



## ASX Circular

Date: 19 December, 2007

## Key topics

1. Citigroup Global Markets Australia Pty Ltd

## 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 determined that Citigroup Global Markets Australia Pty Ltd ("CGM") contravened ASX Market Rule 16.12.3 by not complying with ASX Market Rule Procedure 16.12.3, in that it failed to immediately report to the Trading Platform three (3) Block Special Crossings effected on 1 March 2006. The Tribunal imposed the following:

- (a) A fine of \$40,000 plus GST; and
- (b) A requirement that CGM review its education and compliance program so as to include specific instruction to staff as to the requirements of ASX Market Rule 16.12.

Without admitting or denying ASX's allegations, CGM did not contest the contravention before the Tribunal.

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

- (a) The facts and circumstances of the matter, including the fact that a Trading Halt was requested of the ASX but not granted;
- (b) CGM's disciplinary history, having had no previous disciplinary actions recorded against it;
- (c) That at the time ASX declined to grant a Trading Halt, CGM should have provided information to the market as it became available;
- (d) CGM did not self report the contraventions;
- (e) CGM elected not to contest the matter; and
- (f) Tribunal precedents in similar matters.

The circumstances of the matter are detailed as follows:

On 1 March 2006, at 6.04am, CGM lodged its final price for the conduct of block trades pursuant to a technique known as a 'blind date' bidding process, which related to vendor sales of the ordinary shares of Billabong International Limited ("BBG"). CGM was informed that it was the winning bidder at 7.00am on 1 March 2006.

At 7:45am on 1 March 2006, representatives of CGM signed two agreements to conduct block trades ("the Block Trade Agreements"). By signing the Block Trade Agreements, CGM agreed to purchase as Principal a total of 13,810,000 BBG at a price of \$14.91 from the two vendors for a total consideration of \$205,907,100 (13,403,000 BBG from Vendor 1 and 407,000 BBG from Vendor 2). The signing of the Block Trade Agreements was done on the understanding that the vendors' representatives had already arranged with BBG and the ASX for a Trading Halt to be applied. CGM's signatories believed that there was no reporting obligation at the time of signing the Block Trade Agreements because a Trading Halt would be in place.

Nevertheless, the signing of the Block Trade Agreements effected the off-market transfer of shares from the two vendors to CGM as Principal, and accordingly an obligation to immediately report a Block Special Crossing to the Trading Platform arose.

On 1 March 2006, BBG had applied to ASX Issuers for a Trading Halt but this was not granted.

In order to on-sell the 13,810,000 BBG purchased from the vendors, CGM conducted a bookbuild, which commenced at approximately 8:28am on 1 March 2006. CGM determined the final price of the bookbuild at approximately 10:52am.

At approximately 11:40am, once CGM finalised the bookbuild allocations of 13,560,000 BBG to its clients at \$14.95, an obligation to immediately report a Block Special Crossing to the Trading Platform arose.

CGM subsequently reported three Block Special Crossings to the Trading Platform at the following times:

- (i) 12.25:01pm – Block Special Crossing of 13,403,000 BBG at \$14.91 (with a value of \$199,838,730), representing the sale from Vendor 1 to CGM;
- (ii) 12.25:16pm – Block Special Crossing of 407,000 BBG at \$14.91 (with a value of \$6,068,370), representing the sale from Vendor 2 to CGM; and
- (iii) 12.25:47pm – Block Special Crossing of 13,560,000 BBG at \$14.95 (with a value of \$202,722,000), representing the collective finalised allocations from CGM to its various clients through the bookbuild.

The Tribunal notes that the Facilitated Specified Size Block Special Crossing parameters under the ASX Market Rules is a facility available to assist Market Participants in managing risk associated with significant Principal transactions, however, this facility was not used by CGM in this matter as at the time of signing the Block Trade Agreements CGM was under the incorrect impression that there was a Trading Halt and therefore the reporting obligation had not yet arisen.