



BLX Australia Rulebook

(Non-Public Crossing System Information)

July 2020

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Version Control

Version	Date	Author	Key Changes
1.0	6 Feb 2014	S Newton	First edition
1.1	19 May 2016	L Foo	Update
1.2	27 Aug 2018	L Foo	Review and format update
1.3	July 2020	L Foo	Update website regulatory link, regulatory references.

1. Introduction

BLX[®] Australia (“**BLX**”) is an Australian Crossing System operated by Instinet Australia Pty Limited (“**Instinet**”), which is a company regulated by the Australian Securities and Investments Commission (“**ASIC**”), pursuant to Chapter 5A of the MI Rules. BLX has been operating since 1 April 2011 and ASIC have assigned it the crossing system identifier code 2171.

This Rulebook constitutes the “common set of procedures” required by rule 5A.3.1, and provides the “Non-Public Crossing System Information” required by rule 5A.2.1 of the MI Rules.

Current publicly available information on BLX can be accessed at the following web address.

<https://www.instinet.com/legal-regulatory>

2. The Agreement

The sending of an Order (whether directly or indirectly) to BLX will be evidence of acceptance of the terms of this Rulebook. All Orders submitted to BLX and all resultant executions will therefore be subject to, and in accordance with, this Rulebook as well as the Instinet Terms of Business between the Client and Instinet.

Clients shall be bound by this Agreement and any amendments to the Rules and Agreement made from time to time, together with supplementary documentation, guidance and/or notices issued pursuant to these Rules.

Clients shall be bound by any decision or direction of Instinet relating to activity in BLX.

The Agreement is subject to the Australian Corporations Act 2001 (“**the Act**”) and the MI Rules.

3. Definitions

For the purposes of this Rulebook, the following capitalised bolded terms shall, unless specifically provided otherwise, have the following meanings:

Agreement: The Instinet Terms of Business and this Rulebook, as in force from time to time.

ASX: The ASX market of the Australian Securities Exchange.

Best Available Bid: The highest pre-trade transparent bid in a security, in the same class as the security the subject of the transaction, which is available across all order books at the time that the transaction is executed; as defined in the MI Rules.

Best Available Offer: The lowest pre-trade transparent offer in a security, in the same class as the security the subject of the transaction, which is available across all order books at the time that the transaction is executed; as defined in the MI Rules.

Clearly Erroneous Trade: A Trade which is regarded as erroneous as determined by Instinet.

Client: An approved client of Instinet. Instinet only accepts clients classified as “wholesale clients” pursuant to sec.761G of the Act.

Crossing System: An automated service provided by a stock exchange participant which matches or executes client orders otherwise than on an Order Book; as defined in the MI Rules.

CXA: The market operated by Chi-X Australia Pty Ltd

EMS/OMS: Execution Management System or Order Management System as applicable.

FIX: The Financial Information Exchange messaging protocol managed by the FIX Trading Community.

Limit Order: An order to buy a security at or below a specified price, or to sell a security at or above a specified price.

Market Order: An order to buy or sell a security at the best price currently available on the market

MI Rules: The ASIC Market Integrity Rules (Securities Markets) 2017 as amended.

NBBO: The National Best Available Bid or Best Available Offer on Australian Order Books

Order: An instruction to buy or sell a security which has been sent to BLX.

Order Book: An electronic list of buy orders and sell orders maintained by or on behalf of a licensed Market Operator (as defined in the MI Rules) on which those orders are matched with orders in the same list

Primary Exchange: The venue of primary Australian listing of the underlying security. If the securities are listed on more than one Australian exchange it refers to the exchange on which is listed the greater value of the company's securities. This would normally be the **ASX**.

Prohibited Practices: Any practice which could reasonably be construed as contravening the MI Rules, the Act and Regulations or any other applicable Australian Commonwealth or State law.

Rules: The rules set out in this Rulebook

Rulebook: This document, the BLX Australia Rulebook

Security: The securities admitted to trading in BLX as decided by Instinet and as notified to participants from time to time. Unless advised otherwise this will be all securities traded on ASX or CXA.

Trade: An Order executed in BLX.

Transaction: In respect of any Order, means the execution of such Order in full or in part resulting in an agreement between buyer(s) and seller(s) to deliver Investments against payment.

4. Access to BLX®

No Client is able to send Orders to BLX unless it has passed the Instinet client on-boarding process and has agreed to Instinet's Terms of Business. Clients are provided access to BLX as part of the Instinet onboarding process in accordance with their agreed trading permissions. Clients can opt out of BLX access at any time.

BLX is available to all Instinet Clients and all users trade on the same basis. There are no special arrangements for any particular user or class of users. Clients can connect to BLX via any of the following routes.

- Direct FIX connection,
- Instinet's Newport® EMS,
- Instinet's Execution Experts® algorithms, and
- Any other certified EMS/OMS agreed by Instinet.

5. Trading Rules

5.1 Securities traded in BLX

BLX offers trading in all Australian cash equities listed on ASX.

5.2 Hours of operation

BLX will be open for business from 9.00am until close of the Primary Exchange for normal trading in the security being traded.

5.3 Order Types

Market Orders and Limit Orders can be matched in BLX and both order types are available to all users. Neither order type interacts with an exchange market or other crossing system. Indications of Interest (IOI's) are not currently used in BLX.

5.4 Order Attributes

Clients have the same control over their Orders in BLX as they have with their orders sent by Instinet to any other Australian venue. Typically, all Client orders sent to Instinet are exposed on the user's order management or order execution blotter and sent to the appropriate venue regardless of whether it is BLX or any other venue.

All outstanding Orders are purged at the end of each trading day.

5.5 Trade Price and Priority

BLX is a price improvement pool. Trades can only be executed in BLX if they Trade with Price Improvement as defined in rule 6.2.3 of the MI Rules.

Orders are priced at the NBBO mid-point and prioritised for quantity allocation on a pro rata basis. These processes apply to all orders regardless of the type of order or the client.

5.6 Transparency

BLX is a "dark pool" and does not disclose the details of Orders in the pool other than to the Client sending Orders in respect of its own Orders. Instinet control functions including the regional technology support teams (located offshore), compliance and risk management and Responsible Executive for Australian electronic trading have visibility of Orders in the pool in order to manage the efficient operation of the pool.

5.7 Other Crossing Systems

Orders in BLX will **not** be executed or matched in any other Crossing System as they are not transmitted by BLX to any other crossing system. Similarly, orders in BLX are not currently executed or matched from orders received from any other crossing system.

However, Orders may be received from other brokers which are also operators of other Crossing Systems including clients making use of aggregator algorithms provided by brokers which also operate a Crossing System.

Instinet also provides its Clients with access to its aggregator algorithm called Nighthawk[®] which Clients can use to send orders to the Crossing Systems identified in the publicly available information referred to in Section 1 of this Rulebook.

5.8 Trading by Nomura Group Entities

Instinet does **not** trade on its own account in BLX and does not provide facilitation or market-making services.

Instinet is part of the Nomura group of companies and provides equity execution services to the Nomura group which also puts Orders into BLX through Instinet. As Clients of Instinet, Orders of other Nomura companies are sent to BLX in the same way as any other Client Order and receive the same treatment as any other Client Order.

5.9 Users

Instinet does not discriminate between users and does not pay or rebate commissions to any liquidity providers or market makers in BLX.

Stock Exchange participants which operate aggregator algorithms may send Orders to BLX but receive no fee, concession or special treatment for doing so. They are treated the same as any other client.

Instinet does not currently limit Clients, regardless of their business model or trading strategy, from using BLX as long as they are not considered by Instinet to be damaging the quality of its liquidity.

6. Client Continuing Obligations

6.1 Orders Firm

All Orders submitted to BLX are firm and available for execution and when executed will be binding on the Client.

6.2 Clients to have Adequate Controls

A Client:

- shall at all times have adequate order management systems, procedures and controls designed to prevent the entry of erroneous orders to the matching engine;
- shall not submit Orders to BLX while trading in that security is under regulatory suspension;
- must have in place adequate systems and controls to ensure their ongoing compliance with these rules.
- In addition, all Clients are responsible for ensuring:
 - their staff are adequately trained and supervised to place Orders in BLX;
 - that their staff are fit and proper and have a sufficient level of ability, experience and expertise to trade cash equities in BLX; and
 - that any software, algorithms and business processes used by the Client to facilitate Order placement on BLX are properly deployed and do not cause any disruptions or introduce viruses into the BLX or Instinet systems.

6.3 Market Events

Instinet will not be under any obligation to notify clients of pending market events or corporate actions which may impact the pricing of securities.

7. Suspension/Termination

Instinet may in its absolute discretion suspend or terminate a Client's access to BLX and if such an event occurs, the Client shall automatically cease to have access to BLX, either directly or indirectly or on termination of the Agreement.

Termination shall not give the Client the right to claim any compensation, indemnity or reimbursement whatsoever from Instinet by reason of such termination, but termination shall be without prejudice to any rights or remedies available to, or any obligations or liabilities accrued to, either party up to the date of termination, including without limitation settlement of any outstanding trades in BLX.

8. Conduct in BLX

In conducting business in BLX a Client shall not:

- commit any act, engage or encourage a third party to engage in any conduct which creates, or is likely to create, a false or misleading impression as to the market in, or the price or value of, any security;
- cause or enter into any artificial transaction;
- commit any act engage or encourage a third party to engage in any course of conduct which is likely to damage the fairness, orderliness, reputation or integrity of BLX;
- effect a pre-arranged transaction that is designed to give the market a false view of supply, demand or pricing of a security or index;
- input false or misleading data into the system;
- commit any act, engage or encourage a third party to engage in any course of conduct which causes, or contributes to, a breach of the rules of BLX by another participant; or
- commit, engage or facilitate any kind of market abuse as defined in the Act or the MI Rules or as described by ASIC or any other Australian securities regulator.

9. Trade Cancellations

All Trades in BLX are, subject to Exchange Rules and the MI Rules, firm and binding. Subject to Rule 6.1, no cancellation or reversal is possible through the BLX trading system unless otherwise agreed through circumstances below. The Client will be immediately informed of the cancellation of any Trade and the reason for such cancellation.

Instinet may cancel orders or trades in the following circumstances:

- Upon mutual agreement by the counterparties to a Trade;
- Where Instinet has reason to believe that a Trade is a Clearly Erroneous Trade; or
- In the event of a system outage (as outlined in Rule 11 below).

If a Trade appears to be erroneous in the opinion of Instinet, Instinet may contact the Client to verify its validity.

When considering whether to cancel an Order or a Trade, Instinet will consider a number of factors including but not limited to:

- the size of the trade; and/or
- the price of the trade.

Instinet will have no liability to any party, including but not limited to the Client, in respect of any decision whether or not to cancel a Trade.

10. Maintaining Equity and Stability of the Pool

A Client's access to and use of BLX may be restricted and Instinet reserves the right to take actions which it in its absolute discretion believes are necessary to preserve equity and stability in the BLX pool or otherwise comply with its regulatory obligations. Instinet will have no liability to any party, including but not limited to the Client, in respect of any action taken under this Rule.

Instinet may suspend the automatic execution of Orders in BLX in one or more Securities if:

- Instinet determines a system problem has occurred or is likely to occur; or
- it is requested to do so by ASIC or other competent authority; or
- it considers in its sole discretion that there has been or is likely to be a threat to the stability of fair and orderly markets by trading a security; or
- the Primary Exchange of the security has suspended or cancelled trading of the relevant Security; or
- Instinet in its absolute discretion, considers it appropriate to do so; or
- Instinet in its absolute discretion considers that a Client has failed, or is likely to fail, to comply with its obligations under the Rulebook.
- Instinet determines that the NBBO cannot be calculated due to a technical market data interruption.

Instinet reserves the right to suspend or restrict matching if it determines this is necessary to maintain an orderly market or if requested to do so by ASIC or another competent authority. Such an event would be classified as a notifiable event, and as such notifications would be disseminated to participants via e-mail and /or via the Instinet website.

11. Monitoring by Instinet

11.1 Overview

Instinet has in place measures to deter improper and illegal manipulative Orders and monitors activity in BLX for legal compliance and operational purposes. Any suspicious activity detected will be reported to ASIC or other appropriate regulator (such as AUSTRAC).

11.2 Daily Monitoring

The performance of BLX is monitored by an Australian Responsible Executive and Instinet's regional systems control team in Hong Kong. The Australian Responsible Executive and Compliance Executive also receive reports during the course of the day on activity in the system.

Instinet uses the SMARTS system for real time monitoring of orders and trades in ASX and CXA. Once a BLX match has been reported to CXA (as outlined in section 17 below) this trade becomes part of the SMARTS monitoring program.

11.3 Periodic Reviews

The Instinet Australian Compliance & Risk Management Committee meets monthly. The Australian Compliance Executive includes a review of BLX in his report to the Committee which is made up of Australian and regional responsible officers.

11.4 Assurance Measures

Instinet's regional Legal and Compliance Manager performs an annual review of the compliance and risk controls of Instinet Australia, including those pertaining to BLX. This review, which includes, if necessary, recommendations for improvement or the correction of deficiencies, is circulated to Instinet's regional CEO and the Instinet group General Counsel.

Australian BLX controls also form part of the Instinet regional internal auditor's commission.

12. System Outages

In the event of a system outage or any material system performance or connectivity issue with BLX Instinet will immediately close BLX to new Orders and cancel all Trades in BLX (in accordance with Rule 9) that have not been reported to a licensed market operator. Similarly, all Orders in BLX will be cancelled as soon as practicable.

The Client will be immediately informed of the cancellation of any Order and the reason for such cancellation.

Any systems issue requiring a cancellation will be reported to ASIC as soon as practicable with such information as ASIC might require.

13. Treatment of Conflicts of Interest

13.1 Execution only broker

As Instinet is an agency only broker which does not engage in trading on its own account (except for the correction of error trades), does not have a facilitation desk and does not provide its own investment research conflict of interest risk is relatively low. Further, the great majority of Instinet's flow is by client Direct Electronic Access (DEA).

The Australian Responsible Executive for electronic trading sits on the Australian trading desk but does not place or direct trading execution. He has no ability to manipulate any trading in BLX and has a monitoring responsibility. Coverage traders for DEA clients are located in Instinet's Hong Kong trading room. The BLX technology support team is also located in a separate room in Hong Kong.

13.2 Nomura group

Instinet is a member of the Nomura group of companies and provides equities execution services for the Nomura group in respect of Australian trading venues. Instinet is co-located with Nomura in Australia and makes use of the Nomura equities research team.

However, Nomura do not conduct any equities trading or facilitation from Australia, Nomura's Australian-based researchers are located in a room with restricted access and its Australian investment banking team is on a separate floor of the building.

14. Extraordinary Events

Instinet shall in its absolute discretion reserve the right to initiate a review of trading in BLX where there has been an "extraordinary event". Extraordinary events include, but are not limited to, intra day regulatory suspensions or periods of extreme volatility. In such circumstances, Instinet may consider certain trades void. For the avoidance of doubt, where a transaction is deemed by Instinet to be void, no transaction will exist.

15. Clearing and Settlement

The Instinet Terms of Business set out the terms governing settlement of any Trades executed in BLX. Such Trades are settled by Instinet the same way as trades on any other Australian market.

16. Confidentiality

Instinet will treat all information received from Clients in relation to business done in BLX as confidential, however Instinet may disclose information and documents in the following circumstances:

- to co-operate, by the sharing of information and documents and otherwise, with any authority, body or person having responsibility for the supervision or regulation of any regulated activity or other financial service or law for enforcement purposes;
- for the purpose of enabling it to institute, carry on or defend any proceedings including any court proceedings;
- for any regulatory purpose;
- under compulsion of law;
- for the protection of investors and the maintenance of high standards of integrity and fair dealing;
- to other companies providing services to BLX on a need to know basis; and
- For any other purpose with consent of the person from whom the information was obtained and, if different, the person to whom it relates.

17. Post trade transparency

Instinet, as the operator of a crossing system, is required to make public details of Trades executed in BLX on a timely basis and in accordance with the MI Rules. Instinet reports post trade information to an appropriate venue as it determines. Instinet currently reports Trades on to CXA.

Clients can run their own transaction cost analysis ('TCA') reports on their Orders showing their BLX fills based on the relevant FIX field that is reported to them by Instinet.

18. Fees and Charges

Fees for trading through Instinet are agreed by the Client by Instinet from time to time and such fees are payable in accordance with the terms of the Agreement. There are no additional fees or charges, nor any rebates, for sending orders to BLX beyond the standard Instinet fees.

A Client is liable for the payment of any applicable taxes that arise from the trading of securities in BLX.

19. Complaints

If the Client has a complaint about BLX, the Client should raise it in the first instance with the Instinet employee acting for the Client. If the Client is not satisfied with the response of Instinet's employee or if the Client prefers not to raise the matter with Instinet's employee, the Client may raise the matter with Instinet's Compliance Officer.

20. Review and Amendment

This Rulebook is kept under constant review and, in the event of any material change to BLX or its operation, the Rulebook will be amended to reflect such change/s and all users, as well as ASIC, will also be informed and provided with an updated copy of the Rulebook as soon as practicable.



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