

SFE CIRCULAR

No: 227/00

**DISCIPLINARY ACTION IMPOSED
BY THE BUSINESS CONDUCT COMMITTEE**

Participants are advised, pursuant to General By-Law G.11.65 of disciplinary action taken by the Business Conduct Committee (BCC).

PARTICIPANT 1

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

- **General By-Law G.4.16(d)(i)**
[Associate Participant to lodge financial returns within one calendar month of the last trading date of each preceding month]

Since the Return had not been lodged by the due date, Compliance staff contacted the Participant to request immediate lodgement of the Return.

The BCC noted that this incident was a repeat offence. On this basis, in accordance with General By-Law G.11.36(d), the BCC imposed a Reprimand upon the Participant for the identified breach.

PARTICIPANT 2

It was identified that an Associate Participant had failed to comply with the following:

- **General By-Law G.20(a)(vi), G.20(b)(iv), G.22(a), G.46, G.47, G.48 and G.13.3.**
[Failure to call Initial and Variation Margins and “Top-Up” Clients’ Segregated Account]

Compliance staff undertook an inspection of the records and procedures relating to the Associate Participant. From a review of the Associate Participant’s records, three (3) instances were noted where initial and variation margins were not received within the earliest reasonable time and three (3) instances were also noted where the Participant did not deposit additional monies into the Clients’ Segregated Account after five (5) clear business days of the margin call being made.

In accordance with General By-Law G.11.36(d), the Committee imposed a Reprimand upon the Participant in respect of the identified breaches.

PARTICIPANT 3

It was identified that an Associate Participant had failed to comply with the following:

- **General By-Law G.27(a)(i)**
[Failure to record telephone line devices where orders are received, or a likely to be received]

Compliance staff conducted a random inspection of the Participant to ensure its voice recording equipment was functioning correctly. From the review it was identified that in two (2) instances the telephone line was not taped due to a malfunction on the telephone line and in one (1) instance for the period 18 September 2000 to 12 October 2000, the recording of telephone conversations from a branch office were erased.

In accordance with General By-Law G.11.36(b), the Committee imposed a fine of \$2,500 upon the Participant in respect of the identified breaches.

PARTICIPANT 4

It was identified that an Associate Participant had failed to comply with the following:

- **General By-Law G.4.13(d) by virtue of the Participant's failure to place orders as bulk orders and allocate in accordance with its allocation procedure.**

Compliance staff conducted a dual trading review of the Participant for the months of April to June 2000. Three (3) instances were identified where the Participant had not placed orders as bulk orders and four (4) instances were identified where trades were not allocated in accordance with the Participant's allocation procedure. However, the testing identified that no clients were disadvantaged.

In accordance with General By-Law G.11.36(d), the Committee imposed a Reprimand upon the Associate Participant in respect of the identified breaches.

MICHELLE WAGNER
MANAGER - COMPLIANCE

14 DECEMBER 2000