

CIRCULAR TO: **FULL MEMBERS**
ASSOCIATE MEMBERS
LOCAL MEMBERS

No. 172/00

DISCIPLINARY ACTION IMPOSED
BY THE MARKET PRACTICES COMMITTEE
AND BUSINESS CONDUCT COMMITTEE

Members are advised, pursuant to Article 38.13, of Disciplinary Action taken by the Market Practices Committee (MPC) and the Business Conduct Committee (BCC):

MEMBER 1

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

- **Article 3.6(1)(aa)**
[Failure to deal in a proper and efficient manner]
- **General By-Law G.8(b)**
[Post Allocation]
- **Article 3.6(1)(e) by virtue of a failure to comply with Section 1266(7) of the Law and Article 3.6(3)(j)(i)**
[Failure to accurately record order details]
- **General By-Law G.8A(a)(i)**
[Failure to record telephone lines where orders are received or likely to be received]

The enquiry identified that the Member had entered duplicate orders with intent to achieve a more favourable queue position for its client. Further, the orders were not entered in accordance with the clients wishes, this is partly on the basis that on one occasion, one extra lot executed was post allocated to a client who was not part of the original orders.

In addition, the Member failed to record a telephone line where orders are received or likely to be received.

In accordance with Article 38.9.1(b), the MPC imposed a fine of \$5,000 upon the Member.

MEMBER 2

In accordance with Article 38.9.1(d) the BCC acting under the said Article, resolved that an Associate Member had failed to comply with the following:

- **General By-Laws G.2(a)(vi), G.2(b)(iv), G.2(c), G.4(a), G.26, G.27 and G.28**
[Initial and variation margins]

Compliance staff undertook an inspection of the records and procedures relating to the Associate Member. From a review of the Member's records, two (2) instances were noted where initial and variation margins were not received within the earliest reasonable time.

In accordance with Article 38.9.1(d), the BCC imposed a Reprimand upon the Member for the identified breaches

MEMBER 3

In accordance with Article 38.9.1(d) the BCC, acting under the said Article, resolved that an Associate Member had failed to comply with the following:

- **Sections 1208 and 1266(7) of the Corporations Law; Article 4.6(4)(g)(i) and General By-Law G.42(vi)**
[Not maintaining complete order records]

Compliance department staff undertook an inspection of the records and procedures relating to the Associate Member. From a review of the Member's records, three (3) instances were noted where the Member did not record the time the trades were effected.

In accordance with Article 38.9.1(d), the BCC imposed a Reprimand upon the Member for the identified breaches.

MEMBER 4

In accordance with Article 38.9.1(d) the BCC, acting under the said Article, resolved that a Full Member had failed to comply with the following:

- **General By-Laws G.2, G.4, G.26, G.27 and G.28**
[Failure to ensure that margin requirements are met within the earliest reasonable time]

Compliance department staff undertook an inspection of the records and procedures relating to the Full Member. From a review of the Member's records, seven (7) instances were identified where initial and variation margins were not received within the earliest reasonable time as determined by the BCC.

In accordance with Article 38.9.1(d), the BCC imposed a Reprimand upon the Member for the identified breaches.

MEMBER 5

It was identified that an Associate Member had failed to comply with:

- **Article 4.6(4)(c)(i)**

[Associate Member to lodge financial returns within one calendar month of the last trading date of each preceding month]

Compliance staff contacted the Member on 31 July 2000, reminding it of its reporting obligation. The Member advised the Return would be lodged later that day. The Exchange received the Return on 1 August 2000.

The BCC noted that this incident was a repeat offence. On this basis, in accordance with Article 38.9.1(d), the BCC imposed a Reprimand upon the Member for the identified breach.

MEMBER 6

It was identified that an Associate Member had failed to comply with:

- **Article 4.6(4)(b)(ii)**
[Failure to maintain minimum level of Net Tangible Assets]

When the Member lodged its May Monthly Return on 30 June 2000, it was identified that the Member's Net Tangible Assets (NTA) had decreased below the minimum required for an Introducing Broker Associate Member of \$50,000 [pursuant to Article 4.6(4)(b)(ii)].

The Member advised that during the following month approximately \$30,000 in fees and subscription revenue had been accrued which resulted in the Member's NTA increasing above the minimum required.

In accordance with Article 38.9.1(d), the BCC imposed a Reprimand upon the Member for the identified breach.

MEMBER 7

It was identified that an Associate Member had failed to comply with:

- **Article 4.6(4)(b)(i)**
[Failure to maintain minimum level of Net Tangible Assets]

When the Member lodged its May Monthly Return on 30 June 2000, it was identified that the Member's Net Tangible Assets (NTA) had decreased below the minimum required for a Full Associate Member of \$250,000 [pursuant to Article 4.6(4)(b)(i)].

The Member provided evidence of a capital injection of \$50,000 had occurred to rectify the matter.

In accordance with Article 38.9.1(d), the BCC imposed a Reprimand upon the Member for the identified breach.

MEMBER 8

It was identified that an Associate Member had failed to comply with:

- **Article 4.6(4)(b)(ii)**
[Failure to maintain minimum level of Net Tangible Assets]

When the Member lodged its June Quarterly Return on 25 July 2000, it was identified that the Member's Net Tangible Assets (NTA) had decreased below the minimum required for an Introducing Broker Associate Member of \$50,000 [pursuant to Article 4.6(4)(b)(ii)].

The Member provided evidence of a capital injection of \$5,000 had occurred to rectify the matter.

In accordance with Article 38.9.1(d), the BCC imposed a Reprimand upon the Member for the identified breach.

MEMBER 9

It was identified that an Associate Member had failed to comply with:

- **Article 4.7A(e)**
[Failure to maintain minimum level of Net Tangible Assets]

When the Member lodged its June Quarterly Return on 31 July 2000, it was identified that the Member's Net Tangible Assets (NTA) had decreased below the minimum required for a Commodity Trading Advisor Associate Member of \$20,000 [pursuant to Article 4.7A(e)]

The Member provided evidence of a capital injection of \$39,000 had occurred to rectify the matter.

In accordance with Article 38.9.1(d), the BCC imposed a Reprimand upon the Member for the identified breach.

BRONWYN HILL
MANAGER, SURVEILLANCE

8 SEPTEMBER 2000