



31 January 2022

Office of General Counsel  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

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

Dear Mr Sweeney

**ASX Trade Cancellation Ranges: Proposals for Change to ETO cancellation ranges and QCR process - ASX Consultation Paper**

The Australian Financial Markets Association (AFMA) welcomes the opportunity to respond to the ASX on the *Proposals for Change to ETO cancellation ranges and QCR process*.

As an association of over 120 financial market participants, AFMA supports measures that uplift overall market efficiency. We welcome this consultation as it undertakes to ensure that the ASX operating rules are appropriate and adapted to new market making arrangements. Our responses below address the proposals in the consultation paper.

**Responses to consultative questions**

Change the ETR range for Exchange Traded Options

1. Should ASX amend the ETR upper and lower calculation to a 1 x calculation for ALL ETO series?

AFMA supports simplifying the ETR calculation and using a single calculation across all ETO series.

Additionally, we note that while the ASX Operating Rules Procedures detail the methodology and the cancellation ranges for each NCR, QCR and ETR, ASX does not publish the reference price used in their calculation when cancelling a trade unless participants pay a fee. For market participants, visibility over the reference price allows them to explain to their customers which cancellation range their order has fallen into, i.e., ETR or QCR and provides greater transparency to the market.

While this is a commercial matter, we note that access to the reference price supports market transparency.

2. Should ASX introduce a minimum range of +/- 10c (Single Stock) or +/- 5pts (Index) for the ETR upper and lower calculation?

AFMA supports the introduction of a minimum range. Based on member feedback, we agree with the proposed +/- 5pts (Index). However, for Single Stock, the feedback has been that + / - 5c is more appropriate to also accommodate low dollar stocks or low premium options.

3. If the ASX proceeds with this proposal, is a 6-week notice period sufficient from the implementations date?

Based on member feedback, AFMA confirms that a 6-week notice period is sufficient from the implementation date as the required systems changes will be limited.

#### Change the QCR consent time from 5 minutes to 10 minutes

4. Should ASX amend the time given to consent to a cancellation that has been identified as being in the QCR from 5 minutes to 10 minutes?

AFMA supports the proposed increase in the time to provide consent to a cancellation in the QCR to 10 minutes. This proposal is consistent with the feedback we have received from our members as it allows participants enough time to communicate and confirm with clients about their intentions when an error is claimed. We note that this timeframe adds to market efficiency by reducing inaccurate outcomes for both participants and clients.

5. If the ASX proceeds with this proposal, is a 6-week notice period sufficient from the implementation date?

Based on member feedback, AFMA confirms that a 6-week notice period is sufficient from the implementation date as the required systems changes will be limited.

#### Incorporation of TMC cancelation and re-pricing requests in the Request for Cancellation

6. Should ASX include requests for a re-pricing of TMC trades in the standard cancellation timeframes

AFMA supports the proposed timeframe for re-pricing requests to be consistent with the current Request for Cancellation timeframes i.e., 30 mins from time of execution and within 10 mins of market close.

7. If you answered NO to Question 1, is a 4:30pm cut off appropriate?

Based on member feedback, AFMA notes it would be preferable for ETR requests to be made within 2 hours of the trade to allow sufficient time to address any extreme errors. We particularly note that any shorter period may create disadvantages for the retail broker market.

8. If the ASX proceeds with this proposal, is a 6-week notice period sufficient from the implementations date?

Based on member feedback, AFMA confirms that a 6-week notice period is sufficient from the implementation date as the required systems changes will be limited.

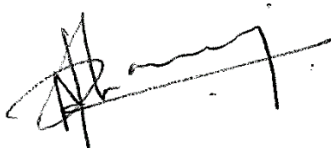
## Additional feedback on the Cancellation Process

9. Are there any other aspects of the Cancellation Process that you would like to raise with ASX?

AFMA suggests ASX to consider adding a large premium ETR order threshold which is treated on separate terms, i.e., an error greater than \$50K or \$100K premium discovered on the trade date should be open for discussion with the participants involved and ASX can then determine appropriate payment outcomes. AFMA notes from members' experience that ASX engagement with market makers and negotiations in cash payments in such scenarios, has been a reasonable outcome. We hence raise this suggestion for ASX's consideration.

AFMA welcomes further engagement with the ASX around the operating rules in support of well-functioning markets. Please reach out to us via AFMA Secretariat for more information regarding this letter.

Sincerely



**Nikita Dhanraj**  
**Policy Manager**