ASX
AUSTRALIAN SECURITIES EXCHANGE

ASX Circular

Date: 17 June 2010

Key topics

1. Macquarie Securities (Australia) Limited

Reading List

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

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DISCIPLINARY MATTERS

The ASX Disciplinary Tribunal has determined the following:

Macquarie Securities (Australia) Limited ('MSAL') contravened ASX Market Rule 14.1.1 with respect to the following Orders it entered into the Trading Platform:

<u>Contravention 1:</u>
On 2 June 2009 MSAL entered a Bid for 118 fully paid ordinary shares of Brickworks Limited ('BKW') at $12.90 (the 'BKW Bid') into the Trading Platform. The BKW Bid was amended 16 times from $12.90 to $15.31 which resulted in a market for BKW that was not both fair and orderly.

<u>Contravention 2:</u>
On 2 June 2009 MSAL entered a Bid for 455 fully paid ordinary shares of Austereo Group Limited ('AEO') at $1.74 into the Trading Platform which resulted in a market for AEO that was not both fair and orderly.

<u>Contravention 3:</u>
On 24 July 2009 MSAL entered a 1:1 Combination Bid for 50,000 Chess Depository Interests of News Corporation Class B Voting Common Stock ('NWS') and the Chess Depository Interests of News Corporation Class A Non-Voting Common Stock ('NWSLV'), in the series NWS001 into the Trading Platform which resulted in a market for NWSLV which was not both fair and orderly.

MSAL did not contest the contraventions before the Tribunal.

For these three contraventions the Tribunal imposed a total fine of $90,000 (plus GST).

The circumstances of the matter are detailed as follows:

<u>Contravention 1</u>

At 16:01:36 on 2 June 2009 MSAL entered a Bid via its Automated Order Processing ('AOP') system, Algo AMMA, for 118 BKW into the Trading Platform on behalf of its client. The BKW Bid was amended 16 times from $12.90 to $15.31 (the 'Amended Bids').

MSAL entered the Amended Bids notwithstanding that immediately prior to their entry the Bid/Ask/Last for BKW was $12.25/$12.90/$12.25. The entry of the Amended Bids into the Trading Platform resulted in a market for BKW not being both fair and orderly in that:

- The Amended Bids traded at approximately 16:10:52, during the Closing Single Price Auction ('CSPA'), resulting in one Market Transaction for 12 BKW at $15.31 (the 'BKW Market Transaction');
- The resulting price from the BKW Market Transaction was 231 price steps or approximately 25% higher than the last trade price of $12.25;

ASX Market Control contacted MSAL at approximately 16:23 regarding the Amended Bids and the BKW Market Transaction was cancelled at approximately 16:26 with the consent of the counterparty. BKW returned to $12.26 in the next Market Transaction during the Opening Single Price Auction ('OSPA') on 3 June 2009.

Contravention 2

At 16:08:06 on 2 June 2009, MSAL entered a Bid for 455 AEO at $1.74 (the 'AEO Bid') into the Trading Platform on behalf of its client.
MSAL entered the AEO Bid notwithstanding that immediately prior to its entry the Bid/Ask/Last for AEO was $1.47/$1.74/$1.475. The entry of the AEO Bid into the Trading Platform resulted in a market for AEO not being both fair and orderly in that:

- The AEO Bid traded immediately and in its entirety and resulted in one Market Transaction for 455 AEO at $1.74 (the 'AEO Market Transaction'); and
- The resulting price from the AEO Market Transaction was 53 price steps or approximately 18% higher than the last trade price of $1.475.

ASX Market Control contacted MSAL at approximately 16:23 regarding the AEO Bid. The counterparty to the trade refused the trade cancellation. The AEO Market Transaction was referred to the Dispute Governors Committee which recommended the AEO Market Transaction be cancelled.

ASX Market control cancelled the AEO Market Transaction at approximately 16:45. In its next Market Transaction at approximately 10:03:52 on 3 June 2009 AEO traded at $1.62.

Contravention 3

At 10:29:26 on 24 July 2009, MSAL entered a 1:1 Combination Bid for 50,000 NWS and NWSLV, in the series NWS001, as Principal. This resulted in a Bid for 50,000 NWSLV at $16.12 being entered into the Trading Platform (the 'NWSLV Bid'). Immediately prior to the entry of the NWSLV Bid, the Bid/Ask/Last for NWSLV was $12.18/$12.21/$12.21.

The entry of the NWSLV Bid into the Trading Platform resulted in a market for NWSLV not being both fair and orderly in that:

- The NWSLV Bid traded immediately and in its entirety in 23 Market Transactions – 21 Market Transactions traded at prices between $12.21 and $13.95. The residual Bid of 1905 was amended and resulted in a Market Transaction at $16.10 and a Market Transaction at $16.19; and
- The resulting price was 398 price steps or approximately 33% higher than the last trade price of $12.21.

MSAL contacted ASX Market Control at approximately 11:00am and requested that all 23 Market Transactions be cancelled. ASX Market Control cancelled all 23 Market Transactions with the consent of the counterparty. NWSLV traded at $12.19 in the next Market Transaction at approximately 10:32am.

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

(a) The disciplinary history of MSAL, having had two unrelated disciplinary sanctions recorded against it by the Disciplinary Tribunal.

(b) MSAL fully cooperated with ASX in relation to the conduct of its investigation into the matter.

(c) MSAL agreed at an early stage not to contest the Contraventions, thereby saving time and costs.

(d) The misconduct was not systemic or indicative of a pattern of non-compliance with the Rules.

(e) The steps MSAL has taken to prevent a recurrence of these contraventions including conducting internal training sessions relevant to these issues.

(f) The misconduct had the potential to damage the reputation and integrity of the ASX and the market and facilities it operates. The errors also necessitated the involvement of ASX in cancelling trades. The Tribunal's view is that the misconduct had a significant impact, and accords this factor substantial weight in aggravation in the context of the sanction being proposed.

Annexure A - Disciplinary Tribunal Sanction Guidelines

As the contravening conduct occurred after 31 March 2008, the Tribunal has had regard to the Disciplinary Tribunal Sanction Guidelines which are Annexure A to the Disciplinary Appeals and Processes Rulebook.

The Tribunal has determined that these Contraventions are Level 2 Serious Contraventions, for which the applicable penalty range is $20,000 - $100,000 (plus GST). Given the aggravating and mitigating circumstances in this matter the Tribunal determined that the following fines represent an appropriate sanction:

Contravention 1: $25,000

Contravention 2: $30,000

Contraventions 3: $35,000

The Tribunal's opinion is that this sanction will serve as a deterrent to this participant and other participants from engaging in similar misconduct while at the same time appropriately serve the interests of ASX and market participants by supporting the integrity of the market it operates.