



SFE Bulletin No: 50/02

From: SFE Corporation Limited ABN 74 000 299 392

Date of Issue: 30 May 2002

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 a Full Participant failed to comply with:

- 1. General By-Law G.3.15(a) and Trading Rule TR.11.2**
(Not acting in accordance with client's instructions)
- 2. General By-Law G.3.14(b)**
(Failure to deal in a proper and efficient manner); and
- 3. General By-Law G.22(a)**
(Failure to ensure the receipt of margins within 24 hours).

The enquiry identified that the Participant failed to ensure that margin payments were received within 24 hours, had not executed the client's order as per the client's instruction and had not dealt in a proper and efficient manner when reporting the execution details to the client.

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

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 1 and 2 above.

In determining the level of penalty to be imposed the Committee took into consideration that the client had an outstanding debt to the Participant of in excess of \$150,000 which appeared unlikely to be repaid. In addition, the Committee also took into consideration the mitigating actions of the Participant in attempting to achieve an orderly close-out of the client's position in the exceptional market conditions at the time.

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

PARTICIPANT 2

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

- 1. General By-Law G.3.16(p) and Section 1213(1)(a) of the Act**
(Failure to maintain accurate accounting records)
- 2. Trading Rule TR.8A.2(b)]**
(Failure to demonstrate prudent risk management procedures); and
- 3. Trading Rule TR.11.5(f) and (i)]**
(Failure to enter client identifiers)

The above breaches were identified as part of a routine inspection of the records and procedures of the Participant.

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

PARTICIPANT 3

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

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

The enquiry identified that the Participant failed to deal in a proper and efficient manner as it had not adhered to the provisions set out in its Client Agreement Form in relation to the charging of brokerage.

In accordance with General By-Laws G.11.36(d) and G.11.36(i), the BCC imposed a Reprimand upon the Participant in respect of the identified breach on the condition that the Participant reimburse the brokerage charged to a number of clients.

PARTICIPANT 4

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

- 1. General By-Law G.3.14(b); and**
(Failure to deal in a proper and efficient manner)
- 2. General By-Law G.3.16(n), Section 1266(7) of the Act and thus General By-Law G.3.14(f).**
(Failure to maintain accurate order records)

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The enquiry identified that the Participant had misallocated a client's trade which was not detected for a period of approximately six (6) weeks. As a result of the misallocation and the subsequent allocation of the original trade and the close-out trade, the client incurred a loss of AU\$6,529.16. Further, the Participant failed to maintain accurate order records in relation to the client's trading activity.

In accordance with General By-Laws G.11.36(d) and G.11.36(i), the BCC imposed a Reprimand upon the Participant on the condition that the Participant reimburse the client for the loss incurred on the account as a result of the misallocation.

PARTICIPANT 5

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

- 1. Australian Dollar/United States Dollar Futures Contract By-Law AF.9(d)**
(Failure to deposit funds required for settlement by the prescribed time); and
- 2. Clearing By-Law 63.3**
(Failure to comply with all provisions and terms of Open Contracts as detailed in the Exchange's Business Rules).

Following an investigation into the expiry of the March 2002 Australian Dollar / United States Dollar futures contract, it was identified that the Participant failed to deposit funds required for settlement into the SFE Clearing account by the prescribed time.

In accordance with General By-Law G.11.36(b), the BCC imposed a fine of \$2,000 upon the Participant for the identified breaches. Additionally, in accordance with General By-Law G.11.36(i), the BCC directed that the Participant reimburse SFE Clearing an amount of US\$2236.80, for the charges incurred as a result of the Participant's delivery failure.

PARTICIPANT 6

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

- 1. General By-Law G.37(a)**
(Late submission of Reportable Position File).

The enquiry identified that the Participant failed to lodge the file by the due time and was not able to demonstrate that this was due to circumstances beyond its control.

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

Please note that all fines imposed by the BCC, as noted above, are stated exclusive of Goods & Services Tax.

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 Michelle Wagner on (02) 9256-0580 or at: mwagner@sfe.com.au

A handwritten signature in black ink, appearing to read 'Michelle Wagner', with a stylized flourish at the end.

Michelle Wagner
MANAGER, COMPLIANCE

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