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<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

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 30 November 2014. Investigations in relation to other enforcement matters are ongoing.

Failure to provide accurate reports when required and failure to comply with ASX daily net down direction

ASX issued a formal warning letter to a participant for:

- 1) failing to comply with a condition of a waiver with respect to ASX 24 Operating Rule 3500, and thereby an apparent breach of that rule, in that it did not provide an accurate Daily Beneficial Ownership Report when required. The apparent breach primarily arose from an omission of accounts from the report as a result of technical problems following a merger of databases affecting electricity futures positions. ASX, however, also identified some duplicate positions in the reports.

and

- 2) an apparent breach of ASX Clear (Futures) Operating Rule 46.5 for failing to perform, as directed by ASX, the daily net down of back-to-back positions in the Three Year and Ten Year Bond Futures held in its house accounts during the period from 17 June 2014 to 18 August 2014. The failure occurred due to a change in processes to facilitate ASX 24 / Over The Counter ("OTC") cross margining, resulting in the participant's OTC house account not being replicated within the participant's system.

The issues have now been rectified. ASX expects participants to proactively monitor and review their controls with respect to the reporting of DBOR information and daily net down of back to back positions. This is to ensure the integrity of the reported data, particularly following any changes to systems or processes which might impact data being reported.

Failure to pay ETO margin by the prescribed time

ASX issued a formal warning letter to a participant for an apparent breach of ASX Clear Operating Rule 12.17.1 for failing to pay the required ETO margin by the prescribed time of 10:30am (AEST). The apparent breach arose due to an internal miscommunication which lead staff working on the Melbourne Cup public holiday to incorrectly assume that a non-settlement day for CHES also applied to margin obligations in respect of ASX Clear. This resulted in a delay in the settlement of an ETO margin payment of \$1,360.29 on 4 November 2014 until 10.34am, 4 minutes after the prescribed deadline of 10:30am.

This followed from a previous apparent breach by the same participant on 27 November 2013, when it failed to match the required daily settlement amount of \$3,289.10 until 10.33am, 3 minutes after the prescribed deadline.

Meeting margin obligations on time is fundamental to the proper functioning of the facilities operated by ASX. However, these matters were isolated and for relatively minor amounts and so formal enforcement action was not pursued. The participant has also implemented changes to its internal procedures as a result of this most recent late payment.

What do I need to do and by when?

For your information only.

Need more information?

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