



SFE Bulletin No: **80/02**

From: SFE Corporation Limited ABN 74 000 299 392

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DISCIPLINARY ACTION IMPOSED BY THE MARKET PRACTICES COMMITTEE

Participants are advised, pursuant to General By-Law G.11.65, of disciplinary action taken by the Market Practices Committee (MPC), since the last bulletin, issued on 8 April 2002.

PARTICIPANT 1

An enquiry found that a Local Participant (Local) failed to comply with:

- 1. General By-Law G.5.15(b)**
(Dealing in a proper and efficient manner)

The enquiry identified that the Local entered a total of 300 contracts to buy in the pre-opening phase and subsequently modified the order three times, increasing both the price and volume, prior to cancelling the order seven seconds prior to SYCOM® levelling, thereby having an effect upon the indicative opening price shown during pre-open.

By way of context, the MPC took into account the general nature and volume of trading by the Local and in reaching its decision, the MPC was of the view that the Local was attempting to 'discover' the market depth by placing and modifying the order, and that by doing so the Local had an effect on the opening price. The MPC considered that these actions were detrimental to open and competitive price discovery and also stressed that further instances of this nature would be dealt with severely..

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$500 upon the Local for the identified breach.

PARTICIPANT 2

An enquiry identified that a Full Participant failed to comply with:

- 1. Trading Rule TR.18**
(Disclosure of information)

2. **Trading Rule TR.10.2(ii)**
(Failure to take an expression of interest to the market)
3. **Trading Rule TR.11.5(i)**
(Failure to enter a client identifier)
4. **General By-Law G.3.16(z)**
(Failure to ensure that an employee of a Participant who advises and solicits instructions from Clients is registered as a Registered Representative of the Participant)

The enquiry identified that the Participant disclosed information regarding another client's order that was not known to the rest of the market, failed to take an expression of interest to the market and failed to ensure that an employee was properly authorised as a Registered Representative. The MPC was of the opinion that breach number 4 in particular, was very serious in nature and noted that it was the Participant's duty to ensure for the protection of its clients, that those employees who solicit instructions from, and advise, clients, are duly authorised to do so.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$5,000 upon the Participant for the identified breaches.

In addition, in accordance with General By-Law G.11.36(f), the MPC imposed a fine of \$1,000 upon the Participant's employee for the identified breach number 1.

PARTICIPANT 3

An enquiry identified that a Full Participant failed to comply with:

1. **General By-Law G.3.14(f) by virtue of a failure to comply with Section 1266(4) of the Corporations Act 2001 and Trading Rule TR.18**
(Disclosure of information)

The enquiry identified that the Participant disclosed information regarding another client's order that was not known to the rest of the market. The MPC was of the opinion that such action was detrimental to open and competitive price discovery.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$2,000 upon the Participant for the identified breach.

In addition, in accordance with General By-Law G.11.36(f), the MPC imposed a fine of \$500 upon the Participant's employee for the identified breach.

PARTICIPANT 4

An enquiry identified that a Full Participant failed to comply with:

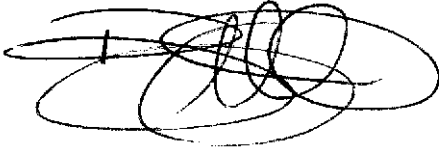
1. **General By-Law G.3.14(f) by virtue of a failure to comply with Section 1266(4) of the Corporations Act 2001 and Trading Rule TR.18**
(Disclosure of information)
2. **General By-Law G.26(c)**
(Failure to execute orders in sequence of receipt)

The enquiry identified that the Participant disclosed information to clients, regarding another client's orders, that was not known to the rest of the market on five (5) identified occasions. The MPC was of the opinion that such action was detrimental to open and competitive price discovery. In addition, the MPC noted that the Participant failed to execute orders in sequence of receipt.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$5,000 upon the Participant for the identified breaches.

In addition, in accordance with General By-Law G.11.36(f), the MPC imposed fines of \$2,000 and \$500 respectively upon two (2) of the Participant's former employees for the identified breach number 1.

Should you have any queries, please contact the undersigned on 9256 0699 or bhill@sfe.com.au

A handwritten signature in black ink, appearing to be 'Bronwyn Hill', written over a horizontal line.

BRONWYN HILL
MANAGER, COMPLIANCE & SURVEILLANCE

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