



SFE Bulletin No: 058/03

From: SFE Corporation Limited ABN 74 000 299 392

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**DISCIPLINARY ACTION IMPOSED BY THE BUSINESS CONDUCT COMMITTEE & THE
MARKET PRACTICES COMMITTEE**

Participants are advised, pursuant to General By-Law G.11.65, of disciplinary action taken by the Business Conduct Committee (BCC) and the Market Practices Committee (MPC), since the last Bulletin.

PARTICIPANT 1

INCIDENT ONE

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

- 1. Trading Rule TR.17.1(c)(vi)**
[Seeking to avoid trading with other parties with intent to cross] and
- 2. Trading Rule TR.17.1(c)(vii)**
[Crossing via two separate workstations].

The enquiry identified that the Full Participant had entered instructions into two (2) separate workstations with the intent to cross and that the Full Participant had sought to avoid trading with other parties with intent to cross.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$1,000 upon the Full Participant for its failure to comply with the above.

In addition, in accordance with General By-Law G.11.36(d), the MPC imposed a Reprimand upon two of the Full Participant's employees for the identified breaches.

INCIDENT TWO

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

- 1. Trading Rule TR.17.1(c)(vi)**
[Seeking to avoid trading with other parties with intent to cross].

The enquiry identified that the Full Participant had sought to avoid trading with other parties with intent to cross.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$500 upon the Full Participant for its failure to comply with the above.

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

In determining the level of penalty the MPC was of the opinion that the identified breaches were serious in nature and that there was intent by the Full Participant's employees to avoid trading with other Parties and intent to cross. The MPC also took into consideration the Full Participant's excellent compliance record.

INCIDENT THREE

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

1. **General By-Laws G.3.16(q)(ii) and G.3.16(r), by virtue of a failure to comply with General By-Law G.9.8**
[Failure to execute and maintain a valid client agreement form]; and
2. **Trading Rules TR.11.5(f) and (i)**
[Failure to enter client identifiers into SYCOM®].

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

In accordance with General By-Law G.11.36(g), the BCC resolved that the identified failures to comply be brought to the notice of the Full Participant.

In determining the level of penalty, the BCC took into consideration that, in relation to the client agreement documentation, that the Full Participant had been granted an exemption, however, did not comply with the condition of the exemption.

PARTICIPANT 2

INCIDENT ONE

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

1. **General By-Laws G.3.16(q)(ii) and G.3.16(r)**
[Failure to ensure that the Client Agreement Form issued to clients contained all the minimum prescribed terms];
2. **General By-Law G.65(a)**
[Failure to ensure that the clients had executed a discretionary Client Agreement Form];
3. **General By-Law G.52(d)(i)**
[Failure to ensure that the person responsible for making trading decisions on behalf of clients was a Registered Representative (Managed Discretionary Accounts)];
4. **General By-Laws G.52(a)(i), G.53 and G.60**
[Failure to issue a Disclosure Document to its clients];
5. **General By-Law G.52(d)(ii)**
[Failure to appoint a person to supervise the Registered Representative (Managed Discretionary Account)];
6. **General By-Laws G.52(a)(iii) and G.62(vii)**
[Failure to make and retain documentation detailing enquires made when forming the view that a Managed Discretionary Account is suitable for the client];

7. **General By-Laws G.20(c) and G.22(a)**
[Failure to ensure that margins were satisfied within the earliest reasonable time];
8. **General By-Laws G.3.16(n) and G.62(vi) and General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1266(7) of the Act**
[Failure to maintain accurate order records];
9. **Condition 1(a) of the Futures Brokers Licence**
[Failure to ensure that its representatives are adequately supervised];
10. **General By-Law G.3.16(q)(ii) and General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1210 of the Act**
[Failure to ensure that the client had executed the Client Agreement Form and received the Risk Disclosure Document prior to placing an order]; and
11. **General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1142 of the Act (by virtue of the aiding and abetting provisions)**
[Alleged Unlicensed Dealing].

The above breaches were identified as a result of an investigation into a number of complaints received concerning the trading activity of two representatives whilst employed by the Full Participant.

In relation to the identified failures to comply as set out in 3 to 6 and 9 above, in accordance with General By-Law G.11.36(d), the BCC imposed a Reprimand upon the Full Participant.

In relation to the identified failures to comply as set out in 1, 2, 7, 8, 10 and 11 above, in accordance with General By-Law G.11.36(d), the BCC imposed a Reprimand only upon the Full Participant, on the condition that within six (6) months the Full Participant engage independent external consultants at its own cost to conduct a review of its internal procedures and internal control environment to ensure full and ongoing compliance with the Exchange's Business Rules and the Act.

In determining the penalty the BCC gave due regard to the individual circumstances of each breach and took into account any extenuating circumstances that it considered valid. Overall, the BCC was of the view that the identified failures to comply raised concerns regarding the Full Participant's basic compliance framework and what appeared to be a potentially systemic lack of knowledge and application of some key aspects of the Exchange's Rules and the Act.

In addition, in accordance with General By-Law G.11.36(d), the BCC imposed a Reprimand upon a former representative of the Full Participant in relation to the identified failures to comply as set out in 1 to 6, 8, 10 and 11 above.

Further, in accordance with General By-Law G.11.36(d), the BCC imposed a Reprimand upon another former representative of the Full Participant in relation to the identified failures to comply as set out in 1 to 6, 8, and 11 above.

INCIDENT TWO

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

1. **Trading Rule TR.17.1(c)(vi)**
[Seeking to avoid trading with other parties with the intent to cross].

The enquiry identified that the Full Participant had accepted an order to cross and attempted to avoid trading with other parties in order to facilitate a cross.

In accordance with General By-Law G.11.36(d), the MPC imposed a Reprimand upon the Full Participant for its failure to comply with the above.

In addition, in accordance with General By-Law G.11.36(g), the MPC resolved that the identified failures to comply be brought to the notice of a representative of the Full Participant.

In determining the level of penalty, the MPC noted that the breaches were of a serious nature, however consideration was given to the respective compliance histories of the Full Participant and its representative.

PARTICIPANT 3

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

1. **General By-Law G.13.3**
[Inadequacy of funds in the Clients' Segregated Account];
2. **General By-Law G.22(a)**
[Failure to receive Initial & Variation Margins]; and
3. **General By-Laws G.3.16(c)(ii), G.3.16(p) and General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1213(1)(a) of the Act**
[Failure to maintain accurate accounting records].

Pursuant to General By-Law G.11.3(d), the Full Participant self reported a serious accounting issue with respect to its financial position and thus its failure to maintain accurate accounting records.

In accordance with General By-Law G.11.36(d), the BCC imposed a Reprimand upon the Full Participant for its failure to comply with the above, conditional upon the Full Participant reconciling its Clients' Segregated Account on a daily basis, also that the Full Participant's documented compliance procedures be forwarded to the BCC as soon as practicable. Further, the BCC directed that should any of the documented compliance procedures not be implemented already that they be implemented immediately.

In determining the level of penalty, the BCC took into consideration that the matter was self-reported in a timely manner, that the Full Participant has introduced procedures to safeguard and improve accounting procedures to correct the identified breaches. Further, the BCC took into consideration that the self-report of breaches occurred prior to the BCC's introduction of a register to record margin breaches, which are required to be self-reported.

PARTICIPANT 4

INCIDENT ONE

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

1. **General By-Law G.3.16(i)**
[Failure to notify the Exchange of a change in Directors];
2. **General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1176(3) of the Act (by virtue of Section 87(1)(a) of the Act)**
[Proper Authorities not executed properly];
3. **General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1176(3), (4) and (5) of the Act**
[Proper Authority Holder's information not input or kept in the Proper Authority Register];
4. **General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1176(6) of the Act**
[Failure to move revoked Proper Authorities to a separate part of the Proper Authority Register];
5. **General By-Law G.8.23**
[Failure to notify the Exchange of the cessation of a Registered Representative];
6. **General By-Law G.3.16(c)(ii)**
[Failure to correctly categorise an amount in a return submitted to the Exchange];

7. **General By-Law G.3.16(n) and General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1266(7) of the Act**
[Failure to properly maintain internal records of instruction]; and
8. **Trading Rules TR.11.5(f) and (i)**
[Failure to enter a client identifier].

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

In accordance with General By-Law G.11.36(g), the BCC resolved that identified failures to comply be brought to the notice of the Full Participant.

In determining the level of penalty, the BCC took into consideration the fact that the breaches noted above were generally administrative, technical or inadvertent in nature. The BCC further noted that there had been no deliberate intent in relation to the breaches and that the risk to and impact on the Full Participant's clients and the market generally was low.

INCIDENT TWO

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

1. **Trading Rule TR.18**
[Disclosure of information];
2. **Trading Rule TR.17.1(c)(v)**
[Withholding an order in order to cross];
3. **General By-Law G.26(c)**
[Failure to execute and allocate orders in sequence of receipt];
4. **General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1266(2) of the Act**
[Failure to transmit orders in sequence of receipt]; and
5. **Trading Rule TR.16.1, pursuant to Point 6 of Schedule F to the Custom Market SYCOM® Trading Procedures**
[Failure to comply with the Custom Market SYCOM® Trading Procedures].

The enquiry identified that the Full Participant had disclosed order information that was not known by the rest of the market, withheld an order in order to cross, failed to execute, allocate and transmit orders in sequence of receipt and failed to comply with the Custom Market SYCOM® Trading Procedures.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$5,000 upon the Full Participant for its failure to comply with the above.

In addition, in accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$500 fine upon a representative of the Full Participant for the identified failure to comply.

Further, in accordance with General By-Law G.11.36(d) the MPC imposed a Reprimand upon a second representative of the Full Participant for the identified failure to comply.

Also, in accordance with General By-Law G.11.36(g), the MPC brought to the notice of a third representative of the Full Participant the identified failure to comply.

In determining the level of penalty the MPC was of the opinion that the identified breaches were of a serious nature and that it could not be determined beyond doubt that other market participants were not disadvantaged by the Full Participant's actions. The MPC also took into consideration the compliance history of the Full Participant.

INCIDENT THREE

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

1. **General By-Law G.22(a)**
[Failure to ensure that margin payments are received within the required time].

Pursuant to General By-Law G.11.3(d), the Full Participant notified the Compliance & Surveillance department of its failure to satisfy margin requirements of the Exchange's Business Rules.

In accordance with General By-Law G.11.36(g), the BCC resolved that the identified failure to comply be brought to the notice of the Full Participant.

In determining the level of disciplinary action taken, the BCC considered that the Full Participant notified the Exchange in a timely manner of its failure to ensure that margin payments were received within the required time, also that there was minimal financial risk to the Full Participant due to the size of the margin that was not received.

PARTICIPANT 5

INCIDENT ONE

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

1. **General By-Laws G.29(a) and G.29(b), by virtue of a failure to comply with General By-Law G.9.8**
[Failure to provide monthly reports as required under Condition 1 of an exemption]; and
2. **General By-Laws G.29(a) and G.29(b), by virtue of a failure to comply with General By-Law G.9.8**
[Failure to provide the allocation procedure in accordance with Condition 2 of an exemption].

The above breaches were identified as part of a review of the Exemption granted to the Full Participant from the requirements of General By-Laws G.29(a) and G.29(b).

In accordance with General By-Law G.11.36(g), the BCC resolved that the identified failures to comply be brought to the notice of the Full Participant.

In determining the level of penalty, the BCC took into consideration the fact that the breaches noted above were generally administrative, technical and inadvertent in nature. The BCC further noted that there had been no apparent intent in relation to the breaches and that the risk to and impact on the Full Participant's clients and the market generally, in relation to the breaches, was low.

The BCC also resolved to withdraw the exemption.

INCIDENT TWO

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

1. **General By-Law G.13.1 and General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1209(5) of the Act**
[Unauthorised withdrawal from Clients' Segregated Accounts].

Pursuant to General By-Law G.11(3)(d), the Full Participant self reported three instances of unauthorised withdrawals from the Full Participant's Clients Segregated Account by the Full Participant's bank.

In accordance with General By-Law G.11.36(g), the BCC resolved that the identified failures to comply be brought to the notice of the Full Participant.

In determining the level of penalty, the BCC took into consideration that the matter was self-reported in a timely manner, that the three reported breaches were by virtue of the actions of the Full Participant's bank and that the issues have since been addressed with the Full Participant's bank and appear to have been rectified. Further, the BCC noted that although a breach of the Clients' Segregated Account provisions is considered a serious offence, the incidents involved very small amounts of monies and it appeared that clients' funds were not placed at risk as the Full Participant held excess funds in its Clients' Segregated Account

INCIDENT THREE

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

- 1. General By-Law G.28(d)**
[Failure to maintain a separate record of error trades].

Pursuant to General By-Law G.11.3(d), the Full Participant self reported several instances of failure to maintain appropriate error records.

In accordance with General By-Law G.11.8(ii), a Delegate of the BCC resolved that the identified failure to comply be brought to the notice of the Full Participant.

In determining the level of penalty, the Delegate of the BCC noted that the Full Participant had self reported the breach, that the identified occurrence of non compliance was minimal and that the Full Participant had taken measures to ensure future error reports were filled out in sufficient detail.

INCIDENT FOUR

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

- 1. General By-Laws G.3.16(u) and G.13.1 and General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1209(5) of the Act**
[Unauthorised withdrawal from Clients' Segregated Accounts].

Pursuant to General By-Law G.11.3(d), the Full Participant self reported an instance of an unauthorised withdrawal from the Full Participant's Clients' Segregated Account with subsequent payment to its House Account.

In accordance with General By-Law G.11.36(g), the BCC that the identified failure to comply be brought to the notice of the Full Participant.

In determining the level of penalty, the BCC took into consideration that the matter was self-reported in a timely manner, that the reported breach was due to human error on the Full Participant's part and that the issue had since been rectified. Further, the BCC noted that although a breach of the Clients' Segregated Account provisions is considered a serious offence, it appeared that clients' funds were not placed at risk as the Full Participant held excess funds in its Clients' Segregated Account.

INCIDENT FIVE

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

- 1. General By-Law G.13.1 and General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1209(5) of the Act**
[Unauthorised withdrawal from Client's Segregated Accounts].

Pursuant to General By-Law G.11(3)(d), the Full Participant self reported an instance of an unauthorised withdrawal from the Full Participant's Clients Segregated Account by the Full Participant's bank.

In accordance with General By-Law G.11.36(g), the BCC resolved that the identified failure to comply be brought to the notice of the Full Participant.

In determining the level of penalty, the BCC took into consideration that the matter was self-reported in a timely manner and that the reported breach were occurred by virtue of the actions of the Full Participant's bank. The BCC also took into consideration that the general issue (given similar prior incidences) has since been escalated and addressed with the Full Participant's bank and rectified with assurances gained as to measures undertaken to prevent further recurrences. Further, the BCC noted that although a breach of the Clients' Segregated Account provisions is considered a serious offence, it appears clients' funds were not placed at risk as the funds withdrawn were of a trivial nature and the Full Participant held excess funds in its Clients' Segregated Account.

PARTICIPANT 6

INCIDENT ONE

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

1. **General By-Law G.37(a), by virtue of a failure to comply with an exemption granted under General By-Law G.9.8**
[Failure to furnish the Exchange with Reportable Position files by no later than 8.00am every Business day].

The enquiry identified that the Full Participant failed to lodge the Reportable Position File by the due time and that it 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 Full Participant for its failure to comply with the above.

In determining the level of penalty, the BCC noted that this was a repeat offence by the Full Participant.

INCIDENT TWO

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

1. **General By-Law G.37(a), by virtue of a failure to comply with an exemption granted under General By-Law G.9.8**
[Failure to furnish the Exchange with Reportable Position files by no later than 8.00am every Business day].

The enquiry identified that the Full Participant failed to lodge the files 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(b), the BCC imposed a fine of \$1,000 upon the Full Participant for its failure to comply with the above.

In determining the level of penalty, the BCC noted that this was a repeat offence by the Full Participant and that it had been ongoing since the granting of the relevant exemption over a year previously.

INCIDENT THREE

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

1. **Trading Rule TR.10.2(ii)**
[Failure to send an Expression of Interest to the market];
2. **General By-Law G.26(b)**
[Post Allocation]; and
3. **General By-Law G.3.16(n) and General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1266(7) of the Act**
[Failure to maintain accurate order records].

The enquiry identified that the Full Participant failed to send a client's Expression of Interest to the market via the message facility prior to divulging those expressions of interest to other parties. It was further noted that the Full Participant initiated orders other than in accordance with a client's instructions, therefore, the resulting trades were post-allocated to that client's account.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$1,000 upon the Full Participant for its failure to comply with the above.

In addition, in accordance with General By-Law G.11.36(d), the MPC imposed a Reprimand upon a representative of the Full Participant for the identified failures to company as set out in 1 and 2 above, also a breach of General By-Law G.3.16(n) (failure to maintain accurate order records).

In determining the level of penalty the MPC noted that the above breaches were regarded as serious contraventions of the SFE Business Rules and that given the representative's level of experience in the market, it should have been apparent that these actions were inappropriate. Further, the MPC was of the view that as the above occurred in a relatively illiquid market the Full Participant's actions were not likely to encourage liquidity in that market.

PARTICIPANT 7

INCIDENT ONE

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

- 1. Trading Rule TR.17.1(c)(ii)**
[Accepting opposite buy and sell instructions on the basis that such opposite instructions will be traded against each other without giving other SYCOM® Traders the opportunity to trade]; and
- 2. Trading Rule TR.17.1(c)(vii)**
[Crossing via two separate workstations].

The enquiry identified that employees of the Full Participant's affiliate had accepted opposite buy and sell instructions on the basis that the orders would be traded against each other without allowing other market participants an opportunity to trade. Further, that the Full Participant's affiliate had entered opposing orders via two separate SYCOM® Workstations.

In accordance with General By-Law G.11.36(g), the MPC resolved that the identified failures to comply be brought to the notice of the Full Participant.

INCIDENT TWO

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

- 1. General By-Law G.3.16(c)(ii)**
[Late Lodgement of Monthly Return].

The April 2003 Monthly Return (the Return) was due to be lodged by no later than 30 May 2003. The Exchange received the Return on 2 June 2003, which was after the due date.

In accordance with General By-Law G.11.8(ii), a Delegate of the BCC resolved that the identified failure to comply be brought to the notice of the Full Participant.

INCIDENT THREE

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

- 1. General By-Law G.3.16(c)(ii)**
[Late Lodgement of Monthly Return].

The June 2003 Monthly Return (the Return) was due to be lodged by no later than 31 July 2003. The Exchange received the Return on 4 August 2003, which was after the due date.

In accordance with General By-Law G.11.36(d), the BCC resolved that a Reprimand be imposed upon the Full Participant for its failure to comply with the above.

In determining the level of penalty, the BCC noted that this was a repeat offence by the Full Participant.

PARTICIPANT 8

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

1. **Trading Rule TR.18**
[Duty not to Disclose]; and
2. **General By-Law G.27(a)(i)**
[Mandatory Recording of Information].

The enquiry identified that the Full Participant had disclosed order details to a client that were not known to the market.

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$1,000 upon the Full Participant for its failure to comply with the above.

In determining the level of penalty, the MPC noted that the above are regarded as serious contraventions of the SFE Rules. However, the MPC also recognised the Full Participant's diligent approach in respect of the provision of information requested by Compliance and Surveillance staff and its open and constructive attitude with Exchange staff generally.

In addition, in accordance with General By-Law G.11.36(e), the MPC imposed a fine of \$2,000 upon a representative of the Full Participant for the identified failure to comply as set out in 1 above.

In determining the level of penalty, the MPC expressed disappointment in the representative's actions in attempting to disguise previously disclosed information. In determining the level of penalty the MPC noted that disclosure is regarded as a serious contravention of the SFE Rules and that given the representative's compliance history and experience in the market, it should have been apparent that these actions were inappropriate.

PARTICIPANT 9

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

1. **Trading Rule TR.17.1(c)(vii)**
[Crossing via two separate workstations];
2. **Trading Rule TR.13(h)**
[Each individual leg of an Intra-Commodity spread must be allocated to the same account];
3. **General By-Law G.3.14(f), by virtue of an apparent failure of Section 1266(6) of the Corporations Act 2001 (Cth)**
[Sequence in which dealings are to be allocated];
4. **General By-Law G.3.14(b)**
[At all times, the Full Participant shall deal in futures or options contracts in a proper and efficient manner];
5. **General By-Law G.27**
[Mandatory recording of information by the Exchange and its Participants];

- 6. General By-Law G.3.16(n) and General By-Law 3.14(f), by virtue of an apparent failure to comply with Section 1266(7) of the Act**
[Maintenance of internal records of instruction]; and
- 7. Trading Rule TR.11.5(i)**
[Input of client identifier].

In accordance with General By-Law G.11.36(b), the MPC imposed a fine of \$5,000 upon the Full Participant for its failure to comply with the above.

In determining the level of penalty, the MPC noted that the breaches not only appeared to indicate a lack of understanding of Exchange requirements but also resulted from actions that appeared to reflect both intent and a lack of due care by the staff involved. The MPC noted that the Full Participant has since taken action to rectify some of the problems identified although concern was expressed at the apparent systemic nature of the breaches arising from allocation issues.

In addition, in accordance with General By-Law G.11.36(d), the MPC imposed a Reprimand upon a representative of the Full Participant for the identified failures to comply as set out in 1, 4 and 7 above.

Further, in accordance with General By-Law G.11.36(e), the MPC imposed a fine of \$500 upon a second representative of the Full Participant for the identified failures to comply as set out in 1, 4 and 7 above.

In determining the level of penalty, the MPC noted that the above are regarded as serious contraventions of the SFE's Business Rules and that, given both representatives' considerable experience in the market, it should have been apparent that these actions were inappropriate.

In making its determination with regard to the penalties imposed upon the representatives the MPC considered the compliance history of each representative as well as the apparent degree of involvement in each individual transgression.

PARTICIPANT 10

INCIDENT ONE

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

- 1. General By-Law G.3.16(c)(ii)**
[Late Lodgement of Monthly Return].

The October 2002 Monthly Return (the Return) was due to be lodged by no later than 29 November 2002. The Exchange received the Return on 2 December 2002, which was after the due date.

In accordance with General By-Law G.11.8(ii), a Delegate of the BCC resolved that the identified failure to comply be brought to the notice of the Full Participant.

INCIDENT TWO

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

- 1. General By-Law G.37(a)**
[Failure to furnish the Exchange with Reportable Position files by no later than 8.00am every Business day].

The Delegate of the BCC noted that the Full Participant had failed to comply with the above on the 21 May 2003. The Delegate noted that there were no procedures were in place to ensure that where the file was corrupted, it could be regenerated.

In accordance with General By-Law G.11.8(ii), a Delegate of the BCC resolved that the identified failure to comply be brought to the notice of the Full Participant.

PARTICIPANT 11

INCIDENT ONE

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

1. **General By-Law G.3.16(f)**
[Late Lodgement of Annual Audit Certificate].

The 31 March 2003 Annual Audit Certificate (the Certificate) was due to be lodged by no later than 30 June 2003. The Exchange received the Certificate on 18 September 2003, which was after the due date.

In accordance with General By-Law G.11.8(ii), a Delegate of the BCC resolved that the identified failure to comply be brought to the notice of the Full Participant.

INCIDENT TWO

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

1. **General By-Law G.3.16(c)(ii)**
[Late Lodgement of Monthly Return].

The July 2003 Monthly Return (the Return) was due to be lodged by no later than 29 August 2003. The Exchange received the Return on 2 September 2003, which was after the due date.

In accordance with General By-Law G.11.8(ii), a Delegate of the BCC resolved that the identified failure to comply be brought to the notice of the Full Participant.

PARTICIPANT 12

INCIDENT ONE

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

1. **General By-Law G.3.16(p) and General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1213(1)(a) of the Act.**
[Failure to maintain accurate accounting records].

Pursuant to General By-Law G.11.3(d), the Full Participant self reported a serious accounting issue with respect to its financial position and thus its failure to maintain accurate accounting records.

In accordance with General By-Law G.11.36(d), the BCC imposed a Reprimand upon the Full Participant for its failure to comply with the above.

In determining the level of penalty, the BCC took into consideration that the matter was serious, however, that it was self-reported in a timely manner, that the reported breach was a repeat offence by the Full Participant and that the issue had since been rectified.

INCIDENT TWO

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

1. **General By-Law G.37(a)**
[Failure to furnish the Exchange with Reportable Position files by no later than 8.00am every Business day].

The enquiry identified that the Full Participant failed to lodge the Reportable Position File by the due time and that it was not able to demonstrate that this was due to circumstances beyond its control.

In accordance with General By-Law G.11.36(b), the BCC imposed a fine of \$500 upon the Full Participant for its failure to comply with the above.

In determining the level of penalty, the BCC noted that this was a repeat offence by the Full Participant.

PARTICIPANT 13

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

- 1. Trading Rule TR.17.1(c)(iv)**
[No SYCOM® Trader shall have effected a trade where both sides of the trade are for the same account];
and
- 2. General By-Law G.3.14(f), by virtue of an apparent failure to comply with Section 1266(6) of the Act**
[Failure to allocate trades in the sequence effected and transmitted].

The enquiry identified that the Full Participant allocated 25 lots of a trade placed by a client to a House error account without obtaining prior approval from the client.

In accordance with General By-Law G.11.36(g), the MPC resolved that the identified failures to comply be brought to the notice of the Full Participant.

In addition, in accordance with General By-Law G.11.36(g), the MPC resolved that the identified failures to comply be brought to the notice of a representative of the Full Participant.

In determining the level of penalty, the MPC acknowledged that the Full Participant had self reported a breach of the wash trade and of sequencing requirements.

It was further identified that a second representative of the Full Participant failed to comply with:

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

In accordance with General By-Law G.11.36(e), the MPC imposed a fine of \$500 upon a representative of the Full Participant for the identified failure to comply.

In determining the level of penalty, the MPC determined that the representative did not obtain counterparty approval prior to allocating 25 lots of a client's order to a House error account. Furthermore, the representative had appeared before the MPC previously and had disciplinary action taken against him on four separate occasions.

PARTICIPANT 14

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

- 1. General By-Law G.37(a)**
[Failure to furnish the Exchange with Reportable Position files by no later than 8.00am every Business day].

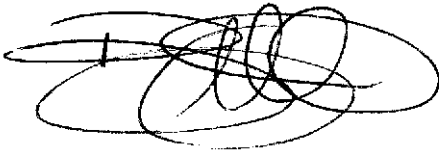
The enquiry identified that the Full Participant failed to lodge the Reportable Position File by the due time and that it was not able to demonstrate that this was due to circumstances beyond its control.

In accordance with General By-Law G.11.36(b), the BCC imposed a fine of \$250 upon the Full Participant for its failure to comply with the above.

In determining the level of penalty, the BCC noted that this was a repeat offence by the Full Participant.

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

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 horizontal line extending to the left.

BRONWYN HILL
MANAGER, SURVEILLANCE & COMPLIANCE

17 OCTOBER 2003