

## ASX Disciplinary Matter – Citigroup Global Markets Australia Pty Ltd

ASX Limited's Chief Compliance Officer (the 'CCO') has determined that Citigroup Global Markets Australia Pty Ltd ('CGMA') did not comply with:

- (a) ASX Clear (Futures) Operating Rule 45.1, being its obligation to meet an Intra-Day Margin ('**Overnight Margin**') by the prescribed time of 4:30am on 14 February 2020 ('**Contravention 1**');
- (b) ASX Clear (Futures) Rule 4.10, being its continuing requirement to ensure that it has adequate resources and processes to comply with its obligations as a clearing participant under the ASX Clear (Futures) Operating Rules, including offshoring processes pursuant to the obligations set out under ASX Clear (Futures) Operating Rule 4.15A(a) and its related procedures ('**Contravention 2**');
- (c) ASX Clear Operating Rule 12.17.5 and the related procedure, being the requirement to meet its Cash Market Margin ('**CMM**') obligation<sup>1</sup> by the prescribed time of 10:30am on 30 September 2020 ('**Contravention 3**'); and
- (d) ASX Clear (Futures) Operating Rules 43.1 and 44.4, being its obligation to settle an Initial Margin / Daily Settlement obligation by the prescribed time of 11:00am on 25 January 2021 ('**Contravention 4**');

together, the '**Contraventions**'.

The CCO imposed a total fine of \$75,000 (plus GST) for the Contraventions.

The circumstances of this matter are:

On 14 February 2020, CGMA failed to comply with its obligation to settle an Overnight Margin call amount in the order of USD 6,983,555.00 by the prescribed time of 4:30am AEST, with settlement ultimately being delayed by three hours and fifteen minutes.

ASX has identified in connection with this breach by CGMA, the absence of documented processes and procedures governing compliance with this key obligation, and that a relevant offshore team responsible for ensuring compliance was inadequately prepared to action an Overnight Margin call that exceeded the margin buffer in place at the time ('**Event 1**').

On 30 September 2020, CGMA failed to settle a CMM payment of AUD 2,664,871.78 by the prescribed time of 10:30am AEST.

This CMC settlement failure was the result of capacity constraints experienced on the day by CGMA's Equities Operations team, specifically a delay experienced in obtaining the requisite second-level authorisation to release the relevant funds, which led to a delayed payment of the settlement amount by six minutes ('**Event 2**').

On 25 January 2021, CGMA failed to settle a NZD Initial Margin call amount of NZD 24,246.91 by the prescribed time of 11:00am AEST.

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<sup>1</sup> i.e. the obligation to pay an Initial Margin for Cash CCP Transactions per ASX Clear Operating Rules 14.5.1 and 14.5.2.

The delayed payment on this occasion arose because the payment system used by CGMA for payment of the NZD Initial Margin, called the Global Cash Management System ('**GCMS**'), was incorrectly configured to recognise 25 January 2021 as a public holiday (on which date payments through this system could not be made). Following the identification of this incorrect setting in the GCMS an emergency procedure was invoked, requiring the relevant payment to be made on that occasion by CGMA's treasury operations team, and resulting in a delay in settlement of two minutes and eighteen seconds. ('**Event 3**').

In determining a penalty, the CCO, among other factors, took into account the following:

- (a) The Reserve Bank of Australia ('**RBA**') has determined the Financial Stability Standards ('**FSS**') for licensed clearing facilities such as ASX Clear (Futures) ('**CCP Standards**'). Under Standard 6 of the CCP Standards, the RBA stipulates that central counterparties such as ASX are required to establish and rigorously enforce timelines for margin collections and payments, as well as set appropriate consequences for the failure by participants to pay within the required timeframe.
- (b) Where ASX is satisfied that a participant's breach of an operating rule is one which ought to have been prevented or mitigated by its arrangements for monitoring compliance with the operating rules, then it will consider a finding that the participant did not have adequate processes to comply with the relevant obligation to be appropriate.
- (c) CGMA failed to settle three separate margin calls by their respective prescribed times for payment within a 12 month period.
- (d) CGMA's Contraventions were inadvertent and unintentional.
- (e) CGMA did not derive any commercial advantage or financial benefit from the Contraventions.
- (f) CGMA did not act unconscionably towards, or otherwise take advantage of, its clients or counterparties.
- (g) CGMA assisted and cooperated with ASX in its investigation.
- (h) CGMA undertook immediate remediation of the breaches and updated process and procedure documents detailing the payment procedures for the various margin obligations, in addition to undertaking additional training of staff involved in the margin payment processes, in order to ensure that similar breaches would not occur going forward.
- (i) CGMA has a good history of complying with the operating rules.
- (j) The 'totality principle', as explained in Annexure A to the ASX Enforcement and Appeals Rulebook.

### **Sanction Guidelines**

The CCO determined that, given the circumstances in this matter, a fine of \$75,000 (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.