



ASX Circular

Date: 26 May 2006

Key topics

1. ABN AMRO Equities 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 Australian Stock Exchange Limited's Disciplinary Tribunal ("the Tribunal") determined that ABN AMRO Equities Australia Limited ("ABN AMRO") contravened ASX Market Rule 16.12.3 in that it failed to report a transaction covered by Market Rule 16.12 by the time and in the manner set out in the ASX Market Rule Procedures. The Tribunal imposed the following:

- (a) a fine of \$35,000 (plus GST); and
- (b) a requirement that ABN AMRO upgrades its education and compliance program so as to include specific instruction to Compliance Staff, Designated Trading Representatives and other trading staff and Responsible Executives as to the requirements of ASX Market Rule 16.12.

The circumstances of this matter are detailed as follows:

On 20 October 2004 at about 10.37am, a transaction was conducted by telephone in which ABN AMRO as principal agreed to buy three million quoted securities of HHG PLC ("HHG") at \$1.19 from one of its clients ("the Client"). At the conclusion of the telephone conversation, there was an unconditional legally binding agreement in which the Client sold and ABN AMRO bought (as principal) three million HHG at \$1.19 ("the Transaction").

The Transaction constituted a Special Crossing and more specifically a Block Special Crossing in accordance with ASX Market Rule 18.2.1. The Transaction also satisfied the criteria for a Facilitated Specified Size Block Special Crossing.

ASX Market Rule 18.1.2 provides that a Special Crossing must be reported in accordance with ASX Market Rule 16.12. ASX Market Rule 16.12.3, in turn, provides that transactions covered by ASX Market Rule 16.12 (which includes all Crossings and Special Crossings in Cash Market Products) must be reported by the time and in the manner set out in the ASX Market Rules Procedures.

Based on the evidence and material before it, the Tribunal found that ABN AMRO contravened ASX Market Rule 16.12.3 on 20 October 2004 in that it failed to report a transaction covered by Market Rule 16.12 by the time and in the manner set out in the ASX Market Rule Procedures.

In determining the penalty to be imposed in this matter, the Tribunal took into account a number of matters, including the following:

- (a) the contravention had the effect of depriving the market of timely information relevant to the state of trading in relation to a security. It, therefore, threatened the integrity and efficiency of the market;

- (b) the contravention was not identified by ABN AMRO on its own initiative, nor admitted by ABN AMRO despite strong evidence as to its occurrence;
- (c) there was no basis for the inference that the contravention was a repeat breach of the relevant type;
- (d) the contravention did not cause damage or loss to the Client in relation to the transaction;
- (e) the Tribunal accepted that ABN AMRO has taken significant preliminary steps in relation to compliance education to minimise the risk of a recurrence of such contraventions; and
- (f) the penalty is in line with fines imposed for previous breaches (by other parties) of old ASX Business Rule 2.15.3(1), which was the predecessor of ASX Market Rule 16.12.3.