



# Life Trading Pty Ltd

Independent Expert Report in respect of  
Enforceable Undertaking, dated 21 June 2021

## Summary Report

31 August 2021



McGrathNicol



## Summary Report

### Background

Life Trading Pty Ltd (ACN 603 549 748) (**Life Trading**) is a technology-focused proprietary trading firm with offices in Sydney and London. Life Trading became an ASX24 principal trading participant on 28 January 2019 and its principal activities are proprietary trading in futures contracts on ASX24.

The Australian Securities and Investments Commission (**ASIC**) investigated Life Trading's compliance with the Futures MIRs and as a result of its investigation formed a view that between 28 January 2019 and 4 June 2020, Life Trading did not have appropriate supervisory policies and procedures, including those related to record keeping.

On 25 May 2021, ASIC issued Life Trading an infringement notice which included a penalty and that Life Trading enter an Enforceable Undertaking (**EU**) and appoint an Independent Expert (**IE**) to conduct an independent review of Life Trading's supervisory policies and procedures and compliance to Futures Market Integrity Rules (**MIR**) and operating rules of the market.

On 21 June 2021 ASIC accepted an EU (030982820) from Life Trading, and on 20 July 2021 McGrathNicol Advisory (**McGrathNicol**) was engaged by Life Trading to undertake the role of IE as required under the EU and approved by ASIC.

### Scope and approach

Under the EU, the Independent Expert was to provide an opinion in respect of Life Trading's supervisory policies and procedures. Specifically, this included:

*Review and give a written Final Report and a Summary Report on whether, in the opinion of an Independent Expert, Life Trading has appropriate Supervisory Policies and Procedures to ensure compliance by Life Trading and each person involved in its business as a Market Participant with the Futures MIRs, the operating rules of each Market of which it is a Participant and the Act;*

*Review Life Trading's Supervisory Policies and Procedures for the period 1 July 2020 to 30 April 2021 (relevant period), taking into account ASIC Regulatory Guide 266: Guidance on ASIC market integrity rules for participant of futures markets at RG 266.94 – RG 266.96; and*

*Provide the written Final Report and Summary Report to Life Trading and ASIC by 31 August 2021 (or such later date as may be agreed by ASIC and Life Trading) on the outcome of the Expert Review, including identifying any Deficiencies in Life Trading's Supervisory Policies and Procedures and, where Deficiencies in Life Trading's current Supervisory Policies and Procedures are identified, make recommendations for how to remedy those Deficiencies.*

The IE undertook the following activities to assess the adequacy of Life Trading's supervisory policies and procedures:

- Conducted an initial engagement planning meeting with key executives and directors of Life Trading.
- Reviewed supervisory policies and procedures and performed a site visit to Life Trading's Sydney office to conduct walkthroughs of key trading and surveillance systems with senior compliance staff members.
- Conducted testing and sampling to assess the design and operational effectiveness of Life Trading's key supervisory policies and procedures.
- Conducted meetings and workshops with key local and UK trading executives and senior management.
- Assessed the existing supervisory framework against RG 266.94 – RG 266.96 and Futures MIR 2.2.8.
- Conducted a detailed review and assessment of the supervisory policies and procedures for the period 1 July 2020 to 30 April 2021, noting changes and improvements made in this period to documentation.
- Preparation of a Summary Report and Final Report on the outcome of the Expert Review.

## Summary of findings

The Independent Expert is of the opinion that Life Trading has appropriate supervisory policies and procedures to conduct business as a market participant under the Futures MIR 2.2.8 and ASX24 operating rules taking into consideration the nature, size, and complexity of its business.

It is evident Life Trading has undertaken a considerable volume of work during the relevant period to address deficiencies identified by ASIC in respect of its supervisory policies and procedures. In particular Life Trading has implemented trade surveillance systems, updated and implemented a suite of supervisory processes and strengthened the business's second line of defence function.

## Summary of recommendations

In accordance with section 3.4 (a) (iii) of the EU, the Independent Expert has identified several areas of improvement for Life Trading to consider and has made recommendations for the enhancement of existing supervisory policies and procedures. We believe these recommendations will aid Life Trading in strengthening existing policies and procedures.

These recommendations include suggested enhancements to governance policies, systems documentation, surveillance frameworks, incident management processes and improvements to Life Trading's continuing professional development training program.

Under section 3.5 of the EU, Life Trading undertakes to decide by 30 September 2021 (or such later date as may be agreed by ASIC and Life Trading) whether to implement the Independent Expert's recommendations.

## Limitations and disclaimer

This Summary Report has been prepared in accordance with the terms of the engagement letter dated 20 July 2021.

Please note that in accordance with our firm's policy, we are obliged to advise that neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person or organisation other than Life Trading and ASIC in respect of the information set out in this Summary Report, including any errors, omissions or negligence however caused.

We have not carried out an audit, nor have we verified any of the information provided to us, except where expressly stated. We have relied upon assurances from Life Trading as to the accuracy of the information provided.

Our review of the supervisory policies and procedures are limited to Life Trading's compliance to the Futures MIR and operating rules of ASX24. Our review does not examine the supervisory policies and procedures of other global markets and exchanges that Life Trading operates in.