

**ASX Circular**

**Date:** 19 October, 2005

**Key topics**

1. ETrade Australia Securities Limited

**Reading List**

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

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## DISCIPLINARY MATTERS

The Australian Stock Exchange Limited's Disciplinary Tribunal ("the Tribunal") has determined the following:

ETrade Australia Securities Limited ("ETrade") has been fined \$40,000.00 (plus GST) for contravening ASX Market Rule 20.8.1(b). ETrade was also ordered to forfeit its commission, in the total amount of \$10,130, received for trades which were executed in breach of this Market Rule. In summary ETrade executed 3 Special Crossings in the quoted securities of Computershare Limited ("CPU") in the period 17 June 2004 to 12 July 2004 when CPU was conducting an on-market buy-back. ETrade, without admission, did not contest the contravention before the Tribunal.

The Tribunal noted that ASX Market Rule 20.8.1(b) is important as it ensures that all trades during an on market buy back of financial products for an issuer are conducted on market during the ordinary course of trading on that market.

The circumstances of this matter are detailed as follows:

On 26 May 2004, CPU announced an on market buy-back of up to 27,500,000 of its ordinary shares, to take place between 10 June 2004 and 17 December 2004. ETrade was appointed by CPU as its broker for the purpose of the buy back. On 3 separate occasions, being the 17 June, 5 July and 9 July 2004, Etrade, pursuant to the buy-back executed 3 Special Crossings in CPU shares, and in each case immediately reported those Special Crossings to the market. The Special Crossings were conducted on 2 occasions at \$3.20 and on the other occasion at \$3.15. The Special Crossings had a total volume of 1,609,000 shares.

On the 12 July 2004, an ETrade representative was informed by another party that the Special Crossings appear to be in contravention of the ASX Market Rule 20.8.1(b) which prohibits the execution of Special Crossings during an on market buy back. ETrade cancelled the third Special Crossings and reported the breach to ASX.

The Tribunal is satisfied that the execution of the 3 Special Crossings by ETrade in CPU shares during the on market buy-back were in contravention of ASX Market rule 20.8.1(b).

In determining the penalty to be imposed, the Tribunal took into account the following matters:

- (a) the circumstances and duration of the contravention;
- (b) the action that ETrade has taken since identifying the contraventions;
- (c) ETrade self reported the contravention the day after it became aware of it.