



SFE NOTICE NO.

109/07

Date of Issue:

31 August 2007

Disciplinary Action Imposed by the Business Conduct Committee

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:

That a Participant of the Exchange has been fined \$50,000 (exclusive of GST) for a failure on 21 March 2007 to comply with the following:

1. Operating Rule 3.1.20(a)
[Post-Allocation Prohibition];
2. Operating Rule 3.1.2(c)
[Client Identification]; and
3. Operating Rule 3.1.16
[Acting in Accordance with Client Instructions and Client's Best Interests].

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

The circumstances surrounding the breach related to an error trade of 1100 lots of an intra-commodity spread which the Participant subsequently offered to its clients on five (5) separate occasions. On one (1) occasion the Participant allocated 100 lots of the spread to its client despite the fact that its client had previously declined an allocation of the trades and appeared to eventually accept the trades specifically to assist the Participant's Representative.

The Participant did not enter a client identifier relating to one of the orders in this incident until 22 minutes and 32 seconds after the order was entered into the trading platform.

The Committee considered a significantly higher monetary penalty than that stated above, and possibly the imposition of a Compliance Undertaking, however in reaching its findings it took into account that the Participant has recently made noteworthy efforts in improving its compliance procedures and culture. The Committee also noted the Representative responsible for the post allocation was severely disciplined and that the incident was self reported to the Exchange.

The Committee still had some concerns regarding the Participant's Representatives completely adhering to its stated compliance culture, including the effectiveness of its compliance training, and accordingly the Participant is required to submit a documented Compliance Training Programme for the next 12 months to the Exchange. The Participant is further required to involve Exchange staff in training sessions for a period to be determined by the Exchange.



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', is positioned above the printed name.

Robert Coaldrake
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