

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Australian Securities and Investments Commission

Question: BET 75

Topic: Pinging

Reference: Hansard page no. 17 - 03 June 2015

Senator: Canavan, Matthew

Question:

Senator CANAVAN: This is my final question. What about pinging? Has that been an issue in Australia?

Ms Armour: Yes, we have seen some instances of that and we have dealt with those straightaway. It is not a sustained issue, but there have been instances.

Senator CANAVAN: Could you take the same thing on notice—if there are any breaches that could be publicly revealed to the committee?

Ms Armour: Yes.

Senator CANAVAN: Thank you.

Answer:

We identified 4 accounts that traded using a consistent and, in ASIC's view, excessive 'pinging strategy' in an ASX20 security in late 2014/ early 2015. These traders placed orders of one share into the non-pre-trade transparent (i.e. dark) public markets, ASX Centre Point and Chi-X hidden orders. This provided an insight into whether others had orders resting in those dark markets and whether they were buying or selling. This information could be used to inform their own trading decisions. Two of these accounts have been closed. The other two no longer trade in a manner consistent with this strategy.

It is important to note that some traders and investors put small trades through for legitimate reasons. For example, if they have a large order to buy shares they may put through a small buy order to test if there are any sell orders sitting in these dark venues. If the small order trades, they may then put through their larger order to buy knowing that there are some sellers on the other side.