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## **POST ALLOCATION OF ERROR TRADES**

The Market Practices Committee (MPC) has noted an increase in the incidence of Post Allocation where trades which have been executed in error are allocated to a Client when that Client had not placed instructions, at the price or volume of the trades allocated, at the time the error occurred.

Although the MPC recognised that the activity outlined above is not as serious as a situation where a Broker executes trades without instructions from a Client, then 'shops' the trades around to its Client base, it is still deemed to represent failure to comply with the Rule.

In addition, the MPC wishes to remind Participants that any intentional breach of an SFE Business Rule is viewed very seriously. This includes any pre-meditated decisions, be they commercial or otherwise, made by a Participant to intentionally breach any SFE Business Rule, on the basis that it then be 'self reported' to SFE in accordance with General By-Law G.11.3(d) particularly where the Participant's motivation may be to encounter a less significant financial loss through disciplinary action by a SFE Supervisory Committee than the potential loss on the error trade.

Participants are reminded that the 'self report' Rule was introduced to ensure that Participants contact SFE's Compliance and Surveillance department upon becoming aware of a breach of the Business Rules or the Corporations Act that may have an effect on market integrity or client protection. Further, where a Participant 'self reports' a potential breach, the timeliness of such reporting and the relevant circumstances are taken into account in considering whether any disciplinary action should be imposed. However, the onus remains with Participants to ensure that they have in place an effective compliance regime to prevent, insofar as possible, serious breaches occurring (such as post allocation) and address any identified breaches on a timely basis.

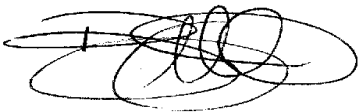
The Rule references for the information of Participants in respect of this matter are as follows:

General By-Law G.26(b) states that the offering and/or allocation to a Client of any contract or contracts (including straddle or arbitrage business) already obtained in any Market other than pursuant to instructions previously obtained from that Client is prohibited.

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

General By-Law G.11.3(d) states that a Participant shall notify the Exchange immediately upon becoming aware that it has breached any provision of the Business rules or any law relating to the regulation of markets operated by the Exchange.

Should you have any queries in relation to this matter, please contact the undersigned on 9256-0699 or at [bhill@sfe.com.au](mailto:bhill@sfe.com.au).

A handwritten signature in black ink, appearing to be 'Bronwyn Hill', written in a cursive style with several loops and a horizontal line extending to the left.

**BRONWYN HILL**  
**MANAGER, COMPLIANCE & SURVEILLANCE**