

CIRCULAR



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To:
Associate Members
Floor Members
Local Members
Market Representatives

No:
157/98

Disciplinary Action Imposed by the Market Practices Committee

Members are advised that in accordance with Article 38.9.1(b) the Market Practices Committee (the Committee), acting under the said Article, resolved that Members had failed to comply with the following:

1. Member 1

- 1. Article 3.6(1)(a)**
[Failure to act in a manner consistent with the promotion and protection of the goodwill and public image of the Exchange, its markets and Members.]
- 2. Article 3.6(1)(aa)**
[Failure to deal in futures or options contracts in a proper and efficient manner]
- 3. General By-Law G.8(l) and SYCOM.13.1(c)(iv)**
[Both sides of a cross on behalf of the same account]

An enquiry identified that the Member allocated both sides of a cross to the same account. Further investigation as to why this occurred identified that immediately following the execution of the cross trade, the Member agreed to let the selling client off the trade. (The sell side was allocated to the error account). As the buy side of the cross had not yet been reported to the buy client the Member, without seeking the consent of the buy client, allocated the buy side of the cross to the error account. However, the buyer was subsequently filled at a higher price than the trade initially executed on its behalf. On this basis the Committee found that the Member had failed to deal in an efficient manner and had not acted in a manner consistent with the promotion and protection of the goodwill and public image of the Exchange and its Members.

The Committee resolved that the Member had failed to comply with Articles 3.6(1)(a) & (aa) and General By-Law G.8(1) and SYCOM 13.1(c)(iv).

In accordance with Article 38.9.1(b) the Committee imposed a fine of \$3,000 upon the Member for the identified breaches.

2. Member 2

1. **Article 3.6(1)(e) by virtue of an apparent failure to comply with Section 1266(4) of the Law and Section TE.6.5.1 of the Trading Etiquette.**
[Disclosure of Information not known to the rest of the market]
2. **Section TE.6.8.2(e) of the Trading Etiquette**
[Withholding an order in order to cross]

An enquiry identified that the Member had disclosed information not known to the rest of the market and withheld an order in order to cross.

In accordance with Article 38.9.1(b) the Committee imposed a fine of \$3,000 upon the Member for the identified breaches.

3. Member 3

1. **Article 3.6(1)(e) by virtue of an apparent failure to comply with Section 1266(4) of the Law and Section TE.6.5.1 of the Trading Etiquette.**
[Disclosure of Information not known to the rest of the market]
2. **Section TE.6.8.2(e) of the Trading Etiquette**
[Withholding an order in order to cross]
3. **General By-Law G.8(b)**
[Post Allocation]

An enquiry identified that the Member had disclosed information not known to the rest of the market, withheld an order in order to cross and post-allocated trades.

In accordance with Article 38.9.1(b), the Committee imposed a fine of \$2,000 upon the Member for the identified breaches.

**Deborah Horne
GM - Compliance & Surveillance**

28/05/98

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