



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

SFE Bulletin No: 47/02
From: SFE Corporation Limited ABN 74 000 299 392
Date of Issue: 6 May 2002

ENTERING ORDERS WITHOUT GENUINE INTENT TO TRADE

Participants are referred to SFE Bulletin 09/02 issued on 1 February 2002, where it was advised that Surveillance staff had noticed an increase in the occurrence of orders that appeared to have been entered into the market without there being a genuine intent to trade.

The Market Practices Committee (MPC) recently imposed a fine upon a Local Participant (Local) after determining that it had placed an order without having had a genuine intent to trade, as it was subsequently cancelled. The MPC noted that the Local placed a large buy order, then modified the order 3 times during the pre-opening period, increasing both the price and the volume, and subsequently cancelled it just prior to the levelling period. The MPC also noted that the entry and subsequent modification of the order had an impact upon the indicative opening price.

By way of context, the MPC took into account the general nature and volume of trading by the Local and in reaching its decision, the MPC was of the view that the Local was attempting to 'discover' the market depth by placing and modifying the order, and that by doing so the Local had an effect on the opening price. The MPC considered that these actions were detrimental to open and competitive price discovery and consequently fined the Local \$500. The MPC also stressed that further instances of this nature would be dealt with severely.

The MPC has also recently considered an enquiry where a Client of a Participant with an Order System connected to the SYCOM Interface appeared to have acted in a similar manner to that outlined above. In this regard, with the increasing use of Order Systems by Clients, it is foreseeable that Participants may be found to have contravened SFE Business Rules by virtue of the actions of their Clients.

Accordingly, the MPC directed that Participants be reminded of their obligations in respect of the actions of Clients to whom they have provided an Order System. In particular, should the MPC find that a Client, via an Order System connected to the SYCOM Interface, has contravened any SFE Business Rule, then the Participant who provided the Order System shall be liable for the actions of its Client. Accordingly, the MPC has recommended that as a minimum, Participants should provide education in respect of the relevant Rules prior to allowing a Client access to an Order System. In this regard Participants are referred to Practice Note 36 for guidance on this matter.

S F E B U L L E T I N C O N T I N U E D

Should you have any queries please contact Bronwyn Hill on 9256 0699 or bhill@sfe.com.au

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the left.

BRONWYN HILL
MANAGER, SURVEILLANCE