances, mortgages, leases, instruments, notices, agreements and other documents whatsoever; and
 - (b) to take all such steps and proceedings and do all such acts and things whatsoever as may in the opinion of the receiver be necessary or expedient for carrying into effect, completing or facilitating anything done or proposed to be done by any such receiver in exercising the powers conferred on him under this rule and in particular to deliver to the persons entitled thereto moneys or documents held by the Exchange broker in trust.

Register of Determinations

- 8.30 If a determination is made against an Exchange broker, the Exchange will record details of the determination in a register and make the register available for inspection by any person during normal business hours at the registered office of the Exchange. The register will include:
- (a) the name of the Exchange broker;
 - (b) summary details of:
 - (i) the charge or charges established against the Exchange broker;
 - (ii) the Exchange's determination; and
 - (iii) details of any penalty imposed under rule 8.17.
- 8.31 The Exchange will not make a record in the register in relation to a determination until the expiry of the time allowed for an appeal under rule 8.20, or where a notice of appeal is lodged, until the appeal is determined. After an appeal the details recorded in the register will only relate to the determination of the Compliance Committee.

Limited right to inform

8.32 The Exchange is entitled to inform the Compliance Committee, members of any committee to whom the Exchange has delegated any of its powers, and such officers or employees of the Exchange or of a related corporation, as it sees fit, of any matter relating to any act, omission or conduct in respect of which an Exchange broker may be or has been:

- (a) censured;
- (b) fined;
- (c) suspended;
- (d) prohibited from transacting business;
- (e) required to initiate or upgrade an education and compliance program; and/or
- (f) expelled; or
- (g) declared a defaulter by the Exchange or otherwise penalised.

8.33 Without limiting the generality of rule 8.32 information which may be communicated includes any information which may be relevant to any investigation, or proposed investigation under the rules.

Chapter 9: Compliance Committee

OVERVIEW

This chapter sets out the functions and procedures of the Compliance Committee.

The key role of the Compliance Committee is to hear and determine any issues referred to it under the rules, particularly in relation to disciplinary matters.

Establishment of Compliance Committee

- 9.1 The Exchange will establish a Compliance Committee. The role of the Compliance Committee is to:
 - (a) hear and determine any matters referred to it under the rules; and
 - (b) perform any other functions delegated to it by the Exchange.
- 9.2 The chairman of the Compliance Committee will be appointed by the Exchange for a period determined by the Exchange.
- 9.3 The Exchange will establish a Compliance Committee panel of not less than five persons nominated by the Exchange from time to time.
- 9.4 For the purposes of conducting any hearing or carrying out any other function delegated to it by the Exchange, the Compliance Committee will consist of the chairman and not less than two persons selected by the chairman from the Compliance Committee panel.
- 9.5 Where the chairman is unwilling or unable to act in relation to a particular hearing or function, the chairman will appoint one of the persons selected from the Compliance Committee panel to act as chairman for that hearing or function.

Proceedings of the Compliance Committee

- 9.6 Except as otherwise provided in the rules, the Compliance Committee will regulate its own proceedings.
- 9.7 A quorum for a meeting of the Compliance Committee will be the chairman and at least two other members of the Compliance Committee. If necessary, the chairman will appoint additional members to the Compliance Committee from the Compliance Committee panel for a particular hearing or function to ensure there is a quorum for meetings of the Compliance Committee.
- 9.8 Subject to rules 9.9 and 9.10, proceedings of the Compliance Committee will take place in private.
- 9.9 The Compliance Committee will permit one or more representatives of the Exchange to be present and make submissions at proceedings of the Compliance Committee. The Exchange may appoint an employee, any other person approved by the Compliance Committee or a barrister or solicitor of the Supreme Court of a State or Territory of Australia or of the High Court of Australia as its representative.
- 9.10 The Compliance Committee will permit any broker that is the subject of any proceedings to appear in person or be represented by an employee, any other person approved by the Compliance Committee or a barrister or solicitor of the Supreme Court of a State or Territory of Australia or of the High Court of Australia and make submissions to the Compliance Committee.

- 9.11 If a broker that is the subject of any proceedings does not wish to appear in person or be represented by any of the persons referred to in rule 9.10 before the Compliance Committee the broker may, not less than ten days before the date of the proceedings, lodge with the Compliance Committee a written submission for consideration by the Compliance Committee in relation to the proceedings.
- 9.12 Proceedings of the Compliance Committee will be conducted with as little formality and technicality, and with as much expedition, as a proper consideration of the matters before the Compliance Committee permit. If the Compliance Committee makes a written transcript of any of its proceedings it will provide a copy to the Exchange and any broker that is the subject of the proceedings.
- 9.13 The Compliance Committee will determine any proceedings without bias, give all parties a fair hearing and otherwise observe the rules of natural justice.
- 9.14 The Compliance Committee may obtain such legal advice as it thinks appropriate in the circumstances and may have its legal advisers present at any proceedings.
- 9.15 Any decision of the Compliance Committee will be determined according to a majority of votes of the Compliance Committee members. Each member will have one vote. In the event of an equality of votes, the chairman will have a casting vote.
- 9.16 Within 30 days of making a decision the Compliance Committee will give to the Exchange and the Exchange broker that is the subject of the proceedings the reasons in writing for its decision.

Appeals

- 9.17 Where the proceedings of the Compliance Committee is an appeal of a decision made by a committee, delegate or representative of the following provisions apply:
- (a) within 14 days of receiving a notice of appeal, the Compliance Committee will appoint a date, time and place for the appeal hearing and cause notice in writing of the date, time and place to be given to the appellant. The date appointed for the hearing will not be more than 60 days and not less than 21 days after the date of the notice to the appellant;
 - (b) the Compliance Committee may adjourn and re-convene the proceedings as it thinks fit; and
 - (c) the proceedings will not be conducted as a re-hearing, but the Compliance Committee may review any findings reached in the decision under appeal. The Compliance Committee may affirm, vary or set aside the appealed decision, any penalty imposed and any direction made.

Indemnification of Compliance Committee Members and Officers of the Exchange

- 9.18 Each member of the Compliance Committee and each officer of the Exchange will be indemnified by the Exchange against any liability howsoever arising in or in connection with the determination of any proceedings of the Compliance Committee other than any liability that by law would attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Exchange.
- 9.19 Notwithstanding rule 9.18, each member of the Compliance Committee and each officer of the Exchange will be indemnified by the Exchange against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application in relation to any such

proceedings in which relief is granted to them under the Corporations Act by any court of competent jurisdiction.

Chapter 10: Interpretation of Business Rules

OVERVIEW

This chapter sets out how the Exchange business rules are to interpreted and applied.

INTERPRETATION

Business Rules Principles

10.1 The rules are based upon the principles set out in the Introduction.

Compliance with Business Rules Principles

10.2 An Exchange Broker must comply with the spirit, intention and purpose of the rules having particular regard to the principles upon which they are based.

Corporations Act Terms

10.3 Terms that are specifically defined in the Corporation Law and which are not defined in the rules have the same meaning when used in the rules.

Modifications

10.4 A reference to a law or rule is a reference to the law or rule as amended, re-enacted or modified by administrative action.

Content of the Business Rules

10.5 The rules do not include the table of contents, explanatory notes, history notes or example, index or guidance notes.

GENERAL PROCEDURES

Scope of Conduct

10.6 For the purposes of the rules, an act or omission by an Exchange broker includes any act or omission caused directly or indirectly by the Exchange broker.

Time

10.7 Where a rule requires something to be done by a day that is not a business day, it must be done by the preceding business day.

10.8 Where a rule refers to time it means local time unless the rule specifically refers to another time.

Notice to an Exchange Broker

10.9 An Exchange broker is deemed to have been given a notice or document by the Exchange if it is left at, or sent by post or facsimile, to the address or facsimile number:

- (a) of the Exchange broker in its application for recognition as an Exchange broker; or
- (b) of the Exchange broker as provided to the Exchange or used in correspondence with the Exchange.

This rule does not prevent the Exchange giving a notice or document to an Exchange broker in any other way permitted by law.

10.10 A notice or document is deemed to have been given by the Exchange to an Exchange broker:

- (a) at the time of delivery, if delivered;
- (b) on the second business day after posting, if posted; and
- (c) when it is received, if sent by facsimile. A successful facsimile transmission report is sufficient for this purpose.

Notifying the Exchange

10.11 If an Exchange broker is required to notify the Exchange of anything under a rule it must do so in writing, unless otherwise specified.

DEFINITIONS

10.12 In these rules, unless the context otherwise requires:

accountant	means a member of the Australian Society of Certified Practising Accountants, the Institute of Chartered Accountants of Australia or any similar body approved by the Exchange;
acting as principal	means dealing in securities on behalf of a prescribed person;
ACH	means Australian Clearing House Pty Limited ABN 48 001 314 503;
adjust phase	means a period of time designated by the Exchange during which: <ul style="list-style-type: none">a) an existing bid or offer may be cancelled, or may be adjusted by decreasing the price of the bid or increasing the price of the offer or by decreasing the quantity of securities the subject of the bid or offer;b) no new bids or offers may be entered; andc) no transactions may be effected;
announcement	means any announcement or other disclosure of information made by an issuer to the Exchange which may affect the value of their securities or influence investment decisions to buy or sell their securities;
announcements office	means the office the Exchange designates as the announcements office;
annual report	includes financial documents;

approved representative	means an authorised representative or employee of a broker who holds a written notice from the broker authorising them to act for or by arrangement in connection with a securities business carried on by the broker and who is registered as an approved representative by the Exchange;
ASIC	means the Australian Securities and Investments Commission;
associate	includes a prescribed person;
ASTC	means the ASX Settlement and Transfer Corporations Pty Ltd ABN 49 008 504 532;
ASTC Settlement Rules	means the operating rules of the ASTC settlement facility (including all appendices and schedules) as amended from time to time;
Australian taxpayer	means a person who is required to include in assessable income, for Australian income tax purposes, a franked dividend or a dividend equivalent received under rule 7.68;
authorised trading representative	means a natural person appointed by an Exchange broker pursuant to rule 6.3;
bid	means a price and quantity of securities to be purchased;
board	means the board of directors for the time being of the Exchange;
bonus issue	means a pro rata issue of securities to holders of ordinary securities for no consideration;
books closing date	means, in relation to a benefit attaching to securities, the date of closing of the transfer books to determine the holders of securities who are entitled to participate in the benefit;
business day	means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that the Exchange declares is not a business day;
business name	means a name, style, title or designation under which a business is carried on by an Exchange broker;
call	includes an instalment of a call;
child entity	has the meaning given to that term in s243D of the Corporation Law;
CHESS	has the meaning given to that term in the ASTC Settlement Rules;

CHES approved securities	means securities that may be held on CHES as notified by the issuer to;
claim	means a claim under rule 7.70 for: <ul style="list-style-type: none"> a) an amount equal to the cash component of the franked dividend; b) shares identical to those issued as the franked dividend or in lieu in the cash component of the franked dividend; or c) a combination of (a) and (b) where the dividend payable consists of both cash and shares; whether made by way of an adjustment to an outstanding transaction or a claim in respect of a transfer of securities not registered by the books closing date;
class	means securities that have the same rights and obligations attaching to them (ignoring any differences relating to restricted securities);
clearing broker	means: <ul style="list-style-type: none"> a) the Exchange; or b) a Broker admitted as a CHES participant under the ASTC Settlement Rules and who has been approved by the Exchange as a clearing broker;
company option	means an option issued by a listed company over its unissued shares, being an option admitted to the official list by the Exchange;
Compliance Committee	means the committee appointed pursuant to rule 9.1;
condition	means a condition specified by the issuer or vendor pursuant to rule 6.27 the satisfaction of which neither the buyer nor the seller of securities the subject of the sale is in a position to influence, being a condition which is a prerequisite to the allotment by the issuer or the transfer by the vendor pursuant to a prospectus offering to the seller from whom title is reliant, of the securities the subject of that sale;
conditional market	means a market declared by the Exchange to be a conditional market pursuant to rule 6.27;
conditional sale	means a sale which is conditional on the fulfilment of a conditional and made on a conditional market;
constitution	means the constitution of the Exchange;
controller	means a person who, in the opinion of the Exchange, has a substantial interest in the equity of the holder of, or a substantial economic interest in, restricted securities and each intermediate entity through which that interest occurs;

convertible securities	means securities that are convertible into equity securities;
corporate action	has the meaning given to that term in the ASTC Settlement Rules;
Corporations Act	means the Corporations Act and Corporations Regulations as amended from time to time;
cum dividend	means shares are traded on a cum dividend basis unless specified as ex dividend ie the shares carry an entitlement to the next dividend paid by the entity;
debt security	means an unsecured note, a debenture and any other security classified by the Exchange as a debt security;
delivery obligation	<p>in respect of a CHESS approved security, means the obligation of an Exchange Broker to deliver a specified quantity of units of a security to another Exchange Broker or Exchange Brokers on a settlement day, which arises when:</p> <ol style="list-style-type: none"> the entitlement, if any, which the Broker has to receive securities of that kind is less than the Broker's obligations to deliver the securities; and issues a notice to the Exchange Broker pursuant to rule 7.04:
despatch date	means the date by which an issuer is required to have despatched certificates (or in the case of rights, entitlement and acceptance forms in relation to those rights) or to have entered securities (including rights) into security holder's uncertificated holdings in accordance with the Exchange listing rules;
dividend or distribution plan	means any plan which gives holders of securities the opportunity to accept securities in place of dividend distribution or interest payments (either wholly or partly);
dividend equivalent	<p>means:</p> <ol style="list-style-type: none"> an amount equal to the cash component of the franked dividend; shares identical to those issued as the franked dividend or in lieu of the cash component of the franked dividend; or a combination of (a) and (b) where settlement of the claim consists of both cash and shares, <p>plus an amount equal to the imputation credit that would have been attached to the franked dividend;</p>
DvP settlement	has the meaning given to that term in the ASTC Settlement Rules;

employee	of a broker includes an independent contractor who acts for or by arrangement with a broker in the conduct of its securities business;
employee incentive scheme	means a scheme under which securities of an entity are issued or acquired and held by, or for the benefit of, employees or non executive directors of the entity or a related entity or any other scheme the Exchange decides is such a scheme;
entity	means an entity that has applied for admission to, or is admitted to, the official list of the Exchange;
equity security	includes a share, a unit, an option, a right to a share, unit or option, a convertible security and any other security the Exchange classifies as an equity security;
Exchange	means SIM Venture Securities Exchange Limited and includes, where applicable, the markets operated by the Exchange;
Exchange Accountant	means the accountant or accountants appointed by the Exchange under rule 8.1;
Exchange broker	means a company or natural person recognised and remaining recognised by the Exchange as a broker under the rules;
family company	in relation to a person, means a corporation controlled by the person or the immediate family of the person;
family trust	in relation to a person, means a trust in which the person or the immediate family of the person is the only or major beneficiary;
financial documents	means the documents an entity is required to lodge with ASIC under accounts provisions of the Corporations Act;
immediate family	in relation to a person means the person's spouse and any non adult children;
listings office	means the office the Exchange designates as the listings office;
main class	means ordinary securities of the entity (or the class of securities designated by the Exchange if ordinary securities are not to be quoted);
market	means the market conducted in accordance with the rules;

marketable parcel	means a parcel of securities worth not less than \$500 on the basis of the closing price on the Exchange trading system if quoted or the price paid when the securities were issued if unquoted;
normal trading	means the hours of trading designated by the Exchange during which bids and offers may be entered, amended or cancelled and which will be matched in accordance with rule 6.22;
offer	means a price and quantity of securities to be sold;
official list	means the list of entities that have been admitted and not removed from listing on the Exchange;
opening phase	means a period of time designated by the Exchange when bids and offers are to be matched in accordance with rule 6.24;
opening price	means the price determined as follows: Only bids equal to or greater than the opening price can match and only offers equal to or lower than the opening price can match. Calculate the price at which the maximum amount would be traded. If there is one price at which this maximum occurs then that price is the opening price. If there are multiple prices then select the price with the minimum residual, where the residual is the amount of unmatched securities to buy or sell at a particular price. If there are multiple prices with an equal minimum residual then the opening price is the average of those prices;
ordinary securities	means ordinary shares or ordinary units (or the class of securities designated by the Exchange if the entity does not have ordinary shares or ordinary units);
person	includes any corporation or association or body or persons, whether corporate or unincorporated;
PID	means a participant identifier and is a unique identifier of a CHES participant allocated by ACH;
pre-opening phase	means a period of time designated by the Exchange when bids and offers can be entered, amended or cancelled but transactions cannot be effected on the Exchange trading system;
prescribed person	in relation to an Exchange broker means: <ul style="list-style-type: none"> a) in the case of a corporate the Exchange broker, a director, company secretary, other officer, employee or consultant of the Exchange broker; b) in the case of a natural person Exchange broker, an employee or consultant of the Exchange broker; c) immediate family of any of the above persons;

	<ul style="list-style-type: none"> d) family companies or trusts of any of the above persons; and/or e) in the case of a corporate the Exchange broker, a substantial shareholder in the Exchange broker;
professional investor	means a person who is not a retail investor under Corporation Law regulation 7.3.02B(1),(8) and (9);
prohibited conduct	<p>includes:</p> <ul style="list-style-type: none"> a) conduct which amounts to impropriety of character and which is indicative of a failure to understand or practice just and equitable principles in the transaction of business in relation to a client or the public; b) unsatisfactory professional conduct, where the conduct is such that it involves a substantial or consistent failure to reach reasonable standards of competence and diligence; and/or c) conduct which is or could reasonably be considered as likely to be prejudicial to the interests of the Exchange or its brokers <p>and need not involve a breach of any of the rules or a contravention of any law;</p>
pro rata issue	means an issue offered to all holders of securities in a class on a pro rata basis;
quotation	means official quotation by the Exchange;
recognised stock exchange	means a stock exchange that is prescribed by the Exchange for the purposes of this definition;
related party	<ul style="list-style-type: none"> a) has the meaning in section 243F of the Corporations Act, in relation to a body corporate; b) means the management company, trustee and their related parties within the meaning of section 243F of the Corporations Act, in relation to a trust which is not a registered managed investment scheme; c) means a related party under section 243F of the Corporations Act, as modified by section 601LA of the Corporations Act, in relation to a trust which is a registered managed investment scheme;
restricted securities	means securities that in the opinion of the Exchange should be treated as restricted securities;
rules	means these business rules;
securities	has the same meaning as in subsection 92(1) of the Corporations Act;

settlement agent	means: a) in respect of non-CHESS approved securities – an agent appointed by an Exchange broker under rule 7.35; and b) in respect of CHESS approved securities a clearing broker appointed by a Broker as an agent under rule 7.23 as applicable;
settlement day	means the day on which a transaction is due to be settled in accordance with the rules;
settlement instruction	has the meaning given to that term in the ASTC Settlement Rules;
settlement obligations	in relation to an Exchange transaction, means all obligations required to complete the sale and purchase created by the Exchange transaction;
settlement statement	means the statement given by the Exchange on the settlement day setting out the settlement obligations;
settlement transfer	has the meaning given to that term in the ASTC Settlement Rules;
takeover	means a takeover offer or a takeover announcement;
takeover announcement	means a takeover announcement under the Corporations Act;
takeover offer	means a takeover offer under the Corporations Act;
termination benefits	means payments, property and other benefits that are receivable on a termination of employment, office or engagement;
trading halt	means an interruption to trading at the request of an entity that is not a suspension from quotation;
trading system	means the automated securities trading system;
transaction	means a transaction or trade that results from the process of matching bids and offers;
underlying securities	means the securities that will be issued if an option is exercised or a convertible debt security is converted;
underwriting	includes sub-underwriting;
unprofessional conduct	includes but is not limited to: a) conduct which amounts to improperly affecting professional character and which is indicative of a failure either to understand or to practice the precepts of honesty and fair dealing to clients or to

the public;

- b) unsatisfactory professional conduct where the conduct involves a substantial or consistent failure to reach reasonable standards of competence and diligence; and/or
- c) conduct which is or could reasonably be considered likely to be prejudicial to the interests of the Exchange or Exchange brokers or their affiliates

by an Exchange broker or an employee or whether in the conduct of the Exchange broker's business as an Exchange broker or in the conduct of any other businesses and need not involve a breach of these Rules, any procedure or any law;

unit

means a unit in a unit trust;

undertaking

includes assets or a business;

weighted price

means:

- a) if the bid price and the offer price are the same, that price; or
- b) otherwise, the price calculated in accordance with the following formula:

$$A = \frac{(B \times C) + (D \times E)}{C + E}$$

where:

- A is the weighted price expressed in dollars;
- B is the weighted price expressed in dollars;
- C is the bid quantity;
- D is the offer price; and
- E is the offer quantity.

Chapter 11: Exchange Powers, Discretions and Fees

OVERVIEW

This chapter sets out powers of the Exchange and discretions in relation to its administration of the business rules.

In particular, this chapter deals with decisions, waivers, transitional arrangements, limitations on Exchange liabilities and Exchange broker indemnities. It also describes the various fees and levies payable by Exchange brokers.

Decisions of the Exchange

- 11.1 The Exchange may at any time vary or revoke any decision it makes under, or in relation to, the rules. It may do so on its own accord or at the request of an Exchange broker. Any such variation or revocation has effect from the date specified by the Exchange.
- 11.2 A decision by the Exchange is not invalidated by any procedural defect. If an Exchange broker reasonably believes a defect may cause it substantial injustice it may request the Exchange to review its decision.

Waivers

- 11.3 The Exchange may at any time, on its own accord or at the request of an Exchange broker, waive all or part of business rules 1.1 to 1.8, 2.5, 2.23, 2.27, 2.28, 3.1 to 3.8 or 5.1(c).
- 11.4 If the Exchange waives a, or part of a rule, it may do so on conditions it regards as appropriate in the circumstances. Any such conditions must be complied with for the waiver to be effective.
- 11.5 The Exchange may at any time withdraw a waiver given under rule 11.3.
- 11.6 The Exchange will periodically publish summary details of waivers granted under rule 11.3.

Transitional Arrangements

- 11.7 The Exchange may from time to time publish transitional arrangements in relation to any new rule or rules. An Exchange broker must comply with any transitional arrangements published by the Exchange.

Limitations on Liability

- 11.8 Subject to rules 11.9 and 11.10, the Exchange, its related companies and their respective employees and agents have no obligation or liability of any kind to an Exchange broker or to any of their clients for any loss or damage (including consequential loss or damage) that may be suffered or incurred or which may arise directly or indirectly in relation to the supply of goods or services by the Exchange or any of its related companies, an Exchange broker's use or inability to use the Exchange trading system or in respect of any failure, error or omission on the part of the Exchange or any of its related companies, including any loss or damage in respect of:
 - (a) the results of trading on the market or the suspension, interruption, cancellation or closure of trading on the market; or
 - (b) the exercise by the Exchange of a decision making power under the rules,

whether such loss or damage is caused wholly or partially by negligence on the part of the Exchange, its related companies or any of their respective employees or agents.

- 11.9 The Exchange and its related companies exclude all conditions and warranties implied by statute, general law or custom except any implied condition or warranty the exclusion of which would contravene any statute or cause any of the rules in this chapter 11 to be void.
- 11.10 To the maximum extent permitted by law, the liability of either or both the Exchange and its related companies for breach of any statutory provision or arising, directly or indirectly, from the performance of the contract constituted by the rules is limited to either of the following at the discretion of the Exchange:
- (a) in the case of goods:
 - (i) the replacement of the goods; or
 - (ii) the repair of the goods; and
 - (b) in the case of services:
 - (i) the supply of the services again; or
 - (ii) the payment of the cost of having the services supplied again.

Broker Indemnities

- 11.11 Each Exchange broker indemnifies and agrees to keep indemnified the Exchange, its related companies and their respective employees, contractors and agents ("those indemnified") from and against any loss (including their legal costs and expenses on a solicitor/client basis) or liability reasonably incurred or suffered by those indemnified arising from any proceedings against those indemnified where such loss or liability arose out of:
- (a) any breach by the Exchange broker of its obligations under the rules; or
 - (b) any wilful, unlawful or negligent act or omission by the Exchange broker.
- 11.12 Nothing in this chapter 11 excludes, restricts or modifies any condition or warranty implied in the contract constituted by the rules by any applicable statute (including the Trade Practices Act 1974) where to do so would render any part of the rules void.

Maintenance of Documents and Information

- 11.13 Any documents or information that an Exchange broker is required to prepare under the rules must be maintained in the manner and for the period of time prescribed by the Exchange from time to time.

Exchange Broker Fees and Levies

- 11.14 An applicant to become recognised as an Exchange broker must pay the current application fee of the Exchange, fidelity fund contribution fee and other fees, contributions or levies prescribed by the Exchange.
- 11.15 If the Exchange does not accept an application the Exchange will refund to the applicant its current refund fee.
- 11.16 Each year an Exchange broker must pay the current annual Broker fee of the Exchange, annual fidelity fund contribution fee and any other fees, contributions or levies prescribed by the Exchange.

11.17 An Exchange broker must pay any additional fees or levies set and published by the Exchange from time to time.

11.18 Fees are payable to the Exchange at the time and in the manner set and published by the Exchange from time to time.

Other Obligations

11.19 An Exchange broker must provide the Exchange with any information, document or explanation the Exchange asks for to enable the Exchange to comply with its obligations under s792A(c)(i) of the Act and regulations made under s798E of the Act. If requested to do so by the Exchange, the Exchange broker must provide the information, document or explanation within the time specified by the Exchange.