

# Grow with ASX - Compliance

ASX Markets Supervision

28 October 2008



Fiona Hooymans, Manager ASX Compliance

# Presentation outline

- ❖ Introduction
- ❖ Context
- ❖ Awareness and visibility of emerging issues
- ❖ Paradigm shift to strategic compliance
- ❖ Preparedness and veracity of supervision, operation and compliance infrastructure

# ASX Markets Supervision Organisation Chart



# ASXMS Supervision

- Market surveillance
- Monitoring capital liquidity in relation to counterparty risk
- Monitoring compliance with ASX Rules
- Investigating potential breaches of ASX rules
- Enforcing ASX rules against participants



Trading platform

Clearing facility

Settlement facility

- Research
- Advice
- Trade execution
- Clearing
- Settlement
- Portfolio services

**A. BROKER**

Broking services

- Margin loan
- Settlement
- Stock lending and borrowing

Margin and securities lending

- Advice
- Portfolio services
- Tax
- Superannuation

Wealth management

# What has changed?

- ❖ Global Financial crisis
- ❖ Confidence levels

	June 2007 (FY)	June 2008 (FY)	Sept 2008 (FYTD)	27 October 2008
S&P / ASX 200	6274.9	5215.3	4600.5	3809.2
Number of equity trades	48.2 million (FY)	90.4 million (FY)	30.1 million (FY)	

# Paradigm shift to strategic compliance

- Overarching consolidated approach
  - Economic forecasts
  - Global market trends
  - Leading Business Indicators
  - Emerging product development
  - Proximity to conceptual and figurative operation flows
  - Scenario planning

# Compliance focus



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- ❖ Governance
- ❖ Responsible Executive obligations
- ❖ Behavioural change – strategic compliance
- ❖ Veracity and evidence of compliance monitoring, escalation and remediation
- ❖ Trading behaviours
- ❖ Settlement behaviours

# Hot spots

- ❖ Errors, suspense accounts, rebooking practices
- ❖ Unauthorised discretionary trading
- ❖ Compensation structures / incentives
- ❖ Risk Limits, risk monitoring, rollout out of exposures, concentration risks
- ❖ Knowledge of process flow and system overriding capabilities
- ❖ Reconciliations
- ❖ Segregation of duties and IT security protocols

# Hot spots

- ❖ Market manipulation
  - ❖ price support
  - ❖ marking on the close
  - ❖ layering
- ❖ Rumourtrage
- ❖ Increase of trading errors “fat finger”
- ❖ Short Selling

# Short Selling Reporting



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- All Trading Participants, whether exempt from or otherwise not subject to the prohibition of covered short selling, must include in their net Short Sale position reports:
  - any “net covered short position” in Cash Market Products (other than Public Securities and ETF Securities) as required by subsection 1020BC(4) of the Corporations Act 2001 (Cth) (refer to ASIC Class Order 08/751);
  - any naked short position in an Underlying Financial Product resulting from the exercise of an Options Market Contract;
  - any “net covered short position” in ETF Securities as required by subsection 1020BC(4) of the *Corporations Act 2001* (Cth) (refer to ASIC Class Order 08/751).

# Short Selling Reporting



- ❖ How to report:
  - ❖ Market Participants are required to report their net Short Sale position on a daily basis in accordance with ASX Market Rules 19.6.1(c) and 19.6.2(c) even if that position is nil. Nil positions are to be reported daily by email to [compliance@asx.com.au](mailto:compliance@asx.com.au)
  - ❖ All reports are due by 9.00am for positions held as at 7.00pm the previous trading day

# Short Selling – Arbitrage



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- ❖ ASIC has provided relief to enable persons engaging in arbitrage transactions in relation to the securities of dual listed entities to make covered short sales of the relevant securities in Australia.
- ❖ Participants wishing to rely upon ASIC's relief for arbitrage transactions need to be registered as arbitrageurs with ASX under ASX Market Rule 19.2.1.

# Items on the agenda



- ❖ Continuation of ASX Compliance Workshops
- ❖ Adhoc issue specific site visits
- ❖ Launch of strategic education seminars
- ❖ Self Assessment - Corporate events
- ❖ Self Assessment – Trading behaviours
- ❖ Launch of ASX Compliance Monitor

**Welcome Natalie**  
6/05/2008  
nicole.irvine-  
oades@asx.com.au  
Password Expires In:  
22 days  
[Change Password](#)

Open Events				
Start Date	Due Date	Participant	Questionnaire	Event Status
13/03/2008	13/03/2008	nic_oades@asx.com.au	Susila Test	Scheduled
17/03/2008	21/03/2008	nic_oades@asx.com.au	Direct Holdings	Scheduled
29/03/2008	29/03/2008	nic_oades@asx.com.au	Appointment of a Responsible Executive	Scheduled
23/04/2008	23/04/2008	nic_oades@asx.com.au	Appointment & Resignation of Auditor	Scheduled
19/03/2008	19/03/2008	nic_oades@asx.com.au	Removal/ Resignation of a Director	Draft

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Completed Events			
Start Date	Due Date	Participant	Questionnaire
23/04/2008	23/04/2008	nic_oades@asx.com.au	Direct Holdings
22/04/2008	22/04/2008	nic_oades@asx.com.au	Appointment of a Responsible Executive
22/02/2008	22/02/2008	nic_oades@asx.com.au	Removal/ Resignation of a Director
13/02/2008	13/02/2008	nic_oades@asx.com.au	ASX Security Audit

**Notification**

**Participant**  
NAB\_Custodian

**Event Type** ?  
Search  X  
Removal/ Resignation of a Director

**Description**

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