



## ASX Circular

**Date:** 22 January 2007

**Key topics**

1. Commonwealth Securities Limited

**Reading List**

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

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

## DISCIPLINARY MATTERS

The Australian Securities Exchange Disciplinary Tribunal ("the Tribunal") determined that Commonwealth Securities Limited ("CommSec") contravened ASX Market Rule 4.10.1, in that it failed to maintain 333 order records with sufficient details as required by the Market Rules.

The Tribunal imposed a fine of \$16,000 (plus GST)

CommSec did not contest the contraventions.

In determining sanction the Tribunal took into account a number of matters including the following:

- The accuracy of records provide an important audit trail for ASX Participants and ASX
- The contraventions indicated a failure of CommSec's order record keeping system
- The matter was not immediately self-reported
- No client or other party has been adversely affected by the breach
- CommSec fully cooperated with ASX in respect of the investigation of this matter
- CommSec was actively reviewing its records and compliance with its order record keeping obligations
- CommSec advised that it had subsequently implemented the recommendations set out in the relevant ASX Review Reports
- No prior breaches by CommSec of a similar nature
- The disciplinary history of CommSec

The circumstances of this matter are as follows:

In the period 28 April 2004 and 10 September 2004 inclusive ("the Relevant Period"), CommSec completed the following internal reviews of its option orders:

- (a) review of 1,020 on line option orders received by CommSec on 28 April 2004 ("May 2004 Review")
- (b) review of 60 orders at its option desk received by CommSec on 20, 21 and 25 May 2004 ("July 2004 Review")

- (c) review of 10 options order records for combination orders received by CommSec on 10 September 2004 ("September 2004 Review")

As a result of these internal reviews, CommSec detected a number of possible contraventions of ASX Market Rule 4.10.1 relating to option order records.

Between October 2004 and May 2005, ASX Compliance Services conducted an option self assessment review of CommSec.

ASX considered the information contained in the 2004 internal option reviews and determined that during the Relevant Period CommSec contravened ASX Market Rule 4.10.1 in that it failed to maintain 333 order records with sufficient details showing:

- May 2004 Review – of the 1,020 records of clients' orders, 313 of the order records recorded 'www' as the name of the person placing the order contrary to the requirements of rule 4.10.1(a);
- July 2004 Review – of the 60 records of client's orders:
  - With respect to order instructions received on 20 May 2004:
    - for 1 order record, CommSec failed to record the name of the person placing the order; and
    - for 5 order records, CommSec failed to record the name of the DTR that executed the instructions;
  - With respect to order instructions received on 21 May 2004:
    - for 1 order record, CommSec failed to record the name of the person placing the order;
    - for 1 order record, CommSec failed to record the name of the DTR that executed the instructions; and
    - for 1 order record, CommSec failed to record both the name of the person placing the order and the DTR that executed the instructions; and
  - With respect to instructions received on 25 May 2004:
    - for 9 order records, CommSec failed to record the name of the DTR that executed the instructions only.
- September 2004 Review – of the 10 records of client's orders:

CommSec failed to record the time the instructions were transmitted, with respect to 2 records for client orders received on 10 September 2004, contrary to the requirements of rule 4.10.1(c).