

Chess Bulletin

Date: 8 January 2002

Key topics

1. BNP Paribas Equity Finance Pty Ltd
2. Commonwealth Bank of Australia Limited

Reading List

Compliance Managers
Managing Directors/CEO's
Office Managers
Operations Managers (back office)

ASX contact

Martin Kinsky

Telephone

(02) 9227 0419

ASX Settlement and Transfer Corporation Pty Ltd
ABN 49 008 504 532
Exchange Centre
20 Bridge Street
Sydney NSW 2000
PO Box H224
Australia Square NSW 1215
Telephone 1800 814 051
Facsimile 61 2 9227 0265
Internet <http://www.asx.com.au>
DX 10234 Stock Exchange Sydney

No responsibility is accepted
For any inaccuracies contained in the
matter published.

PARTICIPANT BULLETIN

DISCIPLINARY MATTERS (1)

BNP Paribas Equity Finance Pty Ltd ("BNPPEF") has been fined \$20 000 (+ GST) by the SCH Disciplinary Tribunal for contravening SCH Business Rule 9A.3.1(b)(ii) in that BNPPEF controlled CHES Holdings that were not subject to a current Sponsorship Agreement.

The circumstances of this matter are as follows:

BNPPEF acts as a sponsor of CHES Holdings for the margin lending clients of BNP Paribas Equities (Australia) Limited and is a registered Non Broker Participant under Section 10 of the SCH Business Rules. BNPPEF is also a CHES Participant in accordance with the SCH Business Rule 2.3.

Section 9A of the SCH Business Rules was introduced in July 1997 and requires mandatory provisions, notifications and acknowledgements to be included in the Sponsorship Agreements between Non Broker Participants and their sponsored clients.

Between 26 January 1999 and 11 April 2001, BNPPEF controlled approximately 650 CHES Holdings in circumstances where a Sponsorship Agreement had not been entered into between BNPPEF and each of these clients, despite clients having authorised the execution of a Sponsorship Agreement on their behalf.

DISCIPLINARY MATTERS (2)

The SCH Disciplinary Tribunal has, under SCH Business Rule 18.5.2, imposed a censure on Commonwealth Bank of Australia Limited ("CBA") in respect of its contravention of SCH Business Rule 5.9.1(d). CBA is an "Issuer" under the SCH Business Rules (not a Participant or Non Broker Participant in Chess).

CBA agreed to not contest the merits of the contravention notice considered by the Tribunal.

The circumstances surrounding the contravention are set out below.

On 6 April 2001, CBA conducted a mail-out to participants in its dividend reinvestment plan ("the DRP") in respect of a dividend, which was paid on 30 March 2001. During this mail-out, a processing error at the mailing house it employs caused the collation of some correspondence to become 'unsynchronised', with the result that some account statements containing the personal details and SRNs of some issuer sponsored participants in the DRP were incorrectly placed into envelopes addressed to other participants in the DRP and sent to those other participants by mail.

CBA first became aware of this error on 10 April 2001 as a result of telephone calls it received from participants in the DRP. On 12 April 2001, after conducting further enquiries, CBA notified ASX of its disclosure of the SRNs of participants in the DRP.

In determining the appropriate penalty to apply in respect of this matter, the Tribunal took into account the following action by CBA to mitigate the consequences of the processing error:

- (1) CBA took prompt action to ensure that new SRNs were issued to each of the 141,000 shareholders involved in the initial part of the mail-out on 6 April 2001;
- (2) CBA on 19 April 2001 issued a Participant's Bulletin in respect of its re-issue of SRNs to participants in the DRP;
- (3) CBA provided a notice to shareholders informing them of CBA's release of their SRNs on or before 18 April 2001;
- (4) CBA conducted a full internal review by its group audit department of the circumstances and control enhancements undertaken by CBA and its agents to prevent a future recurrence of these circumstances; and
- (5) CBA has fully reviewed its arrangements with its agents to prevent a future recurrence of these circumstances.

The Tribunal also noted that although the exact extent of the breach could not be accurately determined, it was likely that only a small number of shareholders of CBA (confined to one area) were affected, and that CBA out of an abundance of caution reissued new SRNs to each of the 141,000 shareholders included in the initial part of the mail-out on 6 April 2001. The Tribunal is of the view that once the CBA became aware of the breach, it took all reasonable steps to mitigate the effects of the breach.