

SFE Bulletin No: 111/01
From: SFE Corporation Limited ABN 74 000 299 392
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DISCIPLINARY ACTION IMPOSED BY THE BUSINESS CONDUCT COMMITTEE

Participants are advised, pursuant to General By-Law G.11.65, of disciplinary action taken by the Business Conduct Committee (BCC):

PARTICIPANT 1

It was identified that an Associate Participant failed to comply with:

- 1. General By-Law G.4.13(d)**
(Failure to act in accordance with the BCC's directions to provide information requested for the inspection);
and
- 2. General By-Law G.4.16(d)(ii)**
(Failure to lodge its July Monthly return).

At a previous meeting the BCC directed that a compliance inspection of the Participant's books and records be conducted. The BCC advised that if the Participant failed to lodge the required returns or failed to provide all information requested by Compliance staff, the BCC would proceed to suspend the Participant pursuant to General By-Law G.11.36(c).

In order to complete the inspection Compliance staff requested additional information, which the Participant failed to provide. Further, the Participant failed to lodge its July return by the due date.

In accordance with General By-Law G.11.36(c), the Participant's Introducing Broker Associate Participant status was suspended. The suspension of the Participant's status is for the maximum period of three (3) months i.e., until 10 December 2001. However, the Participant has been advised that the suspension may be lifted earlier if the Participant is able to satisfy the BCC that it is in a position to lodge all outstanding returns, comply with the SFE's Rules in relation to the lodgement of returns and employs a suitably qualified accountant to ensure its accounting systems are working effectively and accurately.

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PARTICIPANT 2

It was identified that a Full Participant had failed to comply with:

- 1. General By-Law G.27(a)(i)**
(Failure to maintain mandatory voice recordings)
- 2. General By-Law G.3.16(n) and Section 1266(7) of the Corporations Act**
(Failure to maintain order records)
- 3. General By-Law G.3.14(f)**
(Failure to comply with the Futures Law)

An enquiry identified that the Participant had failed to maintain mandatory voice recordings and that the Participant and its employee had failed to maintain order records.

The BCC imposed the following disciplinary action:

- in accordance with General By-Law G.11.36(b), a fine of \$2,000 upon the Participant in respect of the breach set out in point 1 above; and
- in accordance with General By-Law G.11.36(d), a Reprimand upon the Participant in respect of the breaches set out in points 2 and 3 above.

Further, in accordance with General By-Law G.11.36(d), the BCC imposed a Reprimand upon the Participant's employee for the identified breaches set out in points 2 and 3 above.

PARTICIPANT 3

It was identified that a Full Participant failed to comply with:

- 1. General By-Law G.3.14(b)**
(Failure to act in a proper and efficient manner).

The enquiry identified that the Participant failed to deal in a proper and efficient manner as the Participant did not have adequate reconciliation procedures and systems in place to ensure that the allocation of client trades were correct.

In accordance with General By-Law G.11.36(d), the BCC imposed a Reprimand upon the Participant in respect of the identified breach.

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PARTICIPANT 4

It was identified that an Associate Participant failed to comply with:

- 1. General By-Law G.416(d)(ii)**
(Failure to lodge Monthly Return.).

As the Return was not lodged by the due date, Compliance staff contacted the Participant to request immediate lodgement of the Return. The Participant advised that its accountant had taken unexpected leave and requested an extension of time to lodge its Return. This was declined by the Delegate of the BCC as the request for extension of time was made after the due date. The Return was received on 14 September 2001 which was after the due date.

In accordance with General By-Law G.11.36(d), the BCC imposed a Reprimand upon the Participant as this was a repeat offence.

PARTICIPANT 5

It was identified that a SYCOM® Trader of a Full Participant failed to comply with:

- 1. Trading Rule TR.816(b) and Section 1266(7) of the Act**
(Failure by SYCOM® Trader to use their own logon and password to access SYCOM®).

As a result of an inspection conducted of the records and procedures relating to the Full Participant it was identified that a SYCOM® Trader of the Participant was given access to SYCOM® under another SYCOM® Trader's logon and password.

In accordance with General By-Law G.11.36(d), the BCC imposed a Reprimand upon the SYCOM® Trader in respect of the identified breach.

Should you have any queries please contact Michelle Wagner on 9256-0580 or mwagner@sfe.com.au



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