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Mr Gary Hobourn  
Senior Economic Analyst  
Regulatory and Public Policy  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

By email: [regulatorypolicy@asx.com.au](mailto:regulatorypolicy@asx.com.au)

Dear Gary

**ASX-Listed Company Announcements  
Processes for Advising of Changes to Security Status  
Consultation Paper September 2017**

Thank you for the opportunity to provide comments on the Consultation Paper. AFMA understands that this is the second of a number of consultations ASX will undertake dealing with issues related to the September 2016 market outage and ASIC Report 509.

AFMA would like to again acknowledge that ASX's market infrastructure generally operates with a high degree of reliability and that events such as that of September last year are very infrequent.

The *status quo* arrangements in relation to changes to security status are a logical artefact of the unification of the bulk of the Australian exchange trading under the Australian Securities Exchange.

With the entrance of an alternative trading venue for certain ASX listed securities sensible changes were made to allow the coordination of the activities of the two markets in a reasonable timeframe. While these arrangements, effectively involving the reliance of the secondary platform on outputs from the ASX trading platform, were sufficient to commence competition in trading venues, particularly while trade on the new exchange was limited, they were not optimal for the environment that evolved as significant volumes began to be transacted on the secondary platform.

The Consultation represents an opportunity to make sensible changes to the design of the interaction between markets. In this regard AFMA broadly welcomes the proposed changes (subject to the discussion of details below) as a positive step in evolving the market to a more logical structure given its multi-market nature.

In regard to the specific questions raised in the paper these are answered below.

### ***Market Announcement Dissemination Proposal***

- 1. ASX seeks feedback on any practical implications of using a FIX gateway to disseminate security status updates.**
- 2. Details of the technology solution will be published in October and ASX will deliver the technical solution by March 2018. ASX seeks feedback on the proposed timeline.**

AFMA supports the provision of a separate gateway for the dissemination of security status information by ASX's Market Announcements Office. This is a logical and sensible development for the markets.

While a FIX gateway is generally viewed as an appropriate solution for a security status system further details on the proposed design are necessary before participants can make a fully detailed assessment.

In this context AFMA notes the following considerations:

1. It may be appropriate to give consideration to the provision of a binary connection for co-located implementations. These systems would more readily connect to binary connections and a binary connection may offer greater timing precision.
2. It may be appropriate to consider the provision of notification events for instruments entering restrictions as well as when they are removed. This approach would simplify the implementation design as it would allow for flexibility in approach – for example in the use or not of timers.
3. Where there are discrepancies between the existing ASX Trade feed and the new FIX feed the response protocols for users of both feeds should be made clear. This should include scenarios where market status is only available via the new FIX feed.

The paper notes that ASX is giving longer term consideration to whether to continue to make session state changes relating to security status available via ASX Trade. AFMA notes that this would be a significant change that would affect all participants. Further consultation would be appropriate if ASX was interested in exploring this change.

AFMA is concerned that the implementation timeline – specifically the March deployment deadline – may be too short given the significance of the changes to the market. Particularly as at this time only a high-level view of the proposed architecture is available it is difficult for participants to be certain of the changes that might be needed.

### ***Market Announcement Processing Changes***

- 3. Do you have any specific concerns or issues in extending the period during which ASX Market Announcements Office process changes to security status to 7:30am - 7:00pm (from 10:00am - 4:12pm)?**

AFMA does not note any concerns about this proposed change.

### **Standardising Session States**

4. Do you have any concerns regarding the proposal to standardise timeframes for the continuation of trading following all trading pauses to 10 minutes (with the exception of takeover scenarios)?
5. Do you support the proposal to replace the existing '50/10' arrangement for takeover and scheme of arrangement announcements with a single 60 minute trading pause, where the security would be in a price discovery period or 'pre-NR' session state on ASX? Please provide reasons for your position.

We are concerned that 10 minutes is too short for stocks resuming from a trading halt or suspension.

Following such announcements, there must be time for the announcement to be noticed by participants, the information must be analysed by participants and relevant clients (including overseas clients) contacted, and orders entered into the ASX central limit order book in order to have an orderly market. A conservative standardised time of 60 minutes 'Pre-notice received' may be appropriate for all scenarios except Price Sensitive Announcement.

Following a price sensitive announcement 10 minutes is considered an appropriate pause.

For a Take Over/Scheme of arrangement scenario the change of the 50 minutes 'adjust' state to an additional 50 minutes of 'Pre-notice received' state is supported as appropriate given the change in the role of ASX Operations and the increased time and flexibility it provides to participants to enter market orders.

A summary of the proposed timings is included in the following table:

<b>Scenario</b>	<b>Current Trading Pause</b>	<b>Proposed Trading Pause</b>	<b>Recommended</b>
Price Sensitive Announcement	10min Pre NR	10min Pre NR	10min Pre NR
Trading Halt lift	20min Pre NR	10min Pre NR	60min Pre NR
Reinstatement from Suspend	20min Pre NR	10min Pre NR	60min Pre NR
Intraday reinstatement from Suspend	20min Pre NR	10min Pre NR	60min Pre NR
Take Over / Scheme of arrangement	50min Adjust 10min Pre NR	60min Pre NR	60min Pre NR

We thank you for the opportunity to provide a response to the consultation. Should you have any questions regarding the submission please do not hesitate to contact me at [djeffree@afma.com.au](mailto:djeffree@afma.com.au) or on (02) 9776 7993.

Yours sincerely



Damian Jeffree