



Buy Back Trading on Cboe Australia

Contents

1	Introduction	1
2	Broker Preferencing	2
3	Technical Specification Details.....	2
4	Integrated Order Book	2
5	Self-Trade Protection	3
6	Technical Specification Details.....	3

©2022 Cboe Australia Pty Ltd (ACN 129 584 667) (“Cboe Australia”). All rights reserved. Cboe is a registered trademark.

Cboe Australia is the holder of an Australian Markets Licence to operate a financial market in Australia. This information is provided for informational purposes only. It does not take into account the particular investment objectives, financial situation, or needs of any individual or entity. Under no circumstances is it to be used as a basis for, or considered as an offer to, become a participant of or trade on Cboe Australia or undertake any other activity or purchase or sell any security, or as a solicitation or recommendation of the purchase, sale, or offer to purchase or sell any security. While the information has been obtained from sources deemed reliable, neither Cboe Australia nor its licensors, nor any other party through whom the user obtains any such information: (i) makes any guarantees that it is accurate, complete, timely, or contains correct sequencing of information; (ii) makes any warranties with regard to the results obtained from its use; or (iii) shall have any liability for any claims, losses, or damages arising from or occasioned by any inaccuracy, error, delay, or omission, or from the use of the information or actions taken in reliance on the information. Reproduction or redistribution of this information is prohibited except with written permission from Cboe Australia.

Buy-Back Trading on Cboe Australia

System response times may vary for a number of reasons including market conditions, trading volumes and system performance.

1 Introduction

With reference to recent ASIC communications ([ASIC infringement notice MDP01/21](#) - “the ASIC Notice”) around buy-back trading events, Cboe Australia would like to clarify the mechanisms available to Cboe Australia Participants which may help ensure market buy-backs executed on Cboe Australia are in the ordinary course of trading.

This clarification focuses on broker preferencing (referred to as ‘participant preferencing’ in the ASIC Notice) and self-trade protection.

The MDP in the ASIC Notice stated that the use of participant preferencing on ASX CentrePoint by a participant does not of itself result in trading that is not in the ordinary course of business, because the relevant question is whether it actually conferred a preference on the participant for a particular order or transaction.

This clarification sets out how a Cboe Australia participant may take steps to ensure orders submitted to Cboe Australia are executed in the ordinary course of trading for buy-back purposes.

2 Broker Preferencing

Broker Preferencing logic allows participants to preference their own hidden orders where they have price but not time priority. Broker Preferencing is set OFF by default on Cboe Australia trading logins unless Participants request Cboe Australia Market Operations to set Broker Preferencing **ON, per trading login**, as its default.

If a login is set as Broker Preferencing ON by default then Participants are still able to override this logic to set Broker Preferencing **OFF, per order**.

Turning Broker Preferencing off for an order, or set of orders, may therefore assist in ensuring that trading pursuant to those orders is in the ordinary course of trading for buy-back purposes.

3 Technical Specification Details

If a login is set as Broker Preferencing ON as a default then Participants are still able to override this logic, per order, by populating the **Order Restrictions** field:

FIX tag **8182**, or

❖ OUCH (CHIXOE) field offset 112,

With the value “1” to turn Broker Preferencing OFF for that order.

Please refer to section 9 of the Order Type Overview document for full details.

4 Integrated Order Book

Cboe Australia operates an integrated order book. This means that an incoming lit or dark order will automatically match with the best price regardless of whether the resting order is lit or dark.

For example, entering a lit order on Cboe Australia may match with dark and lit orders under normal price/time priority and the unexecuted remainder will rest as lit (i.e. visible to the market).

Some background, to compare with ASX order books:

- ❖ ASX CentrePoint orders are dark, anonymous and interact only with CentrePoint orders
- ❖ ASX Lit orders interact with lit orders
- ❖ ASX Sweep orders interact with CentrePoint orders and lit orders. Remaining quantity rests as lit, to interact with lit orders.

Source: <https://www2.asx.com.au/markets/trade-our-cash-market/asx-equities-trading/order-controls>

Accordingly, trading on the Cboe Australia integrated order book with Broker Preferencing turned off, may ensure trading on Cboe Australia is in the ordinary course of business for buy back purposes, in the same way that turning off ‘participant preferencing’ for ASX order books may ensure that outcome for trading on ASX (as outlined by the MDP in the ASIC Notice).

5 Self-Trade Protection

Cboe Australia also provides Self Trade Protection to avoid buy and sell orders from the same Participant matching, where both orders have:

- ❖ The same first three digits of the Trading PID, and
- ❖ The same NoSelfTrade key

Participants may choose from the following 3 Self Trade Protection outcomes per order:

- ❖ Cancel Newest - passive order remains unchanged.
- ❖ Decrement & Cancel - largest order is decremented and smallest order is cancelled.
- ❖ Booking Purpose – orders are matched but the trade is converted to a Booking Purpose trade report.

This tool may also ensure broker preferencing does not apply for an order or set of orders, resulting in the order(s) being in the ordinary course of trading.

6 Technical Specification Details

FIX tag 8174 **NoSelfTrade**: orders with matching *NoSelfTrade* key from the same Participant ID (as determined by the first three digits of the Trading PID), will result in 'Cancel Newest' unless FIX tag 7713 *NoTradeFeat* is populated to instruct Cboe Australia systems to handle as follows:

- ❖ N = Cancel Newest
- ❖ D = Decrement & Cancel
- ❖ X = Booking Purpose

The OUCH (CHIXOE) specification has equivalent fields to handle self-trade protection.

Note that Booking Purpose trades are not disseminated on public market data feeds.

Please refer to section 10 of the Order Type Overview document for full details.