

ASX Disciplinary Matter – BTIG Australia Limited

ASX Limited's Chief Compliance Officer (“**CCO**”) has determined that BTIG Australia Limited (“**BTIG AU**”) did not comply with the following ASX Operating Rules (“**ASX OR**”):

- ASX OR [1003], which requires Trading Participants to comply with the clearing arrangements contained in Schedule 1, specifically:
 - ASX OR Schedule 1.1000, which requires Trading Participants to have in place and maintain adequate arrangements for the clearing of all Market Transactions entered into by the Trading Participant.
 - ASX OR Schedule 1.1012(a), which requires Trading Participants to ensure that all orders of a client are directed through the correct Open Interface Device, such that they are directed to the Relevant Clearing Participant.
- ASX OR [1000](g), which requires all Market Participants to have in place, and maintain, adequate clearing arrangements in accordance with ASX OR [1003] and Schedule 1.
- ASX OR [1000](d), which requires all Market Participants to have adequate resources and processes in place to comply with their obligations as a Market Participant under the Rules,

(the “**Contraventions**”). The CCO imposed a fine of \$40,000 (plus GST) for the Contraventions, which BTIG AU elected not to contest before the Appeal Tribunal.

Defined terms have the meaning provided in the ASX OR, unless provided.

The circumstances of this matter are as follows:

Sometime before 15:44 on 21 December, BTIG AU's Hong Kong affiliate (“**BTIG HK**”) received an order from a client (the “**End-Client**”) requiring execution on ASX. The End-Client was not a client of BTIG AU and did not have approval for entry of automated order processing (“**AOP**”) orders to the Australian market.

BTIG HK submitted the orders on behalf of the End-Client to BTIG AU for AOP execution on ASX. The orders were booked against BTIG HK's omnibus account in IRESS with BTIG AU, however, they were not entered on ASX because they exceeded the account's daily order limit set by BTIG AU.

Having been rejected by IRESS, BTIG AU's operatives re-directed the orders back to counterparts in BTIG HK for further consideration and handling. BTIG HK then submitted them into the Fidessa automated trading platform (“**ATP**”) operated by BTIG AU and its affiliates on the basis that, while BTIG HK's daily limit had been reached in its IRESS account, the End-Client's daily limit in Fidessa (as set by BTIG HK) had not been reached.

The orders submitted by the End-Client via FIX to BTIG HK's Fidessa platform included a value in FIX Tag 439, which designates clearing firm / give up broker, which was passed from BTIG HK's ATP through to BTIG AU's ATP and onto the ASX Gateway, causing the Clearing Member ID on the ASX gateway to be an invalid value. This was the first time the End-Client had sent an order with FIX Tag 439 to BTIG HK to be routed to BTIG AU for execution.

Between approximately 15:44 and 16.08, ASX received alerts that an invalid Clearing Member ID had been used in respect of 710 trades executed by BTIG AU in four different stocks.

ASX attempted unsuccessfully to speak to a nominated person / authorised signatory at BTIG AU about the affected trades and to discuss halting trading. At 15:48, ASX spoke to BTIG AU's Head

of Technology, who is not a nominated person, and who advised that he would contact the trader responsible for the trades in question. ASX did not receive any further contact from BTIG AU prior to market close at 16.00.

At 16.32, ASX spoke BTIG AU's joint Chief Executive Officer, who agreed to cancel and rebook all the affected trades.

The process of cancelling and rebooking the affected trades had to be undertaken manually by ASX contacting each of the counterparties to the affected trades to confirm agreement to the cancellation, after which it manually rebooked each trade with the correct Clearing Member ID, contacting 24 counterparties in order to manually rebook the affected trades.

In determining penalty, the CCO, among other things, took into account the following matters:

- (a) Notwithstanding that the Contraventions were inadvertent and unintentional, ASX considers that the manner in which the orders were handled led to a breach by BTIG AU of its obligation to correctly identify the Relevant Clearing Participant when entering those orders, resulting in:
 - a failure to have adequate clearing arrangements for clearing the Market Transactions in question; and
 - a failure to have adequate resources and processes to comply with its obligations under the ASX OR.
- (b) The number of trades (being 710) entered by BTIG AU with an incorrect Clearing ID caused, amongst other things, a material impact on ASX and other market participants. To correct the errors, ASX was required to contact 24 affected participants after hours to arrange manual rebooking of the relevant trades.
- (c) BTIG AU did not have a nominated person / authorised signatory readily available to discuss the orders as required under ASX OR [1000] (e) and (f) and the related procedure. Further, the representative who was communicating with ASX during the relevant time was clearly not in a position to provide ASX with the information it required to promptly attend to the issue. ASX was unable to speak to a person with authority to make trading decisions until after the market had closed.
- (d) Previous ASX disciplinary decisions.

Sanction Guidelines

The CCO determined that, given the circumstances in this matter, a fine of \$40,000 (plus GST) was an appropriate sanction.

The CCO is of the opinion that this sanction will act as a deterrent and appropriately serves the interests of ASX and its participants.