

ASX Compliance Enforcement Activity

Under the Corporations Act, as a licensed operator of financial markets, ASX is obliged to have adequate arrangements for monitoring and enforcing compliance with the operating rules of those markets. It is also obliged, as a licensed operator of clearing and settlement facilities, to have adequate arrangements for supervising those facilities and for enforcing compliance with their operating rules.

The purpose of this circular is to notify participants in those markets and facilities of some of the enforcement activities recently undertaken by ASX Compliance, so that they are aware of potential areas of concern for ASX and of ASX's enforcement activities in those areas.

This circular covers enforcement activities that were finalised during the 3 month period ended 31 August 2019. Investigations in relation to other enforcement matters are ongoing.

Failure to maintain adequate clearing arrangements

ASX issued a warning letter to a trading participant for failing to direct two orders to the relevant clearing participant in breach of ASX OR 1003. The orders, which were placed using a new automated order processing (“AOP”) system, did not include a correct clearing ID when submitted to the exchange. ASX found that the breach resulted from a failure to have adequate resources and processes as required by ASX OR 1000(d) and a failure to have adequate clearing arrangements as required by ASX OR 1000(g).

Entry of excessive orders

ASX issued a warning letter to an ASX 24 trading participant for failing to comply with excessive order limits in breach of ASX 24 OR [4025]. The incident occurred in one ASX 24 night session following the participant's implementation of a new AOP algorithm and resulted in the ratio of orders entered to trades executed exceeding the ratio of 50:1. ASX found that the participant had inadequate controls in place to identify the risk that the algorithm would not comply with ASX 24 OR [4025]. Although the number of orders meant there was a real risk of a disorderly market, the incident did not have had a material impact on ASX and counterparties. The participant also promptly intervened and corrected the error in the algorithm.

