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| <input checked="" type="checkbox"/> ASX Trade | <input checked="" type="checkbox"/> ASX 24 | | | | | |
| <input checked="" type="checkbox"/> Trading | <input checked="" type="checkbox"/> Clearing | <input checked="" type="checkbox"/> Settlement | | | | |
| <input type="checkbox"/> Operations | <input type="checkbox"/> Technology | <input type="checkbox"/> Market Data | <input checked="" type="checkbox"/> Rules | <input checked="" type="checkbox"/> Compliance | <input type="checkbox"/> Risk | <input type="checkbox"/> Other |
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ASX Compliance Enforcement Activity

Under the Corporations Act, as a licensed operator of financial markets, ASX is obliged to have adequate arrangements for monitoring and enforcing compliance with the operating rules of those markets. It is also obliged, as a licensed operator of clearing and settlement facilities, to have adequate arrangements for supervising those facilities and for enforcing compliance with their operating rules.

The purpose of this circular is to notify participants in those markets and facilities of some of the enforcement activities recently undertaken by ASX Compliance, so that they are aware of potential areas of concern for ASX and of ASX's enforcement activities in those areas.

This circular covers enforcement activities that were finalised during the 3 month period ended 31 May 2014. Investigations in relation to other enforcement matters are ongoing.

Inappropriate trading management arrangements

The ASX Disciplinary Tribunal fined a participant \$50,000 (plus GST) for a contravention of former ASX Market Rule 13.1.6(c) between 11 March 2004 and 31 July 2010.

The Tribunal found that during the relevant period the participant did not have appropriate trading management arrangements in place such that at all times it could determine the origin of all orders and trading messages, including the identity and capacity of the person placing the order, that corresponded to the trading message(s).

Further details of the matter can be found in ASX Notice 0483.14.05 dated 12 May 2014, available online at: https://www.asxonline.com/intradoc-cgi/groups/participant_services/documents/communications/asx_040554.pdf

Failure to ensure orders directed through the correct open interface device

A participant was fined a total of \$30,000 (plus GST) by the ASX Chief Compliance Officer for a contravention of ASX Operating Rule Schedule 1.1012(a) and thereby ASX Operating Rule 1003.

The contravention arose on 3 May 2013 when the participant failed to ensure that 1,101 orders by a third party direct market access client were directed through the correct open interface device to the relevant clearing participant.

Further details of the matter can be found in ASX Notice 0252.14.03 dated 26 March 2014, available online at: https://www.asxonline.com/intradoc-cgi/groups/participant_services/documents/communications/asx_040113.pdf

Failure to pay the required cash market margin by the prescribed time

ASX issued a formal warning letter to an ASX Clear participant for a breach of ASX Clear Operating Rule 12.17.1 for failing to pay its cash market margin by the prescribed time of 10:30am. The breach arose when an internal miscommunication resulted in a delay in authorisation of the payment which, in turn, resulted in a delay in the settlement of the payment until one minute after the prescribed deadline of 10:30am.

This was the second similar breach by the participant, raising issues as to whether it had appropriate controls in place to identify and escalate the issue. The participant has consequently implemented improvements to its internal controls to

help prevent a similar incident in the future.

Unauthorised disclosure of HINs/SRNs

ASX issued a formal warning letter to an issuer for apparent breaches of ASX Settlement Rules 8.11.1(a) and (c) and ASX Listing Rule 8.1 for the unauthorised disclosure of shareholder HINs and SRNs. The disclosure occurred as a result of the issuer mailing out a notice of meeting to shareholders and, attaching to each notice, a personalised proxy form which contained their HINs and SRNs.

ASX decided to take no further action against the issuer, given the absence of any evidence that shareholder HINs/SRNs had in fact been compromised and any complaints to ASX about the incident.

What do I need to do and by when?

For your information only.

Need more information?

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