

## Chapter 10: Interpretation of Business Rules

### OVERVIEW

This chapter sets out how the Exchange business rules are to interpreted and applied.

### INTERPRETATION

#### Business Rules Principles

10.1 The rules are based upon the principles set out in the Introduction.

#### Compliance with Business Rules Principles

10.2 An Exchange Broker must comply with the spirit, intention and purpose of the rules having particular regard to the principles upon which they are based.

#### Corporations Act Terms

10.3 Terms that are specifically defined in the Corporation Law and which are not defined in the rules have the same meaning when used in the rules.

#### Modifications

10.4 A reference to a law or rule is a reference to the law or rule as amended, re-enacted or modified by administrative action.

#### Content of the Business Rules

10.5 The rules do not include the table of contents, explanatory notes, history notes or example, index or guidance notes.

### GENERAL PROCEDURES

#### Scope of Conduct

10.6 For the purposes of the rules, an act or omission by an Exchange broker includes any act or omission caused directly or indirectly by the Exchange broker.

#### Time

10.7 Where a rule requires something to be done by a day that is not a business day, it must be done by the preceding business day.

10.8 Where a rule refers to time it means local time unless the rule specifically refers to another time.

#### Notice to an Exchange Broker

10.9 An Exchange broker is deemed to have been given a notice or document by the Exchange if it is left at, or sent by post or facsimile, to the address or facsimile number:

- (a) of the Exchange broker in its application for recognition as an Exchange broker; or
- (b) of the Exchange broker as provided to the Exchange or used in correspondence with the Exchange.

This rule does not prevent the Exchange giving a notice or document to an Exchange broker in any other way permitted by law.

10.10 A notice or document is deemed to have been given by the Exchange to an Exchange broker:

- (a) at the time of delivery, if delivered;
- (b) on the second business day after posting, if posted; and
- (c) when it is received, if sent by facsimile. A successful facsimile transmission report is sufficient for this purpose.

### **Notifying the Exchange**

10.11 If an Exchange broker is required to notify the Exchange of anything under a rule it must do so in writing, unless otherwise specified.

### **DEFINITIONS**

10.12 In these rules, unless the context otherwise requires:

accountant	means a member of the Australian Society of Certified Practising Accountants, the Institute of Chartered Accountants of Australia or any similar body approved by the Exchange;
acting as principal	means dealing in securities on behalf of a prescribed person;
ACH	means Australian Clearing House Pty Limited ABN 48 001 314 503;
adjust phase	means a period of time designated by the Exchange during which: <ul style="list-style-type: none"><li>a) an existing bid or offer may be cancelled, or may be adjusted by decreasing the price of the bid or increasing the price of the offer or by decreasing the quantity of securities the subject of the bid or offer;</li><li>b) no new bids or offers may be entered; and</li><li>c) no transactions may be effected;</li></ul>
announcement	means any announcement or other disclosure of information made by an issuer to the Exchange which may affect the value of their securities or influence investment decisions to buy or sell their securities;
announcements office	means the office the Exchange designates as the announcements office;
annual report	includes financial documents;

approved representative	means an authorised representative or employee of a broker who holds a written notice from the broker authorising them to act for or by arrangement in connection with a securities business carried on by the broker and who is registered as an approved representative by the Exchange;
ASIC	means the Australian Securities and Investments Commission;
associate	includes a prescribed person;
ASTC	means the ASX Settlement and Transfer Corporations Pty Ltd ABN 49 008 504 532;
ASTC Settlement Rules	means the operating rules of the ASTC settlement facility (including all appendices and schedules) as amended from time to time;
Australian taxpayer	means a person who is required to include in assessable income, for Australian income tax purposes, a franked dividend or a dividend equivalent received under rule 7.68;
authorised trading representative	means a natural person appointed by an Exchange broker pursuant to rule 6.3;
bid	means a price and quantity of securities to be purchased;
board	means the board of directors for the time being of the Exchange;
bonus issue	means a pro rata issue of securities to holders of ordinary securities for no consideration;
books closing date	means, in relation to a benefit attaching to securities, the date of closing of the transfer books to determine the holders of securities who are entitled to participate in the benefit;
business day	means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that the Exchange declares is not a business day;
business name	means a name, style, title or designation under which a business is carried on by an Exchange broker;
call	includes an instalment of a call;
child entity	has the meaning given to that term in s243D of the Corporation Law;
CHESS	has the meaning given to that term in the ASTC Settlement Rules;

CHES approved securities	means securities that may be held on CHES as notified by the issuer to;
claim	means a claim under rule 7.70 for: <ul style="list-style-type: none"> <li>a) an amount equal to the cash component of the franked dividend;</li> <li>b) shares identical to those issued as the franked dividend or in lieu in the cash component of the franked dividend; or</li> <li>c) a combination of (a) and (b) where the dividend payable consists of both cash and shares;</li> </ul> whether made by way of an adjustment to an outstanding transaction or a claim in respect of a transfer of securities not registered by the books closing date;
class	means securities that have the same rights and obligations attaching to them (ignoring any differences relating to restricted securities);
clearing broker	means: <ul style="list-style-type: none"> <li>a) the Exchange; or</li> <li>b) a Broker admitted as a CHES participant under the ASTC Settlement Rules and who has been approved by the Exchange as a clearing broker;</li> </ul>
company option	means an option issued by a listed company over its unissued shares, being an option admitted to the official list by the Exchange;
Compliance Committee	means the committee appointed pursuant to rule 9.1;
condition	means a condition specified by the issuer or vendor pursuant to rule 6.27 the satisfaction of which neither the buyer nor the seller of securities the subject of the sale is in a position to influence, being a condition which is a prerequisite to the allotment by the issuer or the transfer by the vendor pursuant to a prospectus offering to the seller from whom title is reliant, of the securities the subject of that sale;
conditional market	means a market declared by the Exchange to be a conditional market pursuant to rule 6.27;
conditional sale	means a sale which is conditional on the fulfilment of a conditional and made on a conditional market;
constitution	means the constitution of the Exchange;
controller	means a person who, in the opinion of the Exchange, has a substantial interest in the equity of the holder of, or a substantial economic interest in, restricted securities and each intermediate entity through which that interest occurs;

convertible securities	means securities that are convertible into equity securities;
corporate action	has the meaning given to that term in the ASTC Settlement Rules;
Corporations Act	means the Corporations Act and Corporations Regulations as amended from time to time;
cum dividend	means shares are traded on a cum dividend basis unless specified as ex dividend ie the shares carry an entitlement to the next dividend paid by the entity;
debt security	means an unsecured note, a debenture and any other security classified by the Exchange as a debt security;
delivery obligation	<p>in respect of a CHESS approved security, means the obligation of an Exchange Broker to deliver a specified quantity of units of a security to another Exchange Broker or Exchange Brokers on a settlement day, which arises when:</p> <ol style="list-style-type: none"> <li>a) the entitlement, if any, which the Broker has to receive securities of that kind is less than the Broker's obligations to deliver the securities; and</li> <li>b) issues a notice to the Exchange Broker pursuant to rule 7.04:</li> </ol>
despatch date	means the date by which an issuer is required to have despatched certificates (or in the case of rights, entitlement and acceptance forms in relation to those rights) or to have entered securities (including rights) into security holder's uncertificated holdings in accordance with the Exchange listing rules;
dividend or distribution plan	means any plan which gives holders of securities the opportunity to accept securities in place of dividend distribution or interest payments (either wholly or partly);
dividend equivalent	<p>means:</p> <ol style="list-style-type: none"> <li>a) an amount equal to the cash component of the franked dividend;</li> <li>b) shares identical to those issued as the franked dividend or in lieu of the cash component of the franked dividend; or</li> <li>c) a combination of (a) and (b) where settlement of the claim consists of both cash and shares,</li> </ol> <p>plus an amount equal to the imputation credit that would have been attached to the franked dividend;</p>
DvP settlement	has the meaning given to that term in the ASTC Settlement Rules;

employee	of a broker includes an independent contractor who acts for or by arrangement with a broker in the conduct of its securities business;
employee incentive scheme	means a scheme under which securities of an entity are issued or acquired and held by, or for the benefit of, employees or non executive directors of the entity or a related entity or any other scheme the Exchange decides is such a scheme;
entity	means an entity that has applied for admission to, or is admitted to, the official list of the Exchange;
equity security	includes a share, a unit, an option, a right to a share, unit or option, a convertible security and any other security the Exchange classifies as an equity security;
Exchange	means SIM Venture Securities Exchange Limited and includes, where applicable, the markets operated by the Exchange;
Exchange Accountant	means the accountant or accountants appointed by the Exchange under rule 8.1;
Exchange broker	means a company or natural person recognised and remaining recognised by the Exchange as a broker under the rules;
family company	in relation to a person, means a corporation controlled by the person or the immediate family of the person;
family trust	in relation to a person, means a trust in which the person or the immediate family of the person is the only or major beneficiary;
financial documents	means the documents an entity is required to lodge with ASIC under accounts provisions of the Corporations Act;
immediate family	in relation to a person means the person's spouse and any non adult children;
listings office	means the office the Exchange designates as the listings office;
main class	means ordinary securities of the entity (or the class of securities designated by the Exchange if ordinary securities are not to be quoted);
market	means the market conducted in accordance with the rules;

marketable parcel	means a parcel of securities worth not less than \$500 on the basis of the closing price on the Exchange trading system if quoted or the price paid when the securities were issued if unquoted;
normal trading	means the hours of trading designated by the Exchange during which bids and offers may be entered, amended or cancelled and which will be matched in accordance with rule 6.22;
offer	means a price and quantity of securities to be sold;
official list	means the list of entities that have been admitted and not removed from listing on the Exchange;
opening phase	means a period of time designated by the Exchange when bids and offers are to be matched in accordance with rule 6.24;
opening price	means the price determined as follows: Only bids equal to or greater than the opening price can match and only offers equal to or lower than the opening price can match. Calculate the price at which the maximum amount would be traded. If there is one price at which this maximum occurs then that price is the opening price. If there are multiple prices then select the price with the minimum residual, where the residual is the amount of unmatched securities to buy or sell at a particular price. If there are multiple prices with an equal minimum residual then the opening price is the average of those prices;
ordinary securities	means ordinary shares or ordinary units (or the class of securities designated by the Exchange if the entity does not have ordinary shares or ordinary units);
person	includes any corporation or association or body or persons, whether corporate or unincorporated;
PID	means a participant identifier and is a unique identifier of a CHES participant allocated by ACH;
pre-opening phase	means a period of time designated by the Exchange when bids and offers can be entered, amended or cancelled but transactions cannot be effected on the Exchange trading system;
prescribed person	in relation to an Exchange broker means: <ul style="list-style-type: none"> <li>a) in the case of a corporate the Exchange broker, a director, company secretary, other officer, employee or consultant of the Exchange broker;</li> <li>b) in the case of a natural person Exchange broker, an employee or consultant of the Exchange broker;</li> <li>c) immediate family of any of the above persons;</li> </ul>

	<ul style="list-style-type: none"> <li>d) family companies or trusts of any of the above persons; and/or</li> <li>e) in the case of a corporate the Exchange broker, a substantial shareholder in the Exchange broker;</li> </ul>
professional investor	means a person who is not a retail investor under Corporation Law regulation 7.3.02B(1),(8) and (9);
prohibited conduct	<p>includes:</p> <ul style="list-style-type: none"> <li>a) conduct which amounts to impropriety of character and which is indicative of a failure to understand or practice just and equitable principles in the transaction of business in relation to a client or the public;</li> <li>b) unsatisfactory professional conduct, where the conduct is such that it involves a substantial or consistent failure to reach reasonable standards of competence and diligence; and/or</li> <li>c) conduct which is or could reasonably be considered as likely to be prejudicial to the interests of the Exchange or its brokers</li> </ul> <p>and need not involve a breach of any of the rules or a contravention of any law;</p>
pro rata issue	means an issue offered to all holders of securities in a class on a pro rata basis;
quotation	means official quotation by the Exchange;
recognised stock exchange	means a stock exchange that is prescribed by the Exchange for the purposes of this definition;
related party	<ul style="list-style-type: none"> <li>a) has the meaning in section 243F of the Corporations Act, in relation to a body corporate;</li> <li>b) means the management company, trustee and their related parties within the meaning of section 243F of the Corporations Act, in relation to a trust which is not a registered managed investment scheme;</li> <li>c) means a related party under section 243F of the Corporations Act, as modified by section 601LA of the Corporations Act, in relation to a trust which is a registered managed investment scheme;</li> </ul>
restricted securities	means securities that in the opinion of the Exchange should be treated as restricted securities;
rules	means these business rules;
securities	has the same meaning as in subsection 92(1) of the Corporations Act;

settlement agent	means: <ul style="list-style-type: none"> <li>a) in respect of non-CHESS approved securities – an agent appointed by an Exchange broker under rule 7.35; and</li> <li>b) in respect of CHESS approved securities a clearing broker appointed by a Broker as an agent under rule 7.23</li> </ul> as applicable;
settlement day	means the day on which a transaction is due to be settled in accordance with the rules;
settlement instruction	has the meaning given to that term in the ASTC Settlement Rules;
settlement obligations	in relation to an Exchange transaction, means all obligations required to complete the sale and purchase created by the Exchange transaction;
settlement statement	means the statement given by the Exchange on the settlement day setting out the settlement obligations;
settlement transfer	has the meaning given to that term in the ASTC Settlement Rules;
takeover	means a takeover offer or a takeover announcement;
takeover announcement	means a takeover announcement under the Corporations Act;
takeover offer	means a takeover offer under the Corporations Act;
termination benefits	means payments, property and other benefits that are receivable on a termination of employment, office or engagement;
trading halt	means an interruption to trading at the request of an entity that is not a suspension from quotation;
trading system	means the automated securities trading system;
transaction	means a transaction or trade that results from the process of matching bids and offers;
underlying securities	means the securities that will be issued if an option is exercised or a convertible debt security is converted;
underwriting	includes sub-underwriting;
unprofessional conduct	includes but is not limited to: <ul style="list-style-type: none"> <li>a) conduct which amounts to improperly affecting professional character and which is indicative of a failure either to understand or to practice the precepts of honesty and fair dealing to clients or to</li> </ul>

the public;

- b) unsatisfactory professional conduct where the conduct involves a substantial or consistent failure to reach reasonable standards of competence and diligence; and/or
- c) conduct which is or could reasonably be considered likely to be prejudicial to the interests of the Exchange or Exchange brokers or their affiliates

by an Exchange broker or an employee or whether in the conduct of the Exchange broker's business as an Exchange broker or in the conduct of any other businesses and need not involve a breach of these Rules, any procedure or any law;

unit

means a unit in a unit trust;

undertaking

includes assets or a business;

weighted price

means:

- a) if the bid price and the offer price are the same, that price; or
- b) otherwise, the price calculated in accordance with the following formula:

$$A = \frac{(B \times C) + (D \times E)}{C + E}$$

where:

- A is the weighted price expressed in dollars;
- B is the weighted price expressed in dollars;
- C is the bid quantity;
- D is the offer price; and
- E is the offer quantity.