



SFE NOTICE NO.

108/07

Date of Issue:

31 August 2007

Disciplinary Action Imposed by the Business Conduct Committee upon FIMAT SNC t/a FIMAT Australia

Pursuant to Operating Rule 5.12, ASX Market Supervision advises that its Market Practices Committee (the Committee), which is the market's front-line peer review committee, has determined the following:

FIMAT SNC t/a FIMAT Australia (FIMAT) has been fined \$100,000 (exclusive of GST) for a failure on 25 August 2006 to comply with the following:

1. Operating Rule 3.1.20(a)
[Post-Allocation Prohibition]
2. Operating Rule 3.1.16
[Acting in Accordance with Client Instructions and Client's Best Interests]
3. Operating Rule 2.2.23(c)
[Error Trades]
4. Operating Rule 2.2.28(a)
[Mandatory Recording of Information]

The Committee hearing procedures were utilised in respect of this matter and FIMAT elected not to challenge the findings of the Committee.

The circumstances surrounding the breach related to an error trade of 45 lots in the Three Year and Ten Year Commonwealth Treasury Bond futures inter-commodity spread (the curve).

FIMAT entered a client order incorrectly and 45 lots of the curve order traded immediately. Instead of allocating the trades to its error account, FIMAT post allocated 20 lots of the curve to the client of the Participant who initially placed the order and who at the request of FIMAT, agreed to hold them. FIMAT later transferred and allocated the trades to another client. The above actions resulted in FIMAT post allocating the trades twice.

Although the error was made in the curve, FIMAT did not attempt to exit 20 lots of the error on the curve and instead allocated the trades to a client. This resulted in the client being disadvantaged as it was allocated out of money trades.

FIMAT provided the Exchange with a copy of its error report. However the error report failed to show complete details of the error trade, including the time of the trades and the subsequent action taken in respect to the 20 lots of the curve post allocated to the client.

FIMAT failed to provide a recording of a conversation with the client who originally agreed to take the 20 lots of the error trade advising that it was no longer required to take 20 lots of the error trade as FIMAT had allocated the trades to another client.



In reaching its findings, the Committee acknowledged the self-report by the Participant, however, felt that at the time of the investigation, inconsistencies in the information provided by the Participant indicated a lack of adequate and robust initial error-reporting procedures and a lack of commitment to fully investigate the incident. The Committee was of the opinion that the Participant could have been more pro-active in investigating the matter.

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

A handwritten signature in black ink, appearing to read 'R. Coaldrake', written in a cursive style.

Robert Coaldrake
General Manager – Futures and Prudential Risk

ASX Limited
20 Bridge Street
Sydney NSW 2000
Australia