



Short Selling Changes

18 November 2008

iress

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Last revised:	18 November 2008	Minimum software version:	All
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Current Short Selling for IOS Insto

Under the short selling requirements applicable in the Australian market, a person who asks a broker to execute a sale is obliged to inform the broker if the sale is a short sale at the time the request is made. Brokers are correspondingly obliged to ask prospective sellers whether the sale would be a short sale and to record the answer before executing the sale.

IRESS offers the ability to indicate short sell or short sell exempt transactions with current IRESS versions using existing fields and attributes as detailed in the below screen shots. This will be available with existing software and the process can be used as a work around until clients upgrade to the next available version.

The ASX are currently making changes to their short selling flag to remove the uptick rule and this flag is currently not available via the interface. During this time reporting of short selling needs to be manually indicated and recorded. Once these changes have been implemented, short selling will again be reported via the interface and manual indication reporting of short selling (apart from short sell exempt) will not be required.

The below screen shots display the process for indicating short sells before and after the ASX changes (both with existing software and the newly developed software).

Notes:

- The workaround for existing software as described below is only applicable until the 19th December 2008. After this time its expected Institutional brokers will be either upgraded to the new IOS Insto version 1.66sp1 or will manually indicate for all Long sells as well as Short sells.
- For Retail brokers and CFD providers, please contact ASIC to confirm if global or account agreements are acceptable to grant an exception for indicating each sell type.

Client Order

When creating a client order users can optionally flag sell orders as “Short” or “Short Exempt” using a number of fields – for example Instructions, External ID, Transaction basis (although Transaction basis is not recorded in the audit trail or archiving).

These fields are stored against the client order in Audit Trail and Archive and are available in Order Pad and via automation. The process is the same before and after the ASX changes.

Create New Order (SELL)

General | Client Order | Details | NZX Order Details

Type: Buy **Sell**

Group: <ALL>

Account: AUTHS <IOSDEMO2>
AUTHORS ACCOUNT

Security: AGK.ASX
AGL Energy Limited

Volume: 1000 Broker book
Price: 1340 Iceberg
At Specified

Place in market Create indication
Default Lifetime

Type: Split order

External ID:

Instructions: **Short**

Expiry date: 2/01/2009 Ignore warnings
Expiry time: 10:49 AM

Contract class: Normal

Transaction basis:

Broker disclosure:

IBB volume: Full 0

Order Placement

Received by: ADMIN
Given by:
Commission:
 Admin fee
Time: 31/10/2008 10:49 AM
 Order read back to client Solicited

Warnings / Disclosures / Special Instructions

Warning Disclosure Special instructions

OK Cancel Help

Add to Market (before ASX changes)

Before the ASX change the “short selling” attribute will not be available when creating market orders from a client order. Until this field is re-introduced, users must continue to manually store the “Sell Type” in one of the IRESS order fields (e.g. Instructions).

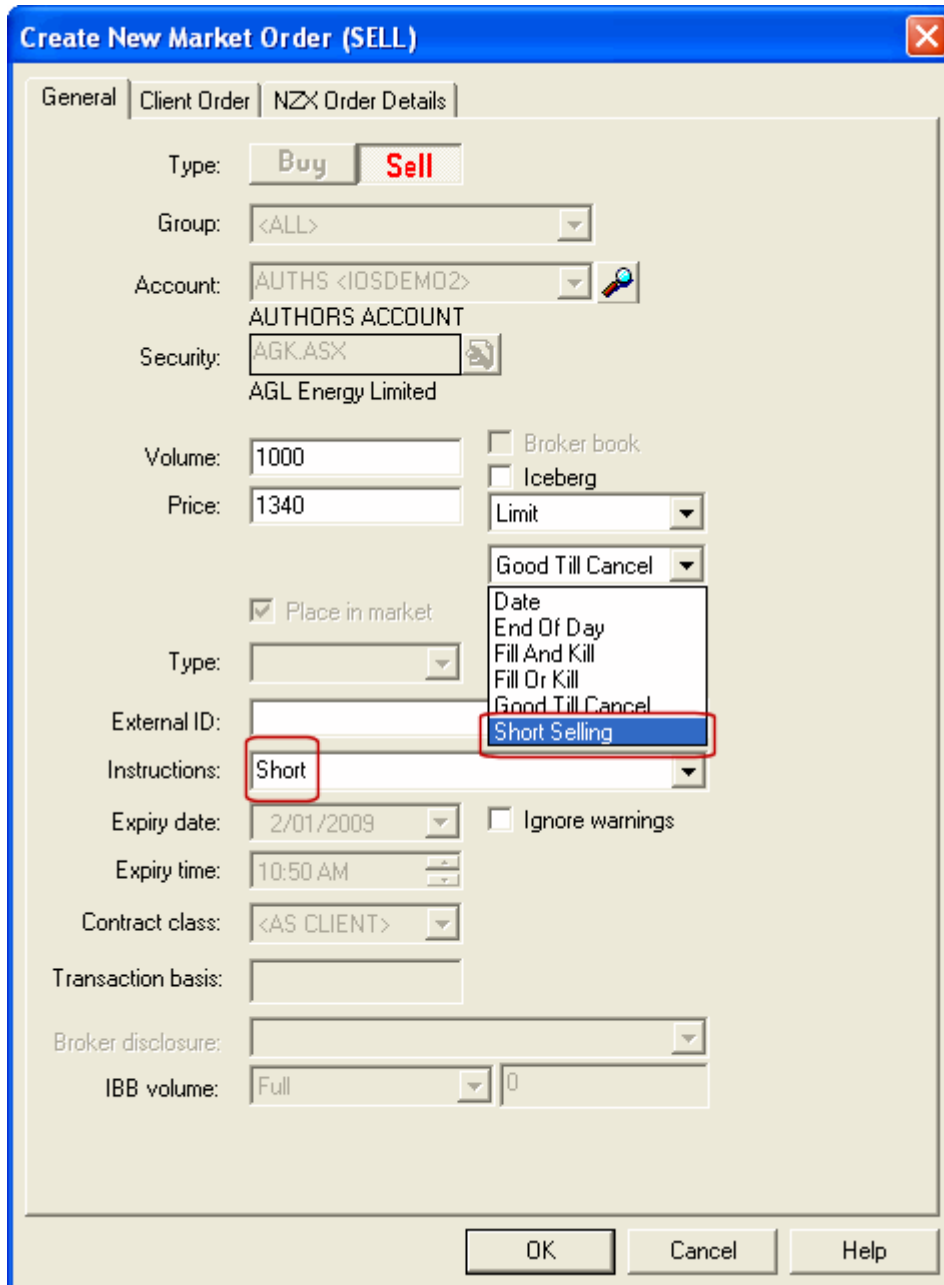
The screenshot shows a Windows-style dialog box titled "Create New Market Order (SELL)". It has three tabs: "General", "Client Order", and "NZX Order Details", with "General" selected. The dialog contains various input fields and checkboxes for configuring a market order. The "Type" field has "Buy" and "Sell" buttons, with "Sell" selected. The "Group" field is set to "<ALL>". The "Account" field shows "AUTHS <IOSDEMO2>" and "AUTHORS ACCOUNT". The "Security" field shows "AGK.ASX" and "AGL Energy Limited". The "Volume" field is "1000" and the "Price" field is "1340". The order type is "Limit" and the duration is "Good Till Cancel". Checkboxes for "Place in market" (checked), "Create indication", "Broker book", "Iceberg", and "Split order" are visible. The "Instructions" field is highlighted with a red box and contains the text "Short". Other fields include "Expiry date" (2/01/2009), "Expiry time" (4:08 PM), "Contract class" (<AS CLIENT>), "Transaction basis", "Broker disclosure", and "IBB volume" (Full, 0). At the bottom are "OK", "Cancel", and "Help" buttons.

Add to Market (after ASX changes)

Once the ASX make their changes, the attribute “Short Selling” will be available for selection.

In the current system, when creating market orders from a client order users can choose the “short selling” attribute if this is enabled on the server.

This attribute is passed through the interface into the market and recorded against the order and the resultant trade.



Create New Market Order (SELL)

General | Client Order | NZX Order Details

Type: Buy Sell

Group: <ALL>

Account: AUTHS <IOSDEMO2> AUTHORS ACCOUNT

Security: AGK.ASX AGL Energy Limited

Volume: 1000

Price: 1340

Broker book

Iceberg

Limit

Good Till Cancel

Place in market

Type: Date

External ID: End Of Day

Instructions: Short Fill And Kill

Expiry date: 2/01/2009 Ignore warnings

Expiry time: 10:50 AM

Contract class: <AS CLIENT>

Transaction basis:

Broker disclosure:

IBB volume: Full 0

OK Cancel Help

Short Sell Exempt

In the current system, if the order is a “short sell exempt” transaction it can be flagged as detailed below.

Note: In this case users would NOT select the “short selling” attribute.

The screenshot shows the 'Create New Order (SELL)' dialog box with the following details:

- General Tab:**
 - Type: Buy (selected), Sell (highlighted)
 - Group: <ALL>
 - Account: AUTHS <IOSDEMO2> (AUTHORS ACCOUNT)
 - Security: ANZ.ASX (ANZ Banking Grp Ltd)
 - Volume: 1000
 - Price: 1500
 - Order Type: Limit
 - Order Status: Good Till Cancel
 - Place in market:
 - External ID: (empty)
 - Instructions: Short Exempt (highlighted with a red box)
 - Expiry date: 2/01/2009
 - Expiry time: 10:52 AM
 - Contract class: Normal
 - Transaction basis: (empty)
 - Broker disclosure: (empty)
 - IBB volume: Full | 0
- Order Placement:**
 - Received by: ADMIN
 - Given by: (empty)
 - Commission: (empty)
 - Admin fee:
 - Time: 31/10/2008 10:52 AM
 - Order read back to client:
 - Solicited:
- Warnings / Disclosures / Special Instructions:**
 - Warning:
 - Disclosure:
 - Special instructions:

Order Pad

Instructions, External ID and Transaction Basis are all fields that can be displayed in Order Pad.

The screenshot shows the 'IOS Order Pad' window with the following table:

Security	Account	BA	SellType	Instr	OrdVol	OrdPrice	MktStatus	Lvl	MktPrice	MktVol	VolAhead	DoneVol	AvePrice	VWAP	RemVol	Udate	UTime	CDate	CTime	HeldVol	D
AGK	IOSDEMO2->AUTHS	A		Short	1T	1462	OK	0	1462	1T	0	0	0	1463.24	1T	31/10	10:51:02	31/10			
ANZ	IOSDEMO2->AUTHS	A		Short Exempt	1T	1500	OK	0	1500	627	0	373	1500	13.55	627	31/10	10:53:35	31/10			
BHP	IOSDEMO2->AUTHS	A			1T	2715	OK	0	2715	1T	0	0	0	2392.6	1T	31/10	10:57:45	31/10			

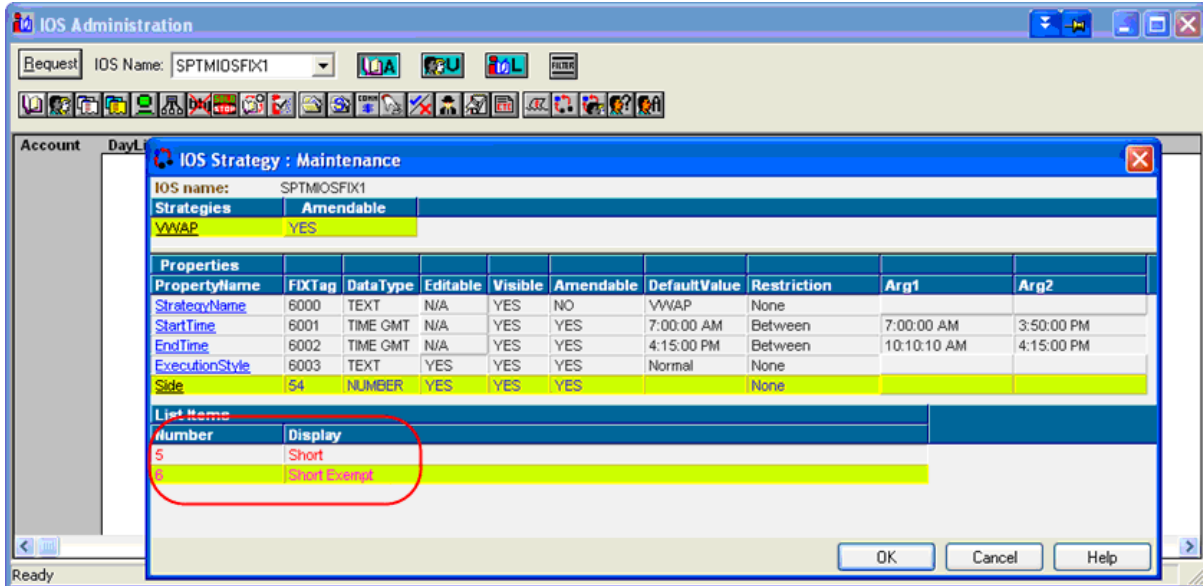
Blank means long sell

Strategy Orders

With the existing software, it is recommended for the “Short” or “Short Exempt” values to be setup under a strategy property for FIX tag 54 (Side) in the IOS Administration Strategy Maintenance dialog box.

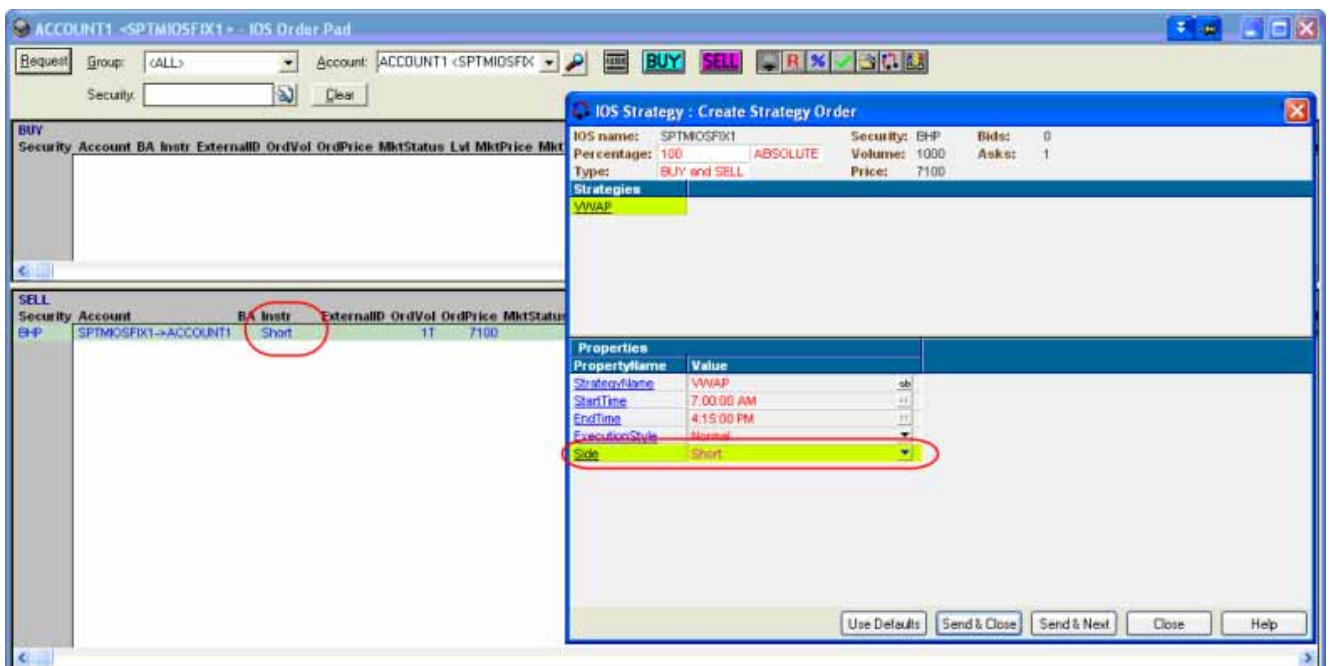
Strategy order properties are recorded in the Strategy Order Audit Trail, Audit Trail and Archive commands, and can be extracted using automation.

Below is an example of the IOS Administration Strategy Maintenance setup. The tag 54 strategy property should be setup for those strategies which the broker wishes to send “Short” or “Short Exempt” from.

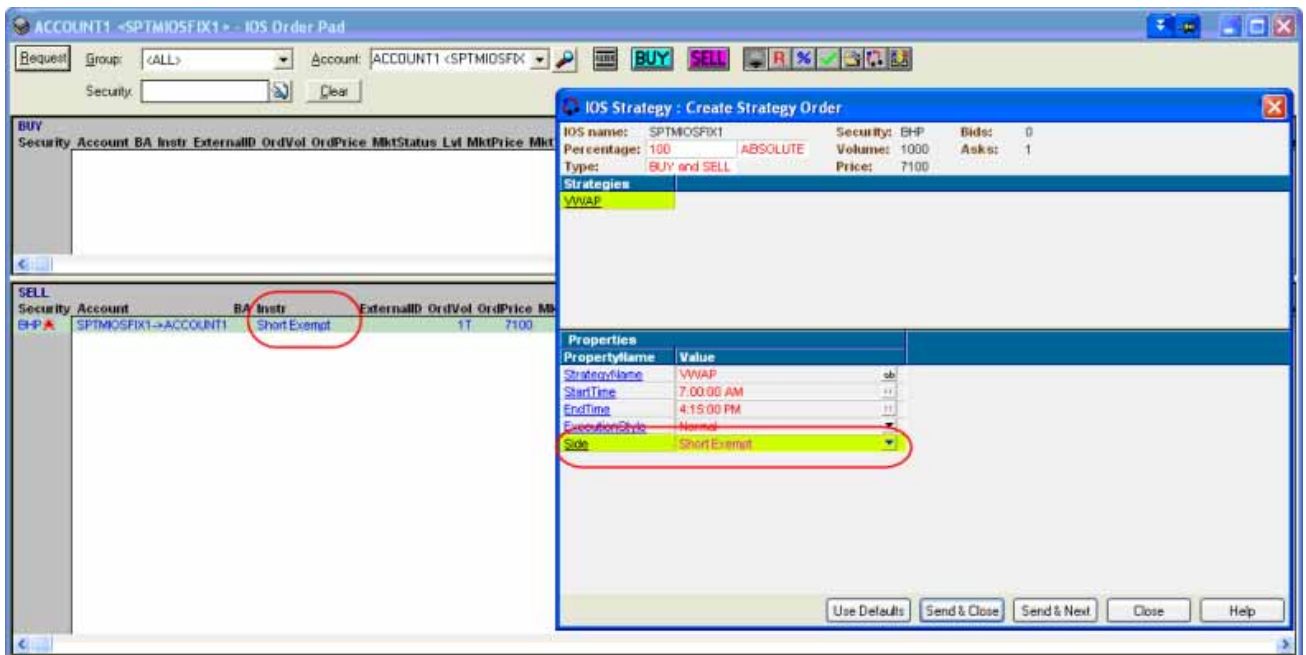


In the IOS Order Pad command, when the strategy order with a “Short” property is selected, this will send a strategy order with FIX tag 54=5 to the IRESS FIX Servlet.

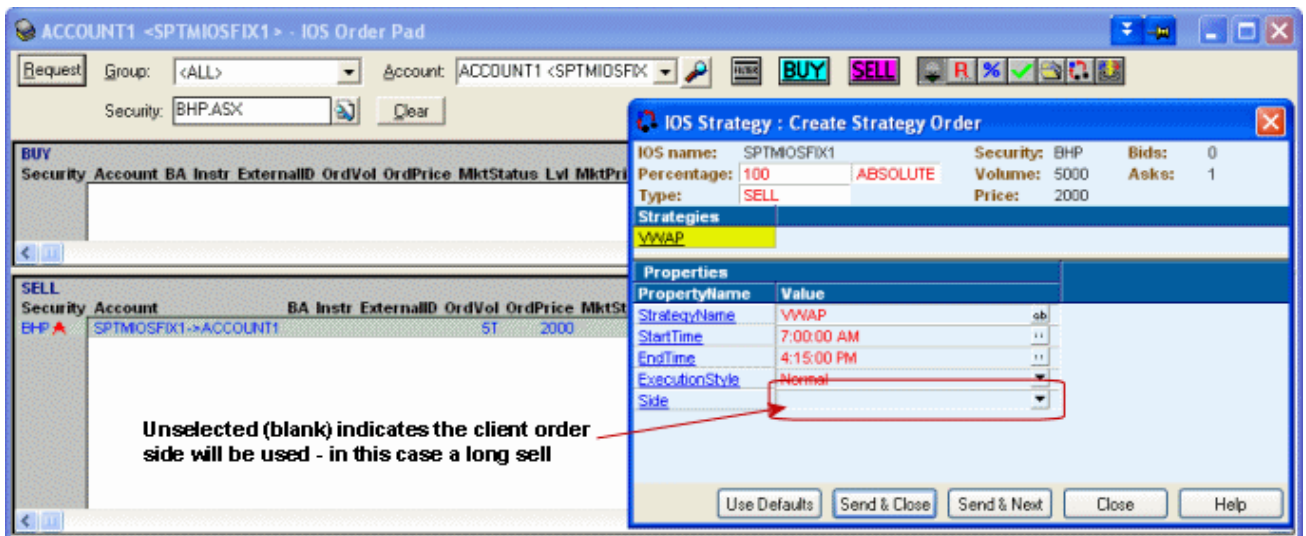
Note: The property must be selected on strategy order creation as it is not carried across from the client order.



Below is an example of a strategy order with the “Short Exempt” property selected, which will send a strategy order with FIX tag 54=6 to the IRESS FIX Servlet.



The following is an example of an order without the **Side** property selected. If the default (blank) value is retained, the side for which the client order has been created is used. A blank **Side** for a sell order indicates a long sell (Tag 54=2) and for a buy order it indicates a buy (Tag 54=1).



Long Sells

The ASX has confirmed that until 19th December 2008 only short sells and short exempt sells need to be manually indicated.

After this date all Long sells need to be manually indicated with the word “Long” in any of the above mentioned fields both before and after the re-introduction of the ASX Short Sell attribute when using the older versions of IRESS.

As this would be a very manual task, it’s expected all Institutional brokers and their clients will upgrade to the new 1.66sp1 IOS Insto version prior to this date. This version automatically inserts the Sell Type in the appropriate field based on the SELL button selected as detailed below.

Planned Development for IRESS

To cater for the new rules associated with Short Selling, IRESS is enhancing the current trading interface and introducing an extension to the current “Sell” order.

Two new buttons will be created in all relevant screens which allow long or short sell trading:

- Long Sell (will replace existing Sell)
- Short Sell (which defines a short sell).

IRESS is also introducing a new flag “Short exempt” which is available when the “Short Sell” button is selected.

Short Sales

When creating a Sell order users can select either option or IRESS will send the appropriate attributes to the market and identify the “sale type”. With the new software there is no need to manually add the sale type into the Instructions field, nor is the Order Attribute “short selling” required as it’s stored and sent based on the Sell button selected.

The screenshot shows the 'Create New Order (SELL)' dialog box with the following details:

- Buttons:** Buy, Long Sell, Short Sell (highlighted), Short exempt (checked).
- Order Placement:** Received by: ADMIN, Given by: [empty], Commission: [empty], Admin fee: [unchecked], Time: 31/10/2008 11:28 AM, Order read back to client: [unchecked], Solicited: [unchecked].
- Warnings / Disclosures / Special Instructions:** Warning (selected), Disclosure, Special instructions.
- General Fields:**
 - Type: Buy, Long Sell, Short Sell, Short exempt
 - Group: <ALL>
 - Account: AUTHS <IOSDEM02>
 - Security: AGK_ASX (AGL Energy Limited)
 - Volume: 1000
 - Price: 1341
 - Limit: Limit
 - Good Till Cancel: Good Till Cancel
 - Place in market: [checked]
 - External ID: [empty]
 - Instructions: [empty]
 - Expiry date: 2/01/2009
 - Expiry time: 11:28 AM
 - Contract class: Normal
 - Transaction basis: [empty]
 - Broker disclosure: [empty]
 - IBB volume: Full

Order Pad

Two new columns, “CliSellType” and “MktSellType” will be introduced that indicate the type of sale as detailed below. This is automatically populated when using the above mentioned buttons.

These fields will also be available via automation allowing generation of any required compliance reports and will be stored in the Audit Trail and Archive.

Security	Account	BA	CliSellType	MktSellType	OrdVol	OrdPrice	MktStatus	Lvl	MktPrice	MktVol	VolAhead	DoneVol	AvePrice	VWAP	RemVol	UDate	UTime	CDate	CTIn
ACK	IOSDEMO2->AUTHS	A	Long	Long	1T	1420	OK	2	1420	1T	1068	0	0	1352.99	1T	31/10	13:53:25	31/10	
BHP	IOSDEMO2->AUTHS	A	Short	Short	1T	3005	OK	0	3005	1T	0	0	0	2460.63	1T	31/10	13:42:47	31/10	
TLS	IOSDEMO2->AUTHS	A	Short Exempt	Short Exempt	5T	410	OK	0	410	5T	0	0	0	406.61	5T	31/10	13:43:40	31/10	

Strategy Orders

With the new IOS Insto software changes, the strategy parameter for **Side** (FIX tag 54) does not need to be setup in the IOS Administration Strategy Maintenance for “Short” and “Short Exempt” orders.

When the strategy order is created in the IOS Order Pad command, the client order sell type will apply (shown in the **CliSellType** column).

Note: IRESS FIX Servlet mapping will need to be setup to apply FIX tag 54=5 for “Short” or FIX tag 54=6 for “Short exempt” or FIX tag 54=2 for “Long” for strategy orders. Please contact IRESS FIX Support if you wish to apply this mapping.

Security	BA	CliSellType	MktSellType	OrdVol	OrdPrice	MktStatus	Lvl	MktPrice	MktVol	VolAhead	DoneVol	AvePrice	VWAP	RemVol	UDate	UTime	CDate	CTIn
BHP	A	Short		3T	7250	OK		7250	3T	0	0	0	2860.94	3T	11/11	16:16:38	11/11	1
BHP	A	Short exempt		3T	7250	OK		7250	3T	0	0	0	2860.94	3T	11/11	16:16:29	11/11	1
BHP	A	Long		2T	7260	OK		7260	2T	0	0	0	2860.94	2T	11/11	16:16:15	11/11	1

Timeline

IRESS intends to release IOS Insto 1.66sp1 and IRESS 1.32sp12 to cater for these changes by approx 19th November 2008. These versions needs to be rolled out together to capture all required changes.

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