

References Issued 30/8/2000

Chapter 6, BSX Business Rules

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### **Introduction**

This guidance note has been issued to assist BSX brokers and other market participants understand when and how BSX will exercise its discretion to cancel a transaction under the BSX Business Rules.

### **Regulatory Objectives**

BSX has limited powers under the BSX Business Rules to cancel a transaction in certain circumstances.

The purpose of the relevant Rules is to enable BSX to cancel a transaction in certain circumstances where a person or organization may otherwise be adversely and unfairly affected.

### **BSX Discretion to Cancel a Transaction**

There are two circumstances in which BSX has the power to cancel a transaction under the BSX Business Rules.

First, under BSX Business Rule 6.34, where BSX becomes aware of any error in the entry of a bid or offer, a transaction is effected in relation to the bid or offer and BSX believes it is appropriate in the circumstances, BSX may cancel the transaction.

Secondly, under BSX Business Rule 6.35, BSX may cancel a transaction if both BSX brokers to the transaction agree to its cancellation.

If BSX does cancel a transaction it will notify the BSX brokers to the transaction as soon as possible after doing so.

### **Factors Affecting Exercise of Discretion by BSX**

BSX will not exercise its discretion to cancel a transaction lightly. BSX will always carefully consider the possible impact of cancelling a transaction on other market participants as well as the parties directly involved.

In particular, BSX will take account of the following factors:

- the price at which the proposed cancelled transaction took place compared with other recent transactions in the market place in the same securities;
- the effect that cancelling the transaction is likely to have on other orders, or potential orders, on the market;
- how quickly the transaction can be cancelled; and
- general market conditions.

### **Examples**

#### *Administration Error by BSX Market Operator (BSX Business Rule 6.34)*

During the first stage of the BSX market, BSX brokers convey orders to the BSX market operator by phone, fax or email.

## **Guidance Note Cancellation of Transactions by BSX**

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If BSX forms the view that the BSX market operator has entered an order incorrectly into the BSX trading system and no parties directly involved or indirectly affected by a transaction flowing from the order are likely to be adversely and unfairly affected, BSX will cancel the transaction.

In forming a view, BSX will take account of the factors described above.

BSX Business Rule 6.34 is not intended to cover an error made by a BSX broker in submitting an order to the BSX market operator. A transaction resulting from an error of this nature needs to be dealt with, if at all, under BSX Rule 6.35 (see below).

### *Agreement of BSX brokers to Cancel a Transaction (BSX Business Rule 6.35)*

Where two BSX brokers to a transaction have agreed between themselves to cancel the transaction they must request BSX to consent to the cancellation before it will be effective.

BSX will not consent to the cancellation of the transaction unless it is satisfied, having regard to the factors described above, that no parties directly involved or indirectly affected by the transaction are likely to be adversely and unfairly affected. BSX will also need to be satisfied that the ultimate parties to the transaction have agreed to it being cancelled.

### **Scope of Guidance Note**

This guidance note is intended to assist BSX brokers comply with obligations under the BSX Business Rules. It is not exhaustive, does not in any way act as a substitute for any BSX Business Rules and is not binding on BSX in its application of the Rules in any particular case.

This guidance note does not constitute legal advice by BSX. Where appropriate, BSX brokers should obtain their own professional advice about compliance with their obligations under the BSX Business Rules.

### **Queries**

If you have queries about this guidance note please contact the BSX Brokers Office on:

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