

**ENFORCEABLE UNDERTAKING****AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION****SECTION 93 AA**

The commitments in this undertaking are offered to the Australian Securities and Investments Commission (ASIC) by:

BURRELL STOCKBROKING PTY LTD (ACN 088 958 481)
Level 12 Riverside Centre
123 Eagle Street
BRISBANE QLD 4000

1. BACKGROUND

- 1.1 Burrell Stockbroking Pty Ltd (ACN 088 958 481) (Burrell Stockbroking) is the holder of a Security Dealers Licence Number 193438 (the Licence) under the Corporations Law (the Law).
- 1.2 In accordance with its powers and its regular surveillance over participants in the Securities Industry, ASIC recently reviewed the internal practices and procedures of Burrell Stockbroking. ASIC sought information from Burrell Stockbroking using its powers under the Law and the Australian Securities and Investments Commission Act.
- 1.3 Burrell Stockbroking co-operated with ASIC during this review and fully and frankly discussed and revealed its practices and procedures to ASIC.
- 1.4 After conducting the surveillance, ASIC identified a number of concerns that it had in respect of the internal compliance procedures of Burrell Stockbroking, including specifically the degree of compliance with the "Know Your Client Rule" and associated issues of supervision and training of proper authority holders. ASIC acknowledges that Burrell Stockbroking has, of its own initiative, made a number of internal procedural changes addressing these concerns.
- 1.5 Issues arising out of this review in relation to compliance are not unique to Burrell Stockbroking and have broader industry implications.
- 1.6 While Burrell Stockbroking does not agree with all aspects of ASIC's concerns, it acknowledges them and is keen to do all it reasonably can to improve its internal systems. Accordingly Burrell Stockbroking has agreed to make some changes to existing compliance measures (including the specific requirements set out below) for the purpose of ensuring best practice in ongoing compliance with the Law, the Corporations

Regulations, the ASIC Act and licence conditions attached to its Licence.

- 1.7 Pursuant to Section 786 of the Law, ASIC may, subject to a hearing, impose conditions and restrictions on a dealer's licence in addition to those prescribed by the Law, at any time when the licence is in force.
- 1.8 Burrell Stockbroking offers and ASIC has agreed to accept the commitments in this enforceable undertaking as an alternative to the exercise of the power referred to in paragraph 1.7 above.

2. UNDERTAKINGS

Pursuant to Section 93AA of the Australian Securities and Investments Commission Act, Burrell Stockbroking undertakes as follows:

2.1 *Operational Changes*

- 2.1.1 It will continue to take all steps necessary, including, as required on-going changes to its client services guide, to ensure that when it makes a securities recommendation to a person it has a reasonable basis for making the recommendation.
- 2.1.2 For new clients, other than those with execute only instructions or where general securities advice is given, it will seek to obtain a client profile (as defined in ASIC Policy Statement, paragraph 122.126) before making a securities recommendation. For on-going clients, if it does not already have such information, it will seek to obtain a client profile at the time that it is next instructed by these clients to effect the trade.
- 2.1.3 If it is unable to obtain a sufficient client profile from a client, Burrell Stockbroking will ensure that its proper authority holders give the warning referred to in Regulation 7.3.02C(1) of the Corporations Regulations.

2.2 *Compliance Program*

- 2.2.1 that it will, on or before 31 March 2001, engage an external independent compliance consultant (the compliance consultant) whose appointment and terms of reference are to be approved by ASIC, to review, assess, make recommendations and report in writing (the Initial Report) to Burrell Stockbroking and ASIC on Burrell Stockbroking's compliance, internal controls and procedures and training programs.
- 2.3 The compliance assessment will include, but not be limited to, the identification and the making of recommendations for remedying non-compliance with the Law, the Regulations, and licence conditions

attached to the Licence, (if any) including, but not limited to such issues as:

- 2.3.1 supervision and training of representatives.
 - 2.3.2 record keeping.
 - 2.3.3 procedures to ensure representatives have a reasonable basis for recommendations made.
 - 2.3.4 procedures to ensure representatives comply with the "Know Your Client Rule" and "Know your Product Rule" of Section 851 of the Law.
 - 2.3.5 procedures for opening new client accounts and obtaining a sufficient client profile from clients.
 - 2.3.6 processes for documenting recommendations and warnings to clients.
- 2.4 Burrell Stockbroking will agree with ASIC a timetable to implement the recommendations made by the compliance consultant as soon as practical but in any event by 30 June 2001. However, if Burrell Stockbroking objects to any recommendation in the Initial Report it will notify ASIC in writing of such objection together with its reasons within 28 days of receiving the Initial Report.
- 2.5 Burrell Stockbroking will instruct the compliance consultant to further review, assess and report in writing to both Burrell Stockbroking and ASIC (the Final Report) on Burrell Stockbroking compliance, internal controls and procedures and training programs and will provide a copy of that report to ASIC on or before 30 September 2001. This report shall include an assessment of:
- 2.5.1 the matters referred to in clauses 2.2 and 2.3; and
 - 2.5.2 the action taken by Burrell Stockbroking to remedy any deficiencies identified in the Initial Report.
- 2.6 *Compliance Officer*
- 2.6.1 Whilst ASIC acknowledges that Burrell Stockbroking has appointed a compliance officer, Burrell Stockbroking agrees and undertakes that compliance officer will have a supervisory responsibility to ensure that proper authority holders comply with the requirements of the Law, the ASIC Act, the Regulations and the conditions of the Licence.

2.7 Fees and Costs

2.7.1 Burrell Stockbroking will pay all fees and costs associated with the engagement of the compliance consultant referred to in this undertaking.

3. ACKNOWLEDGEMENTS

3.1 Burrell Stockbroking acknowledges that it has obtained legal advice in relation to the content and effect of this undertaking.

3.2 Burrell Stockbroking acknowledges that ASIC:

3.2.1 may issue a media release on execution of this undertaking, referring its terms and the concerns of ASIC which led to its execution;

3.2.2 may from time to time publicly refer to this undertaking; and

3.2.3 will make this undertaking available for public inspection.

3.3 Burrell Stockbroking acknowledges that this undertaking in no way derogates from the rights and remedies available to ASIC, or any other person or entity arising from any conduct described in this undertaking.

3.4 Burrell Stockbroking acknowledges that ASIC's acceptance of an enforceable undertaking does not affect its power to investigate, conduct surveillance or pursue a criminal prosecution or its power to lay charges or seek a pecuniary penalty order.

3.5 Burrell Stockbroking acknowledges that this undertaking has no operative force until accepted by ASIC.

The Common Seal of Burrell Stockbroking Pty Ltd)
(ACN 088 958 481) was duly affixed)
to this undertaking on December, 2000)
in the presence of and the sealing is)
attested by:)



[Signature]
Director

[Signature]
Director/Secretary

ACCEPTED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS
COMMISSION PURSUANT TO SECTION 93AA OF THE AUSTRALIAN
SECURITIES AND INVESTMENTS COMMISSION ACT BY ITS DULY
AUTHORISED DELEGATE

Date this 22ND day of DECEMBER 2000

M. P. Burnett
Michael Burnett
Director, Enforcement
Queensland Regional Office