

**ASX Circular**

**Date:** 3 May 2010

**Key topics**

1. Stonebridge 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 ASX Disciplinary Tribunal ('the Tribunal') has determined the following:

Stonebridge Securities Limited ('Stonebridge') contravened ASX Market Rule 14.1.1 with respect to an Order it entered into the ASX Trading Platform to sell 500,000 Panoramic Resources Limited ordinary shares ('PAN') which resulted in the market for PAN not being fair and orderly.

Stonebridge did not contest the contravention before the Tribunal.

For this contravention the Tribunal imposed a fine of \$30,000 (plus GST).

The circumstances of this matter are detailed as follows:

At the time of the contravention Stonebridge was known as Tricom Equities Limited ('Tricom'). Tricom was renamed Stonebridge in July 2009.

On 7 May 2009 Stonebridge received an Order from a client to Sell 2,000,000 PanAust Limited (PNA) at \$0.42. At about 10:13am a Stonebridge adviser ('the Adviser') entered in error an instruction to Sell 500,000 PAN at \$0.425 ('Erroneous Sell Order') via its IRESS electronic order pad. The intended order was to sell 500,000 PNA at that price.

The Adviser received a warning message that the order was in excess of 2% from the current market. However, the Adviser disregarded the alert and approved the Erroneous Sell Order.

Prior to its entry into the Trading Platform, the Erroneous Sell Order was submitted to a Stonebridge Designated Trading Representative ('DTR') for approval. The DTR did not receive any alerts or warning messages. The DTR authorised the Erroneous Sell Order.

Prior to the Erroneous Sell Order being entered into the Trading Platform, PAN last traded at \$1.87. The Erroneous Sell Order traded immediately and in its entirety and resulted in 68 Cash Market Transactions in PAN. As a result of the Error Sell Order, the price of PAN fell from \$1.87 to \$1.49, a decline of approximately 20%.

At 10:23am Stonebridge notified ASX Market Control and requested the cancellation of all Market Transactions that resulted from the Erroneous Sell Order. The Dispute Governors Committee recommended to ASX that Cash Market Transactions in PAN that traded at \$1.60 and below, be cancelled. ASX exercised its discretion to implement the Dispute Governors Committee's recommendation. ASX subsequently took action to cancel the 68 Market Transactions that traded under the recommended level.

In determining penalty, the Tribunal, among other things, took into account the following matters:

- a) The importance of the role of DTRs in reviewing and preventing the entry of orders into the trading platform that could result in a market that is not fair and orderly;

- b) The importance of the strict obligation imposed on Market Participants by Market Rule 14.1.1, which requires that Participants do not do anything which results in a market for a product not being fair and orderly;
- c) The disciplinary history of Stonebridge (previously known as Tricom);
- d) Stonebridge's early agreement not to contest the matter;
- e) Stonebridge fully cooperated with ASX's investigations into this matter;
- f) The processes implemented by Stonebridge to minimise the chance of such an event recurring;
- g) The unintentional and inadvertent nature of the contravention;
- h) The need for disciplinary sanctions to be remedial, to serve as a deterrent to any future misconduct by Stonebridge and to serve as a deterrent to all other Participants from engaging in the same or similar conduct; and
- i) That the process for rectifying the consequences of the error required the application of time and resources by ASX with resultant cost.

#### **Annexure A - Disciplinary Tribunal Sanction Guidelines**

As the contravening conduct occurred after 31 March 2008, the Tribunal was bound by the Disciplinary Tribunal Sanction Guidelines in making its determination as to sanction in this matter. The Tribunal determined that this Contravention was classified as a Level 2 Serious Contravention, for which the applicable penalty range is \$20,000 - \$100,000 (plus GST).

Given the mitigating and aggravating circumstances in this matter the Tribunal determined that a fine of \$30,000 was an appropriate sanction. The Tribunal is of the opinion that this sanction will act as a deterrent and appropriately serves the interests of ASX and market participants in maintaining a market that is fair, orderly and transparent.