

ASX Circular

Date: 19 May 2009

Key topics

1. Bell Potter Securities Limited

Reading List

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

Contact

Jodie Maurer

Telephone

(02) 9227 0472

ASX Limited
ABN 98 008 624 691
Exchange Centre
20 Bridge Street
Sydney NSW 2000
PO Box H224
Australia Square NSW 1215

Internet: <http://www.asx.com.au>

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

DISCIPLINARY MATTERS

The ASX Disciplinary Tribunal ('the Tribunal') has determined the following:

Bell Potter Securities Limited ('Bell Potter') has been fined \$20,000 (plus GST) for contravening ASX Market Rule 14.1.1 with respect to an order that it placed on behalf of its client to sell a quantity of fully paid ordinary shares in Gold West Resources Limited ('GWR'), in that its entry into its IRESS Order System ('IOS') resulted in a market for GWR that was not both fair and orderly.

Bell Potter did not contest the contravention before the Tribunal.

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

- a) The circumstances of the contravention;
- b) Bell Potter self-reported the contravention within 2 minutes of the error;
- c) Bell Potter's cooperation with ASX Investigations in the investigation of the matter;
- d) Bell Potter did not contest the contravention;
- e) Bell Potter has taken a number of steps to minimise the chance of recurrence of such an event including systems upgrades and additional staff training;
- f) The importance of the strict obligation imposed on Market Participants by ASX Market Rule 14.1.1, which requires that Participants do not do anything which results in a market for a product not being both fair and orderly; and
- g) The importance of the role of a Designated Trading Representative ('DTR') in reviewing and preventing the entry of orders into the trading platform that could result in a market that is not both fair and orderly.

The circumstances of the matter are detailed as follows:

On 25 August 2008 Bell Potter entered an order into its IOS to sell 112,678 GWR at \$0.0248 ('the Order'). The Order was automatically converted to \$0.025 as it was entered into the market. Bell Potter entered the Order in error. It should have entered a price of \$2.48 in accordance with its client's instructions, not \$0.0248.

Immediately prior to the entry of the Order, the market for GWR was \$1.825/\$1.90/\$1.90 (Bid/Ask/Last). The Order entered the market at a price that was more than 98% lower than the previous trade of GWR. The Dealer's Assistant who entered the Order received 2 Warning Messages but dismissed these as he was aware that the price he intended to enter was outside the prevailing market range. The DTR received no warning messages and failed to recognise the error.

At the time of entry of the Order, there were 13 bids in the Bids Schedule. The Order traded with the entire Bids Schedule of 79,260 GWR. On discovering the error, Bell Potter contacted Market Control and requested cancellation of the trades. The Dispute Governors Committee decided all trades at \$1.73 and below (representing an 8% movement) between 10:43am and 10:44am would be cancelled. Pursuant to this decision, 105,078 GWR were cancelled.

Accordingly, Bell Potter contravened ASX Market Rule 14.1.1 in that its entry into IOS of the Order to sell 112,678 GWR at \$0.0248, giving rise to subsequent transactions and cancellations, resulted in a market for GWR that was not both fair and orderly.

Annexure A - Disciplinary Tribunal Sanction Guidelines

As the contravening conduct occurred after 31 March 2008, that being the Effective Time under the ASX Disciplinary Processes and Appeals Rulebook, 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 circumstances in this matter the Tribunal determined that a fine of \$20,000 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.