

SFE Bulletin No: 80/01

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 20 April 2001.

PARTICIPANT 1

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

1. **Trading Rule TR.11.5(i)**
(Failure to enter a client identifier)
2. **Trading Rule TR.11.2 and General By-Law G.3.15(a)**
(Failure to deal in accordance with client instructions)
3. **Section 1266(7) of the Corporations Law and General By-Law G.3.16(n)**
(Failure to maintain accurate order records)
4. **General by-Law G.27(a)(i)**
(Mandatory voice recording)

The enquiry identified that the Participant failed to enter Client Identifiers on two (2) occasions. The Participant also failed to deal in accordance with Client instructions on one (1) occasion. In addition to the above breaches the Participant failed to maintain order records and mandatory voice recordings.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$1,500 upon the Participant for the identified breaches.

PARTICIPANT 2

- (i) An enquiry found that a Full Participant failed to comply with **Trading Rule TR.11.5(i)** (Failure to enter a client identifier)

The enquiry identified that the Participant failed to enter a Client Identifier on eighteen (18) identified occasions.

In accordance with General By-Law G.11.36(d), the MPC imposed a Reprimand upon the Participant for the identified breach.

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

1. General By-Law G.27(a)(i)

(Failure to maintain mandatory voice records)

2. General By-Law G.3.14(a)

(Failure to act in a manner consistent with the promotion and protection of the goodwill and public image of SFE, its markets and Participants)

The enquiry identified that the Participant failed to maintain mandatory voice records and failed to act in a manner consistent with the promotion and protection of the goodwill and public image of SFE, its markets and Participants, on the basis of comments made by an employee of the Participant to an SFE official.

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(d), the MPC imposed a Reprimand upon the Participant's employee for the identified breach number 2.

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

1. Trading Rule TR.17.1(c)(v)

(Withholding in order to cross)

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

(Disclosure of information)

3. General By-Law G.3.14(f) by virtue of a failure to comply with Section 1266(7) of the Corporations Law and General By-Law G.3.16(n)(i)

(Failure to accurately record order details)

4. Trading Rule TR.11.5(i)

(Failure to enter a client identifier)

The enquiry identified that the Participant withheld an order in order to cross and disclosed information to a client that was not known to the rest of the market. In addition, the Participant failed to accurately record order details and failed to enter a client identifier.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$15,000 upon the Participant for the identified breaches.

In addition, in accordance with General By-Law G.11.36(d), the Committee imposed a Reprimand upon the Participant's ex-employee for the identified breaches.

Further, the Committee recommended that the Business Conduct Committee (BCC) consider imposing a Compliance Undertaking upon the Participant. In this regard, the Committee recommended that the Participant be required to engage an independent external consultant to conduct a review of its internal procedures and internal control environment, with regard to its futures operation. This recommendation was upheld by the BCC at its meeting on 28 June 2001.

PARTICIPANT 3

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

1. **Trading Rule TR.17.1(c)(v)**
(Withholding in order to cross)
2. **Trading Rule TR.11.5(i)**
(Failure to enter a client identifier)

The enquiry identified that the Participant failed to send an enquiry to the market in relation to a Large Order, pursuant to Trading Rule TR.20.2, and therefore was subject to the withholding provision. In addition, the Participant failed to enter a client identifier.

In accordance with General By-Law G.11.36(d), the MPC imposed a Reprimand upon the Participant for the identified breaches.

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

1. **Trading Rule TR.17.1(c)(vi)**
(Seeking to avoid trading to cross)
2. **General By-Law G.27(a)(i)**
(Failure to maintain mandatory voice records)

The enquiry identified that the Participant avoided trading with the market with the express intent to cross on the basis that it released a tagged strategy into SYCOM®, thereby giving no opportunity for other Participants to participate in the trade. In addition, the Participant failed to maintain mandatory voice recordings.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$2,500 upon the Participant for the identified breaches.

PARTICIPANT 4

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

1. **Trading Rule TR.17.1(c)(v)**
(Withholding in order to cross)
2. **General By-Law G.3.14(f) by virtue of a failure to comply with Section 1266(4) of the Corporations Law and Trading Rule TR.18**
(Disclosure of information)
3. **General By-Law G.3.14(f) by virtue of a failure to comply with Section 1266(7) of the Corporations Law and Trading Rule TR.11.2**
(Failure to enter orders in sequence of receipt)
4. **General By-Law G.27(a)(i)**
(Failure to maintain mandatory voice records)
5. **Trading Rule TR.11.5(i)**
(Failure to enter a client identifier)

The enquiry identified that the Participant failed to advise the market of its large order interest and that this failure to comply therefore subjected it to the withholding and disclosure provisions. In addition, the Participant failed to enter orders in sequence of receipt, failed to enter a client identifier and failed to maintain mandatory voice records.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$2,500 upon the Participant for the identified breaches.

PARTICIPANT 5

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

1. **Trading Rule TR.17.1(c)(v)**
(Seeking to avoid trading to cross)
2. **General By-Law G.27(a)(i)**
(Failure to maintain mandatory voice records)
3. **Trading Rule TR.11.5(i)**
(Failure to enter a client identifier)

The enquiry identified that the Participant released a tagged strategy into SYCOM® with intent to cross. In addition, the Participant failed to maintain mandatory voice records and failed to enter a client identifier.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$6,000 upon the Participant for the identified breaches.

PARTICIPANT 6

An enquiry found that a Full Participant failed to comply with **General By-Law G.27(a)(i)** (Failure to maintain mandatory voice records).

The enquiry identified that the Participant failed to maintain mandatory voice records.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$2,500 upon the Participant for the identified breach.

PARTICIPANT 7

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

1. **General By-Law G.27(a)(i)**
(Failure to maintain mandatory voice records)
2. **General By-Law G.3.14(b)**
(Failure to deal in a proper and efficient manner)

The enquiry identified that the Participant failed to maintain mandatory voice records and failed to deal in a proper and efficient manner on the basis that an employee of the Participant had advised a Local Participant of approximately what time a deal was going to take place in the market.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$3,500 upon the Participant for the identified breaches.

Should you have any queries please contact Mark Floyd on 9256 0477 or mfloyd@sfe.com.au



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