



[www.sfe.com.au](http://www.sfe.com.au)

30 Grosvenor Street  
Sydney NSW 2000 Australia  
Telephone 61 2 9256 0555  
Facsimile 61 2 9256 0666

PO Box N680  
Grosvenor Place  
NSW 1220 Australia

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## **RECENT AMENDMENTS TO THE BUSINESS RULES IN RELATION TO COMPLIANCE MATTERS**

As you may be aware, recent amendments to the Business Rules were introduced to formally require Participants to notify SFE of breaches of the Business Rules or any law relating to the regulation of markets operated by SFE. These amendments were notified to Participants in SFE Bulletin 113/01.

The amendments were introduced at the request of SFE's Business Conduct Committee (the Committee) following the Committee's significant concern upon becoming aware that Participants were not advising SFE of serious breaches. The Committee recently considered the amendments, together with some market feedback, and requested that an additional Bulletin be issued to provide some guidance to Participants on the intended operation of this Rule.

The amendment to General By-Law G.11.3 is as follows (amendments underlined):

### **G.11.3 Obligations of Participants**

G.11.3 Without affecting any other provisions of the Business Rules, the general obligations of Participants and their officers or representatives are as follows:

- (a) A Participant has the primary responsibility for compliance with the Business Rules and shall ensure that its officers and representatives shall comply with them.
- (b) A Participant shall comply in full with the Business Rules and any undertaking given, or condition imposed thereunder.
- (c) Where any Participant:
  - (i) undertakes any action, or course of actions which is contrary to a provision of the Business Rules; or
  - (ii) fails for any reason to act in accordance with a provision of the Business Rules, including, without limitation, failure to maintain any document or record, failure to give any notice or notification, or failure to comply with an undertaking or condition, required by or imposed under the Business Rules; or
  - (iii) fails to comply with or continue to comply with any requirement or condition for application for Participation Entitlements;

then the Participant shall thereby have committed a breach of the Business Rules and/or relevant provisions of the Business Rules.

(d) A Participant shall notify the Exchange immediately upon becoming aware that it has breached any provision of the Business Rules and any law relating to the regulation of markets operated by the Exchange.

The intent of this amendment (d) is to ensure that Participants contact SFE's Compliance department upon becoming aware of a breach of the Business Rules or the law that may have an effect on market integrity or client protection. The onus is on Participants to ensure that they have in place an effective compliance regime to prevent such serious breaches occurring, and the introduction of this Rule amendment is not intended to circumvent or replace the important role played by Participants' Compliance functions in conducting internal reviews and reinforcing appropriate cultural attitudes and operational environments. For many Participants, SFE recognises that the Rule amendment will have no significant impact since it will merely formalise existing good practices.


In keeping with SFE's intent to enforce the Rule in a reasonable and judicious manner, Participants are expected to exercise common sense and professional judgment in determining if a breach of the Business Rules or the law should be reported to the Compliance department of SFE. Where a Participant determines that a breach has occurred and it should be reported to SFE, the Participant should provide the Compliance department with full details of the breach in writing as soon as possible upon becoming aware of the breach.

To further assist Participants, the following are examples of breaches that SFE would expect to be reported. However, please note that this list of examples is not exhaustive:

- Major offences of the Trading Rules
- Dual trading
- Personal account trading
- Unauthorised discretionary trading
- Unauthorised trading of an error account
- Effecting settlement price
- Post allocation
- Failure to call margins
- Obvious deliberate acts-e.g. fraud, defalcation etc.

If unsure as to whether a breach should be reported, Participants are encouraged to contact SFE's Compliance department who will be happy to assist in determining the most appropriate course of action.

Should you have any further queries in relation to the above, please do not hesitate to contact me on 9256 0580 or [mwagner@sfe.com.au](mailto:mwagner@sfe.com.au)



Michelle Wagner  
**Manager-Compliance**

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