

**What's this about?**

Effective date: 29/08/2014

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| <input checked="" type="checkbox"/> ASX Trade | <input checked="" type="checkbox"/> ASX 24 |
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| <input checked="" type="checkbox"/> Trading | <input checked="" type="checkbox"/> Clearing | <input checked="" type="checkbox"/> Settlement |
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|-------------------------------------|-------------------------------------|--------------------------------------|---|--|-------------------------------|--------------------------------|
| <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 August 2014. Investigations in relation to other enforcement matters are ongoing.

**Failure to report beneficial owner information**

ASX issued a formal warning letter to an ASX 24 participant for an apparent breach of ASX 24 Operating Rule Procedure 3500.1(a) and thereby ASX 24 Operating Rule 3500 for failing to report beneficial owner information in the Daily Beneficial Ownership Reports (DBORs) for positions transacted through a related body corporate (RBC).

ASX requested that the participant confirm the beneficial owner of 32 open positions reported in the name of the RBC in the DBOR for trade date 23 January 2014. The participant advised that the RBC was not the beneficial holder of any of the positions which were the subject of the request. The participant provided the names and addresses of the beneficial holders of these positions, indicating that the 32 open positions belonged to 136 separate accounts. Subsequently, the participant confirmed that positions transacted through the RBC had been reported in an omnibus account since April 2002 rather than at the beneficial holder level.

ASX relies on ASX 24 Trading Participants to accurately report beneficial owner information in order to effectively monitor the market.

**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 the required Cash Market margin by the prescribed time of 10:30am (AEST). The apparent breach arose when the participant's nominated bank experienced a system error, leading to a delay in the processing of the payment. This resulted in delays in the settlement of the payment until 10:35am (AEST), 5 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?

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