

DISCIPLINARY MATTER – PATERSONS SECURITIES LTD

Patersons Securities Ltd ("Patersons") has paid a penalty of **\$25,000** and provided training to its Designated Trading Representatives in order to comply with an infringement notice given to it by the Markets Disciplinary Panel.

Background and circumstances

Patersons was alleged by ASIC to have contravened subsection 798H(1) of the Act by reason of contravening market integrity rule 6.6.1 of the ASIC Market Integrity Rules (ASX Market) 2010 ("MIR 6.6.1"), which provides:

"A Trading Participant must not effect a Special Crossing of any Cash Market Products (excluding Warrants) of an Issuer, on behalf of that Issuer during the term of a buy-back offer conducted On-Market by that Issuer."

On 17 February 2011 at or about 16:15:59, Patersons is alleged to have contravened MIR 6.6.1 by engaging in the following conduct in respect of the fully paid ordinary shares of Cape Lambert Resources Limited ("CFE"):

Patersons effected a Special Crossing of 1,955,000 CFE on behalf of the issuer of CFE, Cape Lambert Resources Limited ("Cape Lambert"). CFE is a cash market product. The Special Crossing was effected as part of a buy-back of CFE which was being conducted on-market by Cape Lambert.

The MDP noted that the purpose of MIR 6.6.1 appears to be to:

- (a) ensure fairness and transparency during the course of an on-market buy-back; and
- (b) minimise the risk that a market participant will cause or be involved its client company effecting a capital reduction in contravention of section 256D of the Act.

A capital reduction resulting from the cancellation of shares bought back on-market is prohibited under that section unless the buy-back results from an order made in the ordinary course of trading on a relevant market: see section 257B(6). A buy-back by way of a special crossing is not of this kind.

Patersons elected not to contest the alleged breach.

Relevant factors

Factors that were considered in determining the penalty and remedy to be applied in relation to the alleged breach included:

- The alleged breach was singular and the conduct appeared to be inadvertent;
- Patersons did not self – report the breach to ASIC and did not have policies in place relating to the execution of an on-market buy-back at the time it executed the relevant special crossing; however
- Patersons did notify staff of the provisions of MIR 6.6.1 after the alleged breach occurred;
- Patersons created procedures after the alleged breach to follow when an on-market share buy-back is conducted in future; and
- Patersons had a good regulatory record.

The Markets Disciplinary Panel ("the MDP")

The MDP is a peer review body that exercises ASIC's power to issue infringement notices and accept enforceable undertakings in relation to alleged breaches of the market integrity rules. The market integrity rules are made by ASIC and apply to market operators, market participants and prescribed entities under the regulations.

Additional regulatory information

Pursuant to subparagraph 7.2A.15(4)(b)(i) and (ii) of the Corporations Regulations 2001, Patersons has complied with the infringement notice, such compliance is not an admission of guilt or liability, and Patersons is not taken to have contravened subsection 798H(1) of the Corporations Act.

Further information on market integrity infringement notices, the market integrity rules or the MDP is available in Regulatory Guide 216 – *Markets Disciplinary Panel* and Regulatory Guide 225 – *Markets Disciplinary Panel practices and procedures* or at <http://www.asic.gov.au> under "markets-supervision", "markets –market integrity rules" and "Markets Disciplinary Panel".