



ACH Notice

Date: 6 June 2008

Key topics

1. Macquarie Equities Limited.

Reading List

Client Advisers
Compliance Managers
ASTC Participants
Operations Managers (back office)
Share Registries
ACH Participants

Authorised by

Eric Mayne

Contact

Jodie Maurer

Telephone

(02) 9227 0472

Australian Clearing House Pty Ltd
ABN 48 001 314 503
Exchange Centre
20 Bridge Street
Sydney NSW 2000
PO Box H227
Australia Square
NSW 1215
Telephone 1800 814 051
Intl Facsimile 61 2 9251 5525
Facsimile 1300 300 577
Internet: <http://www.asx.com.au>
DX 10427 Stock Exchange Sydney

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ACH PARTICIPANT NOTICE

DISCIPLINARY MATTERS

ACH's Disciplinary Tribunal ("the Tribunal") has determined the following:

Macquarie Equities Limited ("MEL") has been fined \$25,000 (plus GST) for contravening ACH Rule 5.1.1 in failing to comply with the Risk Based Capital Requirements set out under Schedule S1.2.1(1)(a) to the ACH Rules.

MEL contravened ACH Clearing Rule 5.1.1 by failing to comply with Schedule S1.2.1(1)(a) to the Rules on 27 July 2007, in that MEL inadvertently failed to ensure that its Liquid Capital was at all times greater than its Total Risk Requirement.

MEL did not contest the contravention before the Tribunal.

The circumstances of this matter are detailed as follows:

- On 30 July 2007, MEL advised ASX Prudential Risk Management, that as at COB on 27 July 2007, its capital ratio had fallen to below 1. MEL advised that this occurred due to market volatility which resulted in a significant increase in counterparty risk for MEL.
- On 31 July 2007, MEL forwarded its ad hoc returns for 27 July 2007 and 30 July 2007 and advised that it had rectified the breach by drawing upon a subordinated debt facility with Macquarie Bank Limited.
- The Tribunal noted that the Risk Based Capital Requirements are a fundamental aspect of the ACH's prudential regulation of its Participants. The failure to comply with those requirements has the potential to adversely affect the financial stability of Participants, the financial security of clients, and the integrity of the market. Accordingly, the Tribunal views any breach of Risk Based Capital Requirements to be a matter of serious concern.

In determining penalty, the Tribunal also took into account the following matters:

- (a) MEL self reported the contravention as soon as it became evident;
- (b) MEL's co-operation with ACH and ASX Investigations in the investigation of the matter;
- (c) MEL took immediate action to rectify the matter;
- (d) MEL breached its capital requirements only on the particular day;
- (e) The action that MEL has taken to prevent a similar contravention.