

CIRCULAR



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To: Associate Members
Floor Members
Local Members
Market Representatives

No: 355/98

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:

ENQUIRY 1

An enquiry found that a Floor Member had failed to comply with:

1. **Article 3.6(1)(e) by virtue of an apparent failure to comply with Section 1266(4) of the Law and TE.6.5.1 of the Trading Etiquette**
[Disclosure of information];
2. **Section TE.6.8.2 (e) of the Trading Etiquette**
[Withholding an order in order to cross];
3. **Section TE.6.4A.2 of the Trading Etiquette**
[Failure to make a market enquiry based on an expression of interest];
4. **Article 3.6(1)(aa)**
[Failure to deal in Futures or Options contracts in a proper and efficient manner]; and
5. **Article 3.6(1)(e) by virtue of an apparent failure to comply with Section 1266(7) of the Law and Articles 3.6.3(j)(i) and 3.6.3(j)(ii)**
[Failure to accurately record order details]

An enquiry identified that the Member had failed to make a market enquiry based on an expression of interest. Further, that the Member had disclosed information regarding an order that was not known to the rest of the market and withheld an order in order to cross. In addition, the enquiry identified that the Member had failed to accurately record order details.

In accordance with Articles 38.9.1(b) the Committee imposed a fine of \$5,000 upon the Member, and in accordance with 38.9.1(d), the Committee imposed a Reprimand upon the Member's employee for the identified breaches.

ENQUIRY 2

An enquiry identified that a Floor Member and a Full Associate Member had failed to comply with the following:

A) Floor Member

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 its Members on the basis that it contravened the spirit and intent of the Exchange's Dual Trading provisions and by acting in a manner where clients were disadvantaged];

2. Section TE.6.8.2(e) of the Trading Etiquette

[Withholding an order in order to cross];

3. Section TE.6.9(k) of the Trading Etiquette

[Failure to allocate both the futures and options of a simultaneous F/O transaction to the same account];

4. Article 3.6(3)(j)(i) and Section 1266(7) of the Law

[Failure to accurately record order details];

5. Section TE.6.5.1 of the Trading Etiquette and Section 1266(4) of the Law

[Disclosure of information];

6. Article 3.6(1)(aa)

[Failure to deal in futures or option contracts in a proper and efficient manner on the basis that it acted in a manner where clients were disadvantaged];

7. Article 3.6(1)(e) by virtue of an apparent failure to comply with Sections 1266(4) and 1266(7) of the Law

[Failure to comply with the Law].

B) Full Associate Member

1. Article 4.6(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 its Members on the basis that it contravened the spirit and intent of the Exchange's Dual Trading provisions and by acting in a manner where clients were disadvantaged];

2. Article 4.6(4)(g)(i) and Section 1266(7) of the Law

[Failure to accurately record order details];

3. Article 4.6(1)(aa)

[Failure to deal in futures or option contracts in a proper and efficient manner on the basis that it acted in a manner where clients were disadvantaged];

4. **Article 4.6(1)(e) by virtue of an apparent failure to comply with Section 1266(7) of the Law**

[Failure to comply with the Law].

The enquiry identified that whilst acting on behalf of the Floor Member, employees of both the Floor Member and the Full Associate Member initiated trades on a House account of the Full Associate Member. Further, that on several occasions better priced trades were allocated to the House account rather than to client accounts thereby disadvantaging the clients.

Although technically there was no breach of the Dual Trading provisions, the Committee was of the opinion that the actions of the Floor Member, the Full Associate Member and their employees represented a conflict of interest, and further, contravened the spirit and intent of the Dual Trading provisions.

In addition, the enquiry identified that the Floor Member had allocated the Futures and Options legs of a simultaneous F/O transaction to separate accounts, withheld an order to cross and disclosed information not known to the rest of the market. Further, that both Members had failed to accurately record order details.

In accordance with Article 38.9.1(b) the Committee imposed a fine of \$25,000 upon the Floor Member, and in accordance with 38.9.1(d), the Committee imposed a Reprimand upon the Full Associate Member for the identified breaches.

In addition, the enquiry identified that employees of the Floor Member and the Full Associate Member had failed to comply with the following:

Employee 1

1. **Article 3.6(1)(a) and Article 4.6(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 its Members on the basis that he contravened the spirit and intent of the Exchange's Dual Trading provisions and by acting in a manner where clients were disadvantaged];
2. **Section TE.6.8.2(e) of the Trading Etiquette**
[Withholding an order in order to cross];
3. **Section TE.6.9(k) of the Trading Etiquette**
[Failure to allocate both the futures and options of a simultaneous F/O transaction to the same account];
4. **Article 3.6(3)(j)(i) and Article 4.6(4)(g)(i)**
[Failure to accurately record order details];
5. **Article 3.6(1)(aa) and Article 4.6(1)(aa)**
[Failure to deal in futures or option contracts in a proper and efficient manner on the basis that he acted in a manner where clients were disadvantaged]; and

6. **Article 3.6(1)(e) and Article 4.6(1)(e) by virtue of an apparent failure to comply with Sections 1266(4) and 1266(7) of the Law**
[Failure to comply with the Law].

In accordance with Article 38.9.1(b) the Committee imposed a fine of \$5,000 upon the Member's employee for the identified breaches.

Employee 2

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 its Members on the basis that he contravened the spirit and intent of the Exchange's Dual Trading provisions and by acting in a manner where clients were disadvantaged]; and
2. **Article 3.6(1)(aa)**
[Failure to deal in futures or option contracts in a proper and efficient manner on the basis that he acted in a manner where clients were disadvantaged].

In accordance with Article 38.9.1(d) the Committee imposed a Reprimand upon the Member's employee for the identified breaches.

Employee 3

1. **Section TE.6.5.1 of the Trading Etiquette and Section 1266(4) of the Law**
[Disclosure of information];
2. **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 its Members on the basis that he contravened the spirit and intent of the Exchange's Dual Trading provisions]; and
3. **Article 3.6(1)(e) by virtue of an apparent failure to comply with Section 1266(4) of the Law**
[Failure to comply with the Law].

In accordance with Article 38.9.1(d) the Committee imposed a Reprimand upon the Member's employee for the identified breaches.

Employee 4

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 its Members on the basis that he contravened the spirit and intent of the Exchange's Dual Trading provisions]; and

2. **Section TE.6.9(k) of the Trading Etiquette**

[Failure to allocate both the futures and options of a simultaneous F/O transaction to the same account].

In accordance with Article 38.9.1(d) the Committee imposed a Reprimand upon the Member's employee for the identified breaches.

Deborah Horne
GM - Compliance & Surveillance

18/12/98

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