



ASX Circular

Date: 30 May 2011

Key topics

1. Stonebridge Futures Pty 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 imposed a total fine of \$30,000 (plus GST) on Stonebridge Futures Pty Limited ('Stonebridge') in that its Representative ('Representative') failed to act in accordance with client instructions. The contraventions involved the following SFE Operating Rules:

3.1.16(a), on 31 March 2010, in that its Representative placed an order to buy five APM0 paying 4880 on behalf of its Client (the 'Client') which was not pursuant to instructions previously obtained from that Client ('Contravention 1'); and

3.1.20(a), on 1 April 2010 in that its Representative allocated ten APM0 trades to its Client's account which had not been obtained pursuant to instructions from that Client ('Contravention 2').

Stonebridge did not contest the contraventions before the Tribunal.

The circumstances of this matter are detailed as follows:

Contravention 1 – SFE Operating Rule 3.1.16(a)

In a conversation which commenced at 09:40:45 on 29 March 2010, the Client placed an order with the Representative to buy ten APM0 contracts paying 4910 points.

At 15:59:35 on 29 March 2010, the Representative entered an order to buy five APM0 paying 4910 (order 2593521). This order immediately traded with another Participant's order (order 2593507) for one lot (deal 15826).

At 15:59:37 on 29 March 2010, another Participant entered an order to sell two APM0 at 4910 (order 2593541). This order immediately traded with order 2593521 for two lots (deal 15827).

At 15:59:39 on 29 March 2010, another Participant entered an order to sell one APM0 at 4910 (order 2593232). This order immediately traded with order 2593521 for one lot (deal 15830).

At 15:59:44 on 29 March 2010, another Participant entered an order to sell one APM0 at 4910 (order 2593569). This order immediately traded with order 2593521 for one lot (deal 15832).

In a telephone conversation that commenced at 16:29:45 on 29 March 2010, the Representative confirmed with the Client that he had bought five APM0 contracts at 4910 points.

At 16:03:43 on 31 March 2010, the Representative entered an order to buy five APM0 paying 4880 (order 2713053).

At 16:25:08 on 31 March 2010, the Representative modified order 2713053 to a price of 4881.

At 16:25:17 on 31 March 2010, another Participant entered an order to sell eleven APM0 at 4881 (order 2718441). This order immediately traded with order 2713053 for five lots (deal 22452).

Accordingly, five lots of a ten lot order received by the Representative on 29 March 2010, were not entered into the market until two days later, on 31 March 2010. The Client did not give the Representative discretion to withhold the remainder of the order for longer than the day the order was placed. In the circumstances, Stonebridge contravened Operating Rule 3.1.16(a) on 31 March 2010 in that its Representative placed an order to buy five APM0 paying 4880 on behalf of its Client which was not pursuant to instructions previously obtained from that Client.

Contravention 2 - SFE Operating Rule 3.1.20(a)

The misconduct the subject of Contravention 2 occurred on 1 April 2010.

At 16:17:18 the Representative entered an order to sell ten APM0 paying 4940 (order 2781208). At 16:28:36 the Representative modified order 2781208 to a price of 4938.

At 16:29:18 another Participant entered an order to buy five APM0 paying 4941 (order 2782507). This order swept the orders under the price of 4941 and traded with order 2781208 for one lot (deal 19552).

At 16:29:54 another Participant modified an existing order to buy ten APM0 paying 4938 (order 2782485). This order traded with order 2781208 for nine lots (deal 19654).

In a telephone conversation that commenced at 16:30:40 the Representative advised the Client that he had sold another ten APM0 contracts at 4938.

Stonebridge had no record of prior instructions from the Client in respect of order number 2781208. The Representative allocated ten APM0 trades to its Client's account that had not been obtained pursuant to instructions from that Client.

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

- a.) the disciplinary history of Stonebridge;
- b.) Stonebridge fully co-operated with ASX in relation to the conduct of its investigation into the matter;
- c.) the misconduct was self-reported in a timely manner;
- d.) Stonebridge settled the matter with the Client and ultimately gained no commercial or financial benefit;
- e.) Stonebridge has implemented measures to prevent the contravening conduct from recurring, including providing training with respect to order records and discretionary trading to all advisers; and
- f.) the misconduct was reckless.

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 sanction guidelines (Annexure A to the Rulebook) in making its determination as to sanction in this matter.

In accordance with the sanction guidelines at Annexure A, the Tribunal determined that the two contraventions of the SFE Operating Rules were appropriately classified as Level 2 (Serious Contraventions), for which the applicable penalty range is \$20,000 to \$100,000 (plus GST).

The Tribunal considered the aggravating and the mitigating circumstances and considers that the total fine of \$30,000 (plus GST) represents an appropriate sanction in the circumstances.

On 1 August 2010, the supervision of trading on Australia's domestic licensed markets and the supervision of trading participants transferred from ASX to the Australian Securities and Investments Commission (ASIC). The conduct that is the subject of these contraventions occurred prior to the transfer date. ASX will continue to manage, and bring before the Tribunal, disciplinary matters for potential breaches of its operating rules occurring before the transfer date.

As part of the transfer, a number of changes were made to the rules, including the replacement of the Operating Rules of Sydney Futures Exchange by the ASX 24 Operating Rules. Potential operating rule breaches which occurred prior to 1 August 2010 will be dealt with in accordance with the rules in place at the time of the alleged breach.

As of 1 August 2010, the Sydney Futures Exchange became known as ASX 24.