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Anomalous Order Thresholds, Extreme Trade Ranges & the NSX Trade Cancellation Policy

Practice Note 24



**National
Stock Exchange**
of Australia



Introduction

PRACTICE NOTE 24

The Purpose of this Practice Note

Under Part 8 of ASIC's Market Integrity Rules (Securities Markets), The National Stock Exchange of Australia (NSX) is required to have arrangements in place for rejecting orders at prices outside the valid price range determined by NSX for each equity market product traded on the NSX market.

The purpose of this practice note is to provide transparency on the implementation of NSX policies covering Anomalous Order Thresholds (AOTs), Extreme Trade Ranges (ETRs), and trade cancellations.

The Main Points

1. NSX Obligations under the Market Integrity Rules
 2. Anomalous Order Thresholds (AOTs)
 3. Extreme Trade Ranges (ETRs)
 4. Trade Cancellation Policy
 5. Technical Notes
 6. Further Information
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Guidance

The NSX issues practice notes to promote commercial certainty, reduce costs to business and assist market participants, and we are available to discuss any questions you have in relation to a practice note.

NSX may replace practice notes at any time. NSX Issuers and Participants should contact us as required to ensure that they have the latest version of a practice note. As a practice note is only a guide to NSX practice, Issuers and Participants are advised to contact NSX to discuss their particular circumstances and the application of the relevant listing rules or business rules. NSX cannot give legal advice to Issuers or Participants and recommends that they consider taking advice from a qualified professional person.



Section 1 – NSX Obligations under the Market Integrity Rules

Under Part 8 of ASIC’s Market Integrity Rules (Securities Markets) ('MIRs'), NSX is required to have arrangements in place for:

Part 8.1 & 8.2

- rejecting orders at prices outside a valid price range determined by NSX - referred to as the Anomalous Order Threshold (AOT)
- and rejecting orders (and thereby preventing trades) at prices outside a valid price range determined by ASIC referred to as the Extreme Trade Range (ETR) = AOT and ETR apply to all products subject to MIRs.

Part 8.3

- maintaining clear, transparent, and documented policies and procedures for the cancellation of transactions, including the mandatory cancellation of trades executed within the Extreme Trade Range (ETR)
- and defining the circumstances in which other transactions may or will be cancelled, ensuring cancellations occur in a timely manner and are effectively communicated to relevant market participants.

Section 2 – Anomalous Order Thresholds (AOTs)

AOTs will prevent any order that is further than a defined threshold (AOT threshold) away from a defined reference price (AOT Reference Price) from entering the NSX market.

The AOT Reference Price is the price of the last trade in that security. NSX also has the discretion to amend the AOT Reference Price in circumstances where the last trade price may not be considered appropriate.

The AOT threshold is set at a fixed percentage of the AOT Reference Price. The percentage varies in accordance with the AOT Reference Price and is set out in the table below.

AOT Reference Price		AOT Threshold
Minimum (\$)	Maximum (\$)	
0.001	0.009	375%
0.010	0.049	150%
0.050	0.099	75%
0.100	0.495	60%
0.500	1.995	45%
2.00	4.99	38%
5.00	6.99	30%
7.00	9.99	26%
10.00	19.99	23%
20.00	49.99	19%
50.00		15%

APPLICATION OF AOTS

AOTs are only applied when a new order is submitted or when an existing order is amended. AOTs apply to all orders. Any order that breaches the AOT threshold will be rejected by NETS (NSX’S trading engine).

AOTs are not re-applied when the AOT Reference Price is updated.



CONSIDERATION FOR PARTICIPANTS

Securities on NSX may be illiquid and the AOT Reference Price may be somewhat historic.

In the event that a Participant's order is rejected because it breaches the AOT threshold, but the Participant considers that the order is appropriately priced, the Participant may contact NSX.

NSX has discretion to amend the AOT Reference Price where market conditions have moved since the last trade which set the AOT Reference Price. NSX will consider any representations made by a Participant when exercising this discretion.

Section 3 – Extreme Trade Ranges (ETRs)

ETRs will prevent any execution that is further than a defined threshold (ETR threshold) away from a defined reference price (ETR Reference Price) from occurring in the NSX market.

There is no ETR Reference Price at the start of each day. The ETR Reference Price is set by the first trade that occurs. If there is a subsequent auction event, the ETR Reference Price is removed and there is, once again, no ETR Reference Price. The ETR Reference Price will then be set by the next trade that occurs.

At times when there is no ETR Reference Price, no ETR threshold will apply.

NSX has discretion to amend the ETR Reference Price in certain circumstances.

The ETR threshold is defined in the MIRs as either a fixed amount or a fixed percentage of the ETR Reference Price. The amount or percentage varies in accordance with the ETR Reference Price and is set out in the table below.

EXTREME TRADE RANGE (ETR)

ETR Reference Price		ETR Threshold
Minimum (\$)	Maximum (\$)	
0.001	0.099	10 cents
0.10	0.995	30 cents
1.00	1.995	50 cents
2.00	4.99	50%
5.00	6.99	40%
7.00	9.99	35%
10.00	19.99	30%
20.00	49.99	25%
50.00		20%

When a potential execution outside the ETR threshold is identified:

- NETS will apply an automatic Trading Pause. The Trading Pause will consist of a pre-open phase lasting 2 minutes that concludes with an auction.
- the ETR Reference Price will be removed.

If a trade occurs in the auction the price of the trade will become the ETR Reference Price. If no trade occurs in the auction there will be no ETR Reference Price.



Section 4 – Trade Cancellation Policy

As previously highlighted, Market Operators have an obligation to prevent trades from occurring that would breach the Extreme Trade Range (ETR).

In the unlikely event that an executed trade on the Market that falls within the Extreme Trade Range, NSX is required to cancel it as soon as it has been identified. This is regardless of whether a Participant has communicated the need for a cancellation to occur or not.

Participants may also request that NSX cancel a trade and the remainder of this section 4 outlines NSX policies in relation to any such request.

HOW TO REQUEST A TRADE CANCELLATION

1. Email NSX at market.operations@nsx.com.au with details of the trade in question. Provide all relevant details of the trade.
2. NSX will contact each Participant that is a party to the trade via email requesting a DTR approve the trade cancellation in writing.
3. NSX may cancel the trade through the NETS Trading Engine on receipt of the written approval of all relevant Participants to proceed with the trade cancellation.
4. NSX will notify all Participants to the trade to confirm once a decision to cancel is made.
5. NSX will notify all Participants to the trade once the trade has been cancelled, and the cancellation will be reflected in the Daily Trading Report issued at the end of the day.

WHEN A TRADE MAY NOT BE CANCELLED

A Participant request to cancel a trade may be denied in the following non-exhaustive circumstances:

1. The trade's price is within the normal boundaries of the bid and offer spread prevailing at the time; or
2. The traded price is not a 52-week high or low price; or
3. The counter party Participant has refused to cancel the trade; or
4. The trade has been cleared and settled; or
5. The Exchange, in its discretion, allows the trade to proceed as doing otherwise may not be in the interests of a Fair, Orderly and Transparent market and the trade is otherwise in accordance with the rules.

CIRCUMSTANCES FOR A TRADE CANCELLATION

The decision to cancel a trade is at the discretion of NSX. When considering a request to cancel a trade, the matters NSX will have regard to, include whether the transaction involved an:

1. **Erroneous Transaction** – Occurs when a trade executes and either Participant to the trade, requests that the trade be cancelled due to an inputting error, resulting in the price having been entered incorrectly, or alternatively the price/volume/security combination is not consistent with the trade endeavoured to be placed.
2. **Extreme Trade Range (ETR) Breach** - An ETR breach occurs when a trade executes at a price outside of a predetermined ETR by the Exchange. Chapter 8 of ASIC's Market Integrity Rules outlines the



requirement for Market Operators to adhere to obligations in order to prevent anomalous orders entering the market and the cancellation of orders that execute outside of the ETR.¹

3. **System Issue or Error** – An event that occurs that may be internally or externally to NSX’s Trading Engine, causing an issue or error with regards to an order or trade, which may lead to an executed trade at a price or volume level that was not intentional.
4. **Invalid Trade Report** – Due to a trade report submitted not meeting all requirements as determined by the parameter code submitted, the Exchange may process a trade cancellation in accordance with the MIRs and will communicate this with all participating broker(s).

In the circumstances outlined above relating to erroneous transactions, systems issues/errors, and invalid trade reports, it is NSX’s preference for the Participants that are a party to the trade, to agree to its cancellation and provide that information to NSX.

TIMEFRAMES THAT APPLY TO TRADE CANCELLATIONS

NSX has determined that a trade cancellation may proceed if the request is submitted prior to settlement and CHES confirms there is sufficient time to process the cancellation.

The following guidelines apply:

- ▶ **Non-Certificated Securities:**
Trade cancellation requests must be submitted on the same business day as the trade execution (T).
- ▶ **Certificated Securities:**
Given the longer settlement period (T+5), cancellation requests for certificated securities must be submitted no later than close of business on T+3.

NSX reserves the right to approve or reject any trade cancellation request at its sole discretion, regardless of the timing or reason provided.

Section 5 – Technical Notes

NETS publishes the AOT Reference Price, upper AOT threshold and lower AOT threshold on ITCH.

NETS publishes the ETR Reference Price, upper ETR threshold and lower ETR threshold on ITCH.

However:

- the published price should be used only when an ETR Reference Price exists.
- the published thresholds should only be used where there is an ETR Reference Price and that ETR Reference Price is \$2.00 or higher.

NETS will apply the ETR threshold per this Practice Note irrespective of the values that are published on ITCH.

This is summarised in the table below.

ETR Reference Price	ITCH ETR Reference Price ¹	ITCH ETR thresholds
No ETR Reference Price	Should be ignored	Should be ignored
ETR Reference Price < \$2.00	Should be ignored	Should be ignored
ETR Reference Price >= \$2.00	Reflects ETR Reference Price	Reflects ETR thresholds

Further information on ITCH is available on NSX’s website: [ITCH Introduction](#)

¹ ETR functionality installed on NSX’s Trading Engine is designed to prevent trades from occurring outside of an ETR threshold. This cancellation circumstance relates to an extremely rare instance where the system does not prevent this trade from occurring.



Section 6 – Further Information

For further information, please contact:
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Limited
264 George Street, Sydney NSW 2000
Email: compliance@nsx.com.au
Phone: 02 9233 0100