



Participant Circular

Date: 7 June, 2001

Key topics

1. EPIC Securities Limited
2. Barton Capital Securities Pty Ltd
3. BNP Paribas Equities Private (Australia) Limited

Reading List

Compliance Managers
 Client Advisers (Brokers)
 DTR Operators.
 Managing Directors.
 Office Managers
 Operations Managers (back office)

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DISCIPLINARY MATTERS

The National Adjudicatory Tribunal has imposed a fine of \$132,000 (inclusive of GST) upon **EPIC Securities Limited** ("EPIC") in respect of alleged misconduct of 2 former EPIC advisers that led to breaches of Business Rule 13.5.1 during the period July 1997 to September 1998. EPIC agreed to pay the fine on a non-admission of liability basis without contesting the merits of the charges considered by the Tribunal.

The circumstances regarding the alleged misconduct of the 2 former EPIC advisers are set out below.

The First Adviser

1. This adviser caused EPIC to execute trades with respect to 3 EPIC client accounts in circumstances where the adviser had an undisclosed beneficial interest in shares traded with respect to these accounts.
2. Contrary to ASX Business Rule 2.2.4, during the period 1 October 1997 – 20 February 1998, this adviser caused EPIC to execute 119 crossing transactions on the ASX market that created the false or misleading appearance that because of the genuine forces of supply and demand the market price and turnover of the quoted securities of Australian Authorised Investments ("**AAV securities**") was increasing.
3. Contrary to ASX Business Rule 2.2.4(3), this adviser caused EPIC to execute 5 crossing transactions in AAV securities that did not involve a change in the beneficial ownership of the AAV securities that were traded.
4. Contrary to ASX Business Rule 3.4.1, this adviser operated 6 client accounts in part or in total as discretionary accounts without having first obtained from each client a written authorisation setting out the terms and conditions under which the account was to be operated.
5. Contrary to ASX Business Rule 3.1, this adviser whilst being a director of EPIC caused EPIC to execute crossing transactions between EPIC accounts in which he had a beneficial interest in the shares traded in those accounts and other EPIC client accounts without EPIC having first informed the person with whom it was dealing that it was acting in the transaction as principal and not as agent.
6. Contrary to ASX Business Rule 3.8, this adviser prevented the despatch of multiple contract notes arising from transactions executed with respect to 4 EPIC client accounts.
7. With respect to 7 EPIC client accounts this adviser completed order records that contained fictitious information so as to create the false appearance that an order had

been received from a client of EPIC in relation to transactions executed with respect to these accounts in circumstances where orders to execute trades with respect to these accounts had not been received by EPIC.

8. Contrary to ASX Business Rule 5.11, this adviser failed to provide funds to EPIC to settle share transactions executed by EPIC on behalf of the adviser on or before EPIC was required to settle these transactions.
9. This adviser executed 1 trade with respect to an EPIC client account that was contrary to the instructions given to the adviser as to the manner in which this account was to be operated. Contrary to ASX Business Rule 3.8, the adviser prevented the despatch of a contract note with respect to this trade.
10. This adviser prevented the despatch of cheques drawn by EPIC with respect to the operation of an EPIC client account.

The Second Adviser

1. This adviser operated 4 client accounts at EPIC in the names of 3 fictitious persons and a fictitious company.
2. With respect to the accounts referred to above, the adviser completed order records that contained false information so as to create the false appearance that an order had been received from a real person/entity in relation to trades executed with respect to these accounts.
3. During the period 14 July 1997 – 5 December 1997, this adviser executed 42 short sales that were contrary to ASX Business Rule 2.11.

The National Adjudicatory Tribunal noted that EPIC on 29 February 2000 had voluntarily submitted to ASX the surrender of its status as a Participating Organisation of ASX.

Barton Capital Securities Pty Ltd ("Barton") has been fined \$5,000 by the National Adjudicatory Tribunal in relation to a breach of ASX Business Rule 2.4.1.

The circumstances of this matter are as follows:

- On 28 June 2000 Barton reported a Special Crossing of 16,899,288 ordinary shares in The Satellite Group Limited ("SAT") at \$0.20.
- Barton was aware on 22 June 2000 that additional ordinary shares were to be issued by SAT to form part of the subsequently sold 16,899,288 SAT.
- An Appendix 2A form (application for quotation of additional securities) was lodged by SAT with ASX on 29 June 2000 with respect to 4,500,000 SAT ordinary shares. These shares form part of the parcel that was crossed on 28 June 2000. The shares were not granted official quotation by ASX until 4 July 2000.

Consequently, Barton dealt in SAT ordinary shares prior to their official quotation.

BNP Paribas Equities Private (Australia) Limited ("BNPPEP") has been fined \$3,000 by the National Adjudicatory Tribunal in relation to a breach of ASX Business Rule 1.2.1.

The circumstances of this matter are as follows:

- As a result of an examination of a sample of transactions conducted by a BNPPEP adviser on behalf of his brother between 1 January to 28 February 2000, it was revealed, that in the majority of transactions examined (a total of 28), order records relating to the transactions did not comply with the requirements of ASX Business rule 1.2.1 because the time the order was received was not recorded correctly.

- BNPPEP self-reported the activity of its adviser to ASX, enhanced its internal controls and dismissed its adviser for misconduct including breaching ASX Business Rule 1.2.1.