

# CIRCULAR



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**To:**           **All Members**  
                  **Floor Members**  
                  **Local Members**

**No:**           **332/99**

## **Trades Deemed to be Out of Market**

The Market Practices Committee (MPC) recently considered a matter involving a Member that had entered an offer into SYCOM® in order to hit a bid which was twenty (20) points below the last trade, thereby effecting a trade which was out of line with the market in similar commodities.

Although the Member submitted that a genuine error had occurred, the MPC was of the opinion that trading out of line with the market in any circumstance is a serious offence and accordingly, resolved that the Member and its SYCOM® Trader had failed to comply with Article 3.6(1)(aa) on the basis that it committed a major offence pursuant to Section TR.8.16(f) of the Trading Rules (Trading out of line with the market). Fines were imposed upon both the Member and the SYCOM® Trader (details of which will be notified separately).

In addition, the MPC directed that a Circular be issued advising Members that entering trades that are out of line with the market is not an acceptable practice. Accordingly, the MPC or Screen Dealing Committee will be imposing fines upon Members and their SYCOM® Traders where instances are identified.

The MPC also advised that it would view unfavourably the actions of a Member who attempted to deceive another Member into executing a trade that is out of line with the rest of the market. An example of this would be where the Three Year Bond market has been bid and trading 93.80, then the bid trades out and there are no further bids in the market. A Member then places a 92.80 bid into the SYCOM® in an attempt to mislead other Members into believing it is actually a 93.80 bid.

Members are advised that this practice would be seen as misleading to the market and also as a failure by the Member and its SYCOM® Trader to deal in a proper and efficient manner.

In regard to out of market trades, Members are referred to Trading Rule TR.8A (Risk Management) which provides for the requirement that Members set maximum volume per order limits and maximum price change limits for each SYCOM® Trader.

This requirement was introduced to ensure the maintenance of a fair and orderly market and also to protect Members from incurring large losses in error should a SYCOM® Trader enter an incorrect volume or price into a MFWS.

Members are advised, therefore, that for their own protection, and also their clients and other Members, the limits for each SYCOM® Trader need to reflect reasonable and prudent price changes and order volumes based on the individual.

Should Members have any questions or comments regarding the above, please contact either George Maganas on 9256 0415 or Bronwyn Hill on 9256 0699.

**George Maganas**  
**Screen Dealing Manager**

**Bronwyn Hill**  
**Manager; Surveillance**

**02/12/99**

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