



Participant Circular

Date: 28 June 2002

Key topics

1. Salomon Smith Barney Private Clients Pty Ltd
2. Salomon Smith Barney Australia Securities Pty Limited
3. Falkiners Stockbroking 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 Australian Stock Exchange Limited's National Adjudicatory Tribunal ("the Tribunal") has determined the following:

Falkiners Stockbroking Limited ("Falkiners") has been fined \$20,000 (plus GST) and required to undertake an education and compliance program by the National Adjudicatory Tribunal in relation to breaches of ASX Business Rules 1A.2.1(1)(a) and 1A.2.2(1)(b) (capital liquidity requirements). In making its determination the Tribunal noted that changes have been made to the ownership and control of Falkiners since the time that the matters set out in this circular occurred.

The circumstances of this matter are as follows:

Rule 1A.2.2(1)(b)

On 31 October 2001 Falkiners' Liquid Capital divided by its Total Risk Requirement fell below 1.2. Falkiners did not notify ASX in writing of this fact until 8 November 2001 and as such breached Rule 1A.2.2(1)(b) by failing to notify ASX immediately in writing.

On 8 November 2001 Falkiners' Liquid Capital divided by its Total Risk Requirement fell below 1.2. Falkiners did not notify ASX in writing of this fact until 14 November 2001 and as such breached Rule 1A.2.2(1)(b) by failing to notify ASX immediately in writing.

On 22 January 2002 Falkiners' Liquid Capital divided by its Total Risk Requirement fell below 1.2. Falkiners did not notify ASX in writing of this fact until 11.17 am on 23 January 2002 and as such breached Rule 1A.2.2(1)(b) by failing to notify ASX immediately in writing.

The Tribunal fined Falkiners \$5,000 plus GST with respect to these breaches of Rule 1A.2.2(1)(b).

Rule 1A.2.1(1)(a)

On 31 October 2001 and until part way through the day on 1 November 2001 Falkiners failed to ensure that its Liquid Capital was at all times greater than its Total Risk Requirement in breach of Rule 1A.2.1(1)(a).

In the period from 8 November 2001 until part way through the day on 13 November 2001 Falkiners failed to ensure that its Liquid Capital was at all times greater than its Total Risk Requirement in breach of Rule 1A.2.1(1)(a).

In the period from 22 January 2002 until part way through the day on 24 January 2002 Falkiners failed to ensure that its Liquid Capital was at all times greater than its Total Risk Requirement in breach of Rule 1A.2.1(1)(a).

The Tribunal fined Falkiners \$15,000 plus GST with respect to these breaches of Rule 1A.2.1(1)(a).

Education And Compliance Program

The Tribunal ordered that Falkiners institute an education and compliance program to review its Rule 1A procedures, ensure that they are fully documented and have them formally adopted by its Board, to ensure that it will comply with Rule 1A in the future (including in circumstances where it has computer software problems). Falkiners is required to undertake such a review by 31 July 2002 and to notify ASX that such a review has been completed.

Salomon Smith Barney Private Clients Pty Ltd ("SSB Private") has been fined a total of \$6,000 (plus GST) in respect of a breach of ASX Business Rules 7.8.3.2 and 7.8.3.4(b) on 5 December 2001.

The circumstances of this matter are as follows:

On 5 December 2001, SSB Private executed a Special Crossing of orders for a Non-Standard Combination of Options when, in order to achieve the Special Size of \$500,000 required for a Special Crossing, SSB Private aggregated orders of more than one client on both sides of the Option Transaction, thereby breaching Rule 7.8.3.4(b).

Consequently, SSB Private also breached Rule 7.8.3.2 because it was not entitled to effect a Special Crossing under that Rule without first having complied with Rule 7.8.3.4(b) to achieve the Special Size required under Rule 7.8.3.2(a).

Salomon Smith Barney Australia Securities Pty Limited ("SSB Equities") has been fined a total of \$4,000 (plus GST) in respect of a breach of ASX Business Rules 7.8.3.2 and 7.8.3.4(b) on 7 November 2001, and a breach of ASX Business Rules 7.8.3.1 and 7.8.3.4(a) on 28 November 2001.

The circumstances of these matters are as follows:

On 7 November 2001, SSB Equities executed a Special Crossing of orders for a Non-Standard Combination of Options when, in order to achieve the Special Size of \$500,000 required for a Special Crossing, SSB Equities aggregated orders of more than one client on both sides of the Option Transaction, thereby breaching Rule 7.8.3.4(b). Consequently, SSB Equities also breached Rule 7.8.3.2 because it was not entitled to effect a Special Crossing under that Rule without first having complied with Rule 7.8.3.4(b) to achieve the Special Size required under Rule 7.8.3.2(a).

On 28 November 2001, SSB Equities executed a Special Crossing of orders for a single Series of Options when in order to achieve the Special Size, SSB Equities aggregated orders of more than one client on both sides of the Option Transaction, thereby breaching Rule 7.8.3.4(a). SSB Equities also breached Rule 7.8.3.1 because it was not entitled to effect a Special Crossing under that Rule without first having complied with Rule 7.8.3.4(a) to achieve the Special Size required under Rule 7.8.3.1.

The Tribunal accepted these breaches by SSB Equities were inadvertent.