



SFE NOTICE NO.

73/07

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Disciplinary Action Imposed by the Business Conduct Committee

DISCIPLINARY ACTION IMPOSED BY THE BUSINESS CONDUCT COMMITTEE UPON

UBS AG, Australia Branch

Pursuant to Operating Rule 5.12, ASX Markets Supervision advises that its Business Conduct Committee (the Committee) has determined the following:

UBS AG, Australia Branch (UBS) has been fined \$10,000 (exclusive of GST) for a failure on 9 March 2007 to comply with the following:

- (i) Operating Rule 6.22.1 – Item 7.2(a)
[Obligations of Buyer on Delivery]

The Committee's expedited procedures were utilised in respect of this matter and UBS elected not to challenge the findings of the Committee.

The circumstances surrounding the breach related to the failure by UBS to deliver against the March 2007 90 Day Bank Accepted Bill Futures, held by a client of UBS, by the required time. UBS was required to make delivery of \$163,412,927.12 to the Exchange by 3:00pm on 9 March 2007; however the funds were not received by the Exchange until 3:14pm.

The Committee was concerned that the failure to deliver on time against a deliverable contract had potentially far reaching consequences for UBS, the Exchange and other Participants of the market, in particular those waiting for the delivery in question. The Committee asserted that the delivery obligations of Participants are of paramount importance to the functioning of the market and as such the Committee expects those obligations to be fulfilled in earnest. The Committee was also of the opinion that UBS, whilst it may sponsor a client for delivery, cannot outsource its obligation to ensure that delivery against the contracts occurs on time. The Committee was concerned that UBS's procedures did not adequately address the fact that the ultimate responsibility for delivery lies with the Participant and that should the Participant's client fail to present the funds for delivery to the Exchange by the required time then the Participant should cover such funds.

In reaching its finding the Committee acknowledged the self-report by UBS, UBS's generally good compliance history and UBS's full co-operation in assisting Exchange staff with their enquiries.

The Exchange wishes to reiterate that making delivery against any deliverable futures contracts at expiry is fundamental to the both the orderliness and integrity of the Exchange's markets. Whilst in this instance the delivery of funds was made at 3:14pm, the potential consequences had delivery not occurred on the day in question are far reaching both for the Exchange and for the market in general.



Should you have any enquiries please contact me on (02) 9227 0223 or robert.coaldrake@asx.com.au.

A handwritten signature in black ink, appearing to read 'R. Coaldrake', is positioned above the printed name.

Robert Coaldrake
Senior Manager, Futures Compliance and Surveillance