

What's this about?

Effective date: 27/02/2015

-
- | | |
|---|--|
| <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 |
|-------------------------------------|-------------------------------------|--------------------------------------|---|--|-------------------------------|--------------------------------|
-

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 28 February 2015. Investigations in relation to other enforcement matters are ongoing.

Margin and trust account contraventions

BBY Limited ("BBY") has been fined \$180,000 (plus GST) in relation to three contraventions of the ASX Clear Operating Rules. Two contraventions were with respect to BBY's ability to satisfy ASX that it had adequate financial resources to meet its margin obligations, and also to ensure that it had an appropriate management structure in place to achieve compliance with the operating rules. For these two contraventions BBY received a fine of \$150,000 (plus GST). The third contravention related to BBY placing client money in its general account instead of its trust account. For this contravention BBY received a fine of \$30,000 (plus GST). The contraventions arose after BBY purchased \$192 million worth of shares in Aquila Resources Limited (a company which was at the time the subject of a takeover offer) without fully appreciating the size of its potential margin exposure or having the resources in place to meet it. For further details, please refer to the ASX circular which can be located at:

https://www.asxonline.com/intradoc-cgi/groups/participant_services/documents/communications/asx_043032.pdf

Failure to pay cash market 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 its cash market margin by the prescribed time of 10:30am (AEST). The apparent breach arose when the participant failed to identify an unmatched cash trade, leading to a delay in the processing of the payment. This resulted in a delay in the settlement of the payment until 10:31:39 am (AEST), almost 2 minutes after the prescribed deadline.

It appears the participant did not have appropriate processes and controls in place to identify and escalate the issue. The participant has now implemented internal procedures as a result of the apparent contravention.

What do I need to do and by when?

For your information only.

Need more information?

Issued by

Ben Wachter

Senior Compliance Counsel

Contact Details

(02) 9227 0671

Disclaimer