

SFE NOTICE NO.

139/05

Date of Issue: 11 October 2005

Effective Date: 11 October 2005

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**DISCIPLINARY ACTION IMPOSED BY THE BUSINESS CONDUCT COMMITTEE UPON**  
**BELL COMMODITIES LTD**

Pursuant to Operating Rule 5.12, Sydney Futures Exchange Limited (the Exchange) advises that its Business Conduct Committee (the Committee) has determined the following:

Bell Commodities Limited (Bell) has been fined \$20,000 in total (exclusive of GST) for a failure to comply with the following:

- (i) Operating Rule 2.2.10(b); and  
[Notification of Breaches]
- (ii) Operating Rule 2.2.23(d)(i).  
[Maintenance of Accounting Records]

The accounting records breach stemmed from an original currency translation error which resulted in undetected depreciation of authorised US dollar investments and erroneous overstatement of 'broker receivables' and 'deposits with SFE Clearing' balances in Bell's accounts throughout 2003 and most of 2004. The error was not identified by Bell's management or its external auditors throughout this period but was finally identified in November 2004 as part of a change to the Participant's clearing arrangements.

Correction of the issue necessitated booking of a foreign exchange loss of approximately \$700,000 against profits and shareholder funds and required restatement of Bell's 2003 audited financial statements. Bell self reported the matter to the Exchange in April 2005, following thorough investigation and remediation of the issue.

Acknowledging the wide-ranging and significant remedial action taken and the overall financial impact borne by Bell, the Committee nonetheless noted that there had been a fundamental weakness in the Participant's internal control framework over a lengthy period of time which had allowed the original error to be compounded and ultimately have a material impact.

The Committee's decision to find a breach of the self reporting rule was on the basis of lack of timeliness, with the Committee taking the view that Bell's senior management should have recognised the obligation to report the matter in November 2004, particularly in view of the Exchange's explicit reminder to the market on the importance of timely self reporting (via bulletin) in September 2004.

The Committee imposed a fine of \$12,000 (exclusive of GST) upon the Participant for the breach set out in (i) above and imposed a further fine of \$8,000 (exclusive of GST) upon the Participant for the breach set out in (ii) above. The allocation of penalties reflected the Committee's view that the disregard of the self reporting obligation for a period of approximately 5 months was the more serious offence in this instance, given the more inadvertent nature of the original accounting error. The Committee also recommended public notification of the disciplinary action taken in order to reinforce to the market the importance of timely self reporting of breaches.



**ANNE T. BROWN**  
**GENERAL MANAGER, RISK AND COMPLIANCE**

**11 OCTOBER 2005**

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