



ASX Circular

Date: 21 August 2008

Key topics

1. Commonwealth Securities 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 ("the Tribunal") has determined the following:

Commonwealth Securities Limited ("CommSec") has been fined \$20,000 (plus GST) for contravening ASX Market Rule 14.1.1 with respect to trading in Westfield Group Securities ("WDC") conducted by CommSec on behalf of its client, and which resulted in a market that was not fair and orderly.

CommSec did not contest the contravention before the Tribunal.

The Circumstances of this matter are detailed as follows:

At about 3:48 pm on 27 July 2007 ("the Relevant Day"), CommSec on behalf of its client entered an Ask for 25,002,500 WDC Equity Securities at \$19.07 into the ASX Trading Platform ("ITS").

Between 3:48 pm and 3:49:15 pm 1,003,752 WDC traded at \$19.07 of the 25,002,500 ASK in WDC at \$19.07. The trade details are set out as follows:

- (i) 3:48:03 pm – 3,078 WDC sold at \$19.07;
- (ii) 3:48:03 pm – 2,374 WDC sold at \$19.07;
- (iii) 3:49:05 pm – 987,900 WDC sold at \$19.07;
- (iv) 3:49:14 pm – 10,000 WDC sold at \$19.07.

At 3:49:15 pm the remainder of the Ask order remaining in ITS being the ASK for 23,998,748 WDC at \$19.07 was cancelled by CommSec. At 4:01:33 pm ASX Market Control cancelled the order for 10,000 WDC pursuant to a request from CommSec.

CommSec subsequently advised ASX that:

- (a) A CommSec client erroneously entered the sell order for 25,002,500 WDC at \$19.07 and verified that order via CommSec's Automated Order Processing System. The CommSec client intended to sell only 2,500 WDC at \$19.07, but had inadvertently duplicated the intended quantity of WDC.
- (b) The order was diverted to CommSec's Derivatives Trading Representative ("DTR") who approved and entered the order into ITS in error.

Accordingly, CommSec contravened ASX Market Rule 14.1.1 in that it entered into ITS an order Ask for 25,002,500 in WDC at \$19.07, with the subsequent Market Transactions and cancellation of that order resulting in a market for WDC that was not fair and orderly.

In determining sanction, the Tribunal took into account a number of matters, including the following:

- (a) the circumstances and facts of the matter;
- (b) the failure of CommSec's DTR to prevent the relevant order from being entered into ITS, after that order had been diverted to the DTR for review;

- (c) the importance of the role of DTRs in reviewing and preventing the entry of orders into the ASX trading platform that could cause or result in a market that was not fair or orderly;
- (d) the onus and strict obligations imposed and placed upon Participants under ASX Market Rule 14.1.1 which requires that Participants must not do anything which results in a market for a Product not being both fair and orderly;
- (e) the actions taken by CommSec once the issue was identified;
- (f) CommSec's co-operation with ASX in the investigation of the matter and its election not to contest the matter;
- (g) on the Relevant Day CommSec executed more than 91,900 trades on a day of very heavy trading;
- (h) as a result CommSec took remedial steps to ensure that an order of a similar size cannot be entered into ITS by its retail DTRs; and
- (i) the order was cancelled approximately 75 seconds after being placed.