



ASX Markets Supervision (ASXMS) Quarterly Activity Report – June 2010

Activity	Q4 FY10	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09
Total company announcements	25,381	26,635	35,024	30,791	26,000
Number of new listings	22	21	38	12	3
Number of delistings	8	24	28	39	20

- New listing activity in Q4 FY10 was in line with the previous quarter. While the 22 listings in the quarter is a decline from the recent high in IPO activity observed in Q2 FY10, it was still 633% higher than activity in the pcp.

As at end of quarter	Q4 FY10	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09
Listed entities supervised	2,117	2,102	2,106	2,095	2,121
Participants ¹ – ASX, ACH, ASTC	173	182	189	188	182
Participants – SFE, SFECC	40	39	39	37	37

- There were 2,117 listed entities supervised as at 30 June 2010, marginally higher than that at the end of Q3 FY10.
- The number of Participants (ASX, ACH, ASTC, SFE and SFECC) supervised in Q4 FY10 remained steady compared to previous periods.

Waivers granted	Q4 FY10	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09
Listing Rules	149	167	344	328	194
ASX Market Rules	1	0	0	0	2
ASTC and ACH Rules ²	1	13	1	8	7
SFE Operating Rules	11	5	11	23	5
SFE Clearing Rules	2	0	1	1	4

- There were 149 Listing Rule waivers granted in Q4 FY10. The number of waivers granted during the quarter is marginally lower than in Q3 FY10, but is significantly lower than the first two quarters of FY10 as overall secondary capital raising activity eased off in the second half of the financial year. (In previous quarters, a large proportion of waivers was granted to entities undertaking capital raisings through share purchase plans or accelerated entitlement offers.)
- There were 11 new exemptions granted for SFE Operating Rules during Q4 FY10, the majority (9) of which related to extensions to the submission of Financial Returns (OR.2.2.18). Two exemptions were granted to

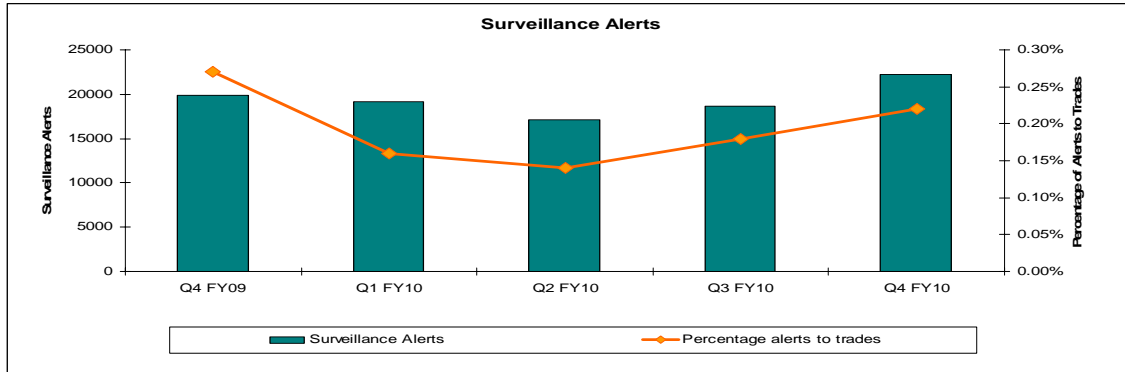
¹ Total number of active Participants only.

² Statistics for waivers under the ASTC Rules granted to listed entities are from 1 January 2009.

Clearing Participants from SFE Clearing Rules: Clearing Rules 8.4 (Financial Returns) and 4.14(a) (Annual Audit Certificate).

Market Surveillance

Real-time

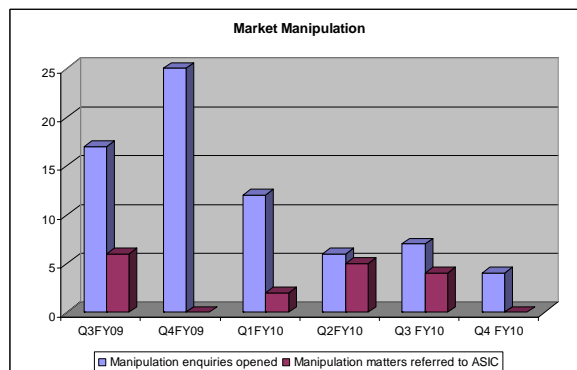
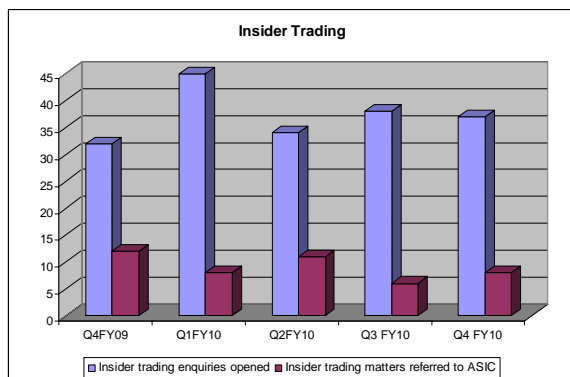


- There were 22,248 alerts in the June quarter. Alert numbers in Q4 were higher than the previous quarter, due to the market volatility during the quarter. The All Ordinaries Index traded in a range of over 800 points reaching a high of 5048 on 15 April before falling to 4194 on 21 May. The Surveillance unit normally receives 5,000 to 6,000 alerts per month. In May, there were 10,130 alerts (including 1,050 on 21 May alone), reflecting the significant volatility during that month.

Of the 22,248 alerts, over 14,000 (63%) were price-related alerts reflecting the volatility across the market.

Insider trading and market manipulation

Activity	Q4 FY10	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09
Insider trading enquiries commenced	37	38	34	45	32
Market manipulation enquiries commenced	4	7	6	12	25



- The numbers of insider trading and market manipulation enquiries commenced were broadly consistent with the previous quarter, however referrals to ASIC were slightly lower. Eight referrals were sent to ASIC, all of which were insider trading related. Two referrals concerned possible insider trading prior to takeovers.

Without suggesting a causal relationship, it has been observed that the number of insider trading enquiries undertaken by ASXMS is usually lower and market manipulation enquiries higher when markets are weak.

However, the lower number of referrals to ASIC during the quarter can be partially attributed to the heavy sell-off across the market.

Issuer Monitoring

*Continuous disclosure (CD)*³

Activity	Q4 FY10	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09
CD queries made by ASXMS	142	170	175	191	224
Price queries made by ASXMS	69	133	219	272	243
Total CD and price queries made by ASXMS	211	303	394	463	467
Announcements made following CD query	116	156	219	233	274
Trading halts at company's request	279	274	373	366	323
Trading halts following query by ASXMS	12	19	24	21	23
Suspensions at company's request	19	39	38	41	30
Suspensions imposed by ASXMS for breach of the Listing Rules	7	17	25	5	8
Aware letters ⁴ sent by ASXMS	8	34	24	16	21

- Lower levels of business-as-usual Issuer unit activity were observed during Q4 FY10 attributable in part to lower levels of capital raisings (both IPO and secondary raisings) and merger & acquisition activity.
- During the quarter, ASXMS made a total of 211 queries of which 69 were price queries. Significantly fewer price queries were made, particularly in May (11) and June (12). Most of the alerts generated by the SMARTS surveillance system were readily explainable, as individual stock prices were generally moving broadly in line with the overall market, resulting in fewer price queries.
- The eight aware letters sent by ASXMS in Q4 FY10 was lower than the preceding quarter. Numerous aware letters issued in Q3 FY10 were in relation to financial results announced during February where there had been material variations in the financial results⁵.
- In May 2010 the Issuers unit released the results of its review of disclosure of Directors' Interest Notices lodged by listed entities during the period 1 January 2010 to 31 March 2010.

Of the 2,640 Notices lodged during the latest three-month period, 94.8% or 2,504 were lodged correctly and within the five business days allowed by the ASX listing rule. This is the highest level of compliance since ASXMS began the reviews in Q1 2008. A total of 5.2% or 136 of the Notices breached the rule because of incompleteness or late disclosure. ASXMS made 25 telephone calls and sent 89 letters to listed entities seeking explanations, of which 83 letters were released to the market.

Of the 136 Notices that breached the rule, ASXMS referred 82 potential breaches of the Corporations Act to ASIC.

³ ASXMS raises continuous disclosure queries with listed entities when it has concerns that the entity may not be in compliance with its continuous disclosure obligations as set out in Listing Rule 3.1. Examples include queries made following broker or media reports. Price queries are a specific category of queries which are raised as a result of unusual movement in a listed entity's share price or trading volume that has been detected by ASXMS's market surveillance systems.

⁴ Aware letters are letters sent by ASXMS following an announcement by a listed entity where ASXMS asks for details of when the listed entity became aware of the material information contained in the announcement.

⁵ Listed companies are required to make an appropriate announcement immediately they become aware that there is expected to be a material difference in the financial results.

- In June 2010 the Issuers unit released the results of its review of securities trading by directors during the 'blackout' period. This review was based on all Directors' Interest Notices lodged between 1 January 2010 and 31 March 2010, and examined trading by directors during this period for possible contraventions of the publicly disclosed trading policy of the entity concerned.

The review found that three or 0.4% of the 766 total active (ie on-market) trades by directors in Q1 2010 were confirmed as contraventions of the trading policy of the entity concerned where permission from the relevant chairman of the board had not been granted for the trading. The contraventions involved three individual directors in the securities of three different entities, all of which were outside the All Ordinaries Index.

The results for Q1 2010 show an improvement compared to previous quarters - i.e. five contraventions (0.7% of 713 active trades) by four directors in the securities of four entities in Q3 2009, and eight contraventions (0.8% of 1,047 active trades) by six directors in the securities of six entities in Q1 2009.

ASX Markets Participant Monitoring

Matters commenced	Q4 FY10	Q3 FY10	Q2 FY 10 ⁶	Q1 FY10	Q4 FY09
ASX Participant-related enquiries ⁷ commenced	213	146	163	247	190
ASX Participant-related investigations commenced	14	5	13	17	13

- The increase in the number of participant-related enquiries during the quarter is a reflection of the continued focus ASX has on preventative compliance measures. During Q4 FY10 Compliance undertook a review of all Trading Participants to review compliance with certain trading interface and connectivity obligations. This review accounted for 44% of all enquiries commenced during the period.
- Following on from the previous quarter, ASX conducted the final 'ASX/ACI Compliance and Risk Fundamentals for ASX, ACH and ASTC Participants' workshops funded by the ASXMS Education and Research Program. In total there were 14 full one-day sessions conducted with a total of 293 attendees from Participants. These workshops explored the fundamental elements of a supervisory, risk and compliance framework, and provided an overview of the obligations of the ASX Operating Rule framework. Using practical applications with case studies, attendees increased their awareness of strategic compliance initiatives to mitigate the emerging risks inherent in their business processes.
- During the period ASX also conducted a series of education and consultation seminars for Participants in Melbourne, Sydney, Adelaide, Perth and Brisbane on the implications of the transfer of supervision to ASIC and the proposed new Market Rules. This program was funded by the ASXMS Education and Research Program.

Futures Supervision and Capital Monitoring

Matters commenced	Q4 FY10	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09
SFE Participant-related matters ⁸ commenced	13	7	19	18	12
SFE Participant-related investigations commenced	23	16	24	22	18

⁶ Numbers as at 23 December 2009.

⁷ Matters include ad hoc queries, on-site reviews, self assessments, spot reviews and queries arising from complaints made against a Participant.

⁸ Includes inspections, exemption requests, financial return reviews, self assessments and other ad hoc and administrative reviews

- All futures contract expiries, in particular the bonds and SPI futures expiring in June 2010, were conducted in an orderly manner.
- The Return Lodgement and Monitoring (RLM) system went into production during the quarter and is now being used by most Participants of ASX, ACH, SFE and SFECC to submit their financial returns to the Futures Supervision and Capital Monitoring teams. The RLM system offers a highly secure online mechanism for submitting the returns that are required under the various operating rules.

Enforcement

Referrals to ASIC	Q4 FY10	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09
Total referrals ⁹ to ASIC	24	23	21	18	22
Which include the following breaches:					
- Continuous disclosure	6	5	2	4	4
- Market manipulation	0	5	5	2	0
- Insider trading	8	6	11	8	12
- Other	12	8	12	6	8

- 24 referrals relating to 26 potential breaches of the Corporations Act were made to ASIC in Q4 FY10. This level of activity is in line with the previous quarter (23 referrals) and within the usual range.
- The majority of the matters referred to ASIC were in relation to breaches of the continuous disclosure (6) and insider trading (8) provisions of the Corporations Act. There were no suspected market manipulation breaches referred to ASIC this quarter. Other potential Corporations Act breaches referred to ASIC included breaches of trust account provisions, unauthorised discretionary trading and the provision of false information and/or the making of false and misleading statements.
- The role of the Enforcement team at ASX includes the preparation of cases in respect of alleged rule contraventions by Market Participants for determination by the ASX Disciplinary Tribunal. In this quarter, three new matters were referred to Enforcement in respect of various alleged breaches of the SFE Operating Rules and four new matters were referred relating to alleged breaches of the ASX Market Rules, which prohibit conduct resulting in, or likely to result in market manipulation.
- Five matters were lodged with the ASX Disciplinary Tribunal for determination. Two of these matters alleged a breach of ASX Market Rule 14.1.1 which requires Participants to refrain from doing anything which results in the market for a product not being both fair and orderly. The other three matters related to various breaches of the SFE Operating Rules.

Disciplinary Tribunal

Matters commenced	Q4 FY10	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09
Matters received by the Disciplinary and Appeal Tribunal during the period	8 ¹⁰	10 ¹¹	16	9	12
Disciplinary Circulars released during the period	11	6	9	11	4

⁹ A single referral may comprise more than one potential breach.

¹⁰ This figure includes 1 Listing Rule appeal matter which was subsequently withdrawn.

¹¹ This figure includes 1 Disciplinary Appeal and 1 Listing Rule appeal received.

Matters commenced	Q4 FY10	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09
Disciplinary matters in progress as at the end of the period	15	28 ¹²	21	13	18
Fines imposed during the period (excl GST)	\$935,000	\$400,000	\$335,000	\$1,625,000	\$290,000

Disciplinary Circulars released in Q4 FY10 were in relation to:

- **Merrill Lynch Equities (Australia) Ltd (MLEA) (117/10)** - The Tribunal imposed a fine of **\$170,000** (plus GST) for the range of contraventions summarised below. In addition to monetary fine, the Tribunal required the implementation of a training program for relevant MLEA employees to raise awareness of and compliance with ASX Market Rule 14.1.1. The contraventions can be broken down as follows:
 - Contravention 1, 2 and 4 - Market Rule 14.1.1 - On three occasions between 24 September 2008 and 3 December 2008, MLEA entered orders that resulted in markets for products that were not both fair and orderly. For these contraventions the Tribunal imposed a penalty of \$80,000 (plus GST).
 - Contravention 3 - Market Rule 14.1.1 - On 20 October 2008 an employee of MLEA who was not a Designated Trading Representative ('DTR') authorised the entry of an order that resulted in market that was not both fair and orderly. For this contravention the Tribunal imposed a penalty of \$35,000 (plus GST).
 - Contravention 5 - Market Rule 13.2.2 - On 20 October 2008 an employee of MLEA who was not a DTR submitted a trading message into the trading platform. For this contravention the Tribunal imposed a penalty of \$55,000 (plus GST).

The Tribunal noted the importance of Participants' compliance with the strict obligation of Rule 14.1.1. Contravention 3 highlighted the importance of the role of DTRs in authorising trading. The seriousness of the misconduct in Contravention 3 was accentuated by the fact that the person involved was not registered as a DTR in accordance with the Rules. The Tribunal commented that entering of trading messages into the trading platform by DTRs is a critical and important measure for maintaining integrity of the market and maintaining a fair, orderly and transparent market.

- **Merrill Lynch Equities (Australia) Ltd (120/10)** - The Tribunal imposed a fine of **\$160,000** (plus GST) for misconduct that included 15 contraventions of Market Rule 16.12.3 (Procedures for reporting) and one breach of Rule 5.2.4 (Allocation of client orders). The misconduct involved failing to report transactions in accordance with the requirements, and failing to ensure that certain client orders were directed through the correct open interface device. Incorrect Clearing Participant IDs were reported such that they could not be directed to the relevant Clearing Participant.

The Tribunal considered the purpose of Rule 16.12.3 in ensuring that transactions executed for overseas clients (or otherwise under late trading rules) are reported to the market before market open. This ensures that the market is informed as to activity which may have occurred since the previous trading close. The systemic nature of these breaches was relevant as an aggravating factor when considering an appropriate penalty.

- **Bell Potter Securities Limited (118/10)** - This matter involved an appeal against the decision of the Disciplinary Tribunal. Bell Potter appealed the quantum of the fine imposed. The result of the appeal was that the total sanction imposed by the Disciplinary Tribunal of **\$25,000** (plus GST) remained unchanged.

The contraventions involved a failure by Bell Potter to notify ASX of changes to its AFSL and changes to key personnel within the required timeframes. The sole issue of the appeal proceedings was whether the penalty of \$2,500 for contraventions 1A and 1B should be replaced by a censure. The Appeal Tribunal confirmed that its function is not to decide whether one penalty or another is more appropriate. Rather, the

¹² This figure includes 2 Disciplinary Appeals and 2 Listing Rules appeals; matters are considered in progress until the Tribunal receives notice that the fine has been paid.

Appeal Tribunal is only able to act on the basis of error. This will usually only be if it is shown that the Disciplinary Tribunal acted on a wrong principle, misconstrued its powers, allowed extraneous or irrelevant matters to affect its decision, mistook the facts or did not take into account some material consideration. No such error was found in this instance.

- **Merrill Lynch Australia (Futures) Limited (MLAFL) (143/10)** - The Tribunal imposed a fine of **\$30,000** (plus GST) for contravening SFE Operating Rule 2.2.26(d) - ie withdrawing funds from its Clients Segregated Account (CSA) for purposes not permitted under the SFE Operating Rules. The client funds, in the amounts of \$10 million and \$7 million, were deposited in a House Treasury Account on 21 February 2008. MLAFL transferred the funds back to the CSA on 15 April 2008. The Tribunal found the breach was unintentional and inadvertent.

As the contravening conduct occurred prior to 31 March 2008, the Tribunal had regard to the old SFE Operating Rules 5.6.1 and 5.6.2, as well as the old SFE Penalty Determination Guidelines in its determination as to sanction in this matter.

- **IMC Pacific Pty Ltd (196/10)** - The Tribunal imposed a fine of **\$85,000** (plus GST) on IMC for contravening ASX Market Rule 13.4.1(a)(ii) by entering into 9,705 market transactions on the trading platform in respect of which IMC, as principal, was both buyer and seller. The market transactions resulted in no change in the beneficial ownership of the products (that is, NCBO transactions).

These NCBO transactions occurred between independent trading strategies operated by IMC and included transactions between its options market making operations and its algorithmic trading operations. The NCBO transactions were not entered for the purpose or with the intent of affecting the market price or trading volumes of the relevant securities.

IMC was also found to have contravened 13.3.1, in that the filters it had in operation were incapable of preventing NCBO transactions.

- **Stonebridge Securities Limited (150/10)** - The Tribunal imposed a fine of **\$30,000** (plus GST) on Stonebridge for contravening ASX Market Rule 14.1.1 with respect to an order it entered into the ASX trading platform which resulted in the market for Panoramic Resources Limited (ASX code: PAN) not being fair and orderly.

The Stonebridge advisor involved had intended to place an order for PanAust Limited (ASX code: PNA) but entered an order for Panoramic Resources Limited (ASX code: PAN) in error. The erroneous order resulted in a 20% decrease in the price of PAN.

The Tribunal noted that the advisor had disregarded a warning message that the order was in excess of 2% from the current market. The order was then diverted to a DTR who did not receive any alerts or warnings and authorised the erroneous order.

- **Hartleys Limited (181/10)** - The Tribunal imposed a fine of **\$80,000** (plus GST) on Hartleys for the contravention of ASX Market Rule 13.4.1(b)(iii) - ie it made a bid for and dealt in the ordinary fully paid shares of Broad Investments Limited (BRO) where, taking into account the circumstances of the order, Hartleys ought reasonably to have suspected that the order may have been placed with the intention of creating a false or misleading appearance with respect to the price of BRO.

Although Hartleys contended that it did not suspect that the client had placed the bid with any intention of manipulating the market, the Tribunal determined that the circumstances were such that Hartleys ought reasonably have suspected that the client may have placed the bid with such an intention and should not have placed the bid without further enquiry to ascertain the client's intention.

- **Macquarie Securities (Australia) Limited (MSAL) (212/10)** - The Tribunal imposed a fine of **\$90,000** (plus GST) on MSAL for the contravention of Market Rule 14.1.1 on three instances as summarised below:

- On 2 June 2009 MSAL entered a bid for 118 fully paid ordinary shares of Brickworks Limited (BKW) at \$12.90 (the BKW bid) into the trading platform. The BKW bid was amended 16 times from \$12.90 to \$15.31 which resulted in a market for BKW that was not both fair and orderly.
- On 2 June 2009 MSAL entered a bid for 455 fully paid ordinary shares of Austereo Group Limited (AEO) at \$1.74 into the trading platform which resulted in a market for AEO that was not both fair and orderly.
- On 24 July 2009 MSAL entered a 1:1 combination bid for 50,000 Chess Depository Interests of News Corporation Class B Voting Common Stock (NWS) and the Chess Depository Interests of News Corporation Class A Non-Voting Common Stock (NWSLV), which resulted in a market for NWSLV which was not both fair and orderly.
- **Morgan Stanley Australia Securities Limited (220/10)** - The Tribunal imposed a fine of **\$20,000** (plus GST) on Morgan Stanley for contravening ASX Market Rule 13.2.2 during May 2008 by allowing trading by persons not registered with the ASX as Designated Trading Representatives (DTRs). During the relevant period, 265 orders were flagged by Morgan Stanley's certified automated order processing system (AOP system). These orders were held until they could be reviewed by a DTR. Of these 265 orders, 80 orders were released through to the trading platform by DTRs, while the remaining 185 orders were released by three non-DTRs. The three non-DTRs were not operating in Australia.

The Tribunal accepted that the breach was caused by an inappropriate setting on Morgan Stanley's AOP system. The traders did not realise that the held orders were being released directly into the market. The issue was discovered by Morgan Stanley's IT department in May 2008. The problem was rectified immediately, and the ability of the three non-DTRs to release orders directly into the market was removed.

- **ETRADE Australia Securities Ltd (228/10)** - The Tribunal imposed a fine of **\$80,000** (plus GST) on ETRADE for contravening Market Rule 13.1.1 by failing to ensure the accuracy of details of trading messages submitted to the trading platform. In total, 3,323 cash market transactions and 3 options transactions were executed on the trading platform with the wrong PID (the PID is a unique identification code allocated to ETRADE by ACH for the purposes of instructions notified to ASTC for settlement of a transaction); and Market Rule 5.2.4(b) by failing to ensure that all trading messages were directed to the relevant Clearing Participant.

The contraventions were as a result of ETRADE moving its data centre to Melbourne. ETRADE failed to set the appropriate PID before deploying the system live on the market. The Tribunal was particularly mindful of the aggravating factors of the matter, including ETRADE's extensive disciplinary history and a previous breach of a similar technological nature.

- **Stonebridge Futures Pty Limited (233/10)** - The Tribunal imposed a fine of **\$165,000** (plus GST) for four contraventions of the SFE Operating Rules. At the time of the contraventions Stonebridge was known as Tricom Futures Services Pty Limited. Tricom was renamed Stonebridge in July 2009.

The most serious misconduct included breaches of the margin call requirements including not making initial margin calls or calls on variation margins. Other contraventions included Stonebridge failing to include required details in its internal order records, failing to include sufficient detail in its error reports, and failing to record client conversations.

ASIC outcomes arising from ASXMS referrals

- On 9 April 2010, the former managing director of gold exploration company, Chameleon Mining NL (CHM), Mr Gregory Barnes, was sentenced in the NSW District Court to nine months imprisonment with a non-parole period of six months after being found guilty by a jury on two counts of permitting false and misleading information to be given to ASX.

Mr Barnes' sentence followed an earlier guilty plea by Mr Landan Roberts, the former director and secretary of CHM, to two counts of permitting false and misleading information to be given to ASX (with a third count

admitted and taken into account under section 16BA of the Crimes Act). Mr Roberts was sentenced to eight months imprisonment with a non-parole period of five months.

The sentencing followed an investigation by ASIC into allegations that Messrs Roberts and Barnes permitted the provision of false and misleading representations concerning \$3 million purportedly raised by CHM during an initial public offering (IPO) in 2003. As a result of the false representations, CHM managed to list and trade on the ASX for a period of 13 months without raising the minimum subscription amount.

Mr Barnes has successfully appealed against the conviction.

This matter was investigated by ASIC and prosecuted by the Commonwealth Director of Public Prosecutions following a referral from ASX.

- On 16 April 2010, Mr John Francis O'Reilly, former director of Lion Selection Ltd (Lion) was convicted and sentenced in the Supreme Court of Victoria on one count of insider trading contrary to section 1043A(1) of the Corporations Act.

Mr O'Reilly pleaded guilty and was sentenced to ten months imprisonment, but immediately released upon entering into a recognisance of \$500 to be of good behaviour for a period of 18 months. Mr O'Reilly was also ordered to pay a fine of \$30,000 and a pecuniary penalty of \$61,600 to the Commonwealth, being the expense outlaid in the purchase, and the benefits derived from the sale, of the shares.

These penalties were in relation to Mr O'Reilly's purchase of 50,000 shares in copper and gold exploration company, Indophil Resources NL (Indophil), while in possession of insider information regarding a proposal by Xstrata Queensland Ltd to takeover Indophil.

Mr O'Reilly will also be automatically disqualified from managing a corporation for a period of five years.

This matter was referred by ASX and prosecuted by the Commonwealth Director of Public Prosecutions.

- On 21 April 2010, ASIC permanently banned a former client adviser with Tricom Futures Services Pty Ltd, now known as Stonebridge Futures Services Pty Ltd (Stonebridge), Mr Roy Ho of Brisbane, from providing financial services.

Following an ASIC investigation, Mr Ho admitted that between 1 January 2008 and 24 October 2008, he used nine clients trading accounts at Stonebridge to place buy and sell orders for shares on ASX without permission from the authorised signatories to the accounts. ASIC also found that Mr Ho further breached the Corporations Act when several entries he made in the order system mislead Stonebridge, and when he falsified order entries in Stonebridge's order system indicating he had received instructions from clients regarding the trading when he had not.

This matter was referred to ASIC by ASX.

- On 27 April 2010, ASIC succeeded in obtaining a pecuniary penalty order and disqualification order in civil penalty proceedings against Dr Martin Soust, former chief executive officer of listed biotechnology company, Select Vaccines Limited (Select Vaccines). Dr Soust was ordered to pay a pecuniary penalty of \$80,000 (and ASIC's legal costs) and disqualified from managing a corporation for 10 years as a result of Federal Court findings that he had engaged in market manipulation and false trading in the shares of Select Vaccine.

This matter was referred to ASIC by ASX.

- On 26 May 2010, Dr Jeffery James Bateson, a former director of WHL Energy Ltd (WHL), appeared in Sydney's Downing Centre Local Court on insider trading charges brought by ASIC. Following an ASIC investigation into trading allegedly arranged by Dr Bateson in WHL shares during May 2008, ASIC alleged that Dr Bateson, while in possession of inside information, procured a nominee company acting on behalf of his superannuation fund to purchase shares in WHL for the benefit of his fund. The alleged inside

information related to a joint venture agreement proposal that WHL had not, at the time of trading, publicly announced. Dr Bateson was at the time a director of WHL (then known as Wind Hydrogen Ltd).

The matter is next before the court on 3 August 2010.

This matter was referred to ASIC by ASX and is being prosecuted by the Commonwealth Director of Public Prosecutions.

- On 9 June 2010, the Administrative Appeals Tribunal (AAT) upheld ASIC's banning of Perth broker, Mr Roberto Gerald Catena, from providing financial services. Mr Catena was employed as a broker with Citigroup Wealth Advisers Pty Ltd in its Perth office from May 2002 to March 2007.

An ASIC investigation found that Mr Catena had communicated inside information to six clients regarding the possible takeover of Vision Systems Limited (VSL), a publicly listed company on ASX. Further, the investigation found that Mr Catena had also subsequently advised these individuals to acquire VSL shares.

ASIC banned Mr Catena from providing financial services for five years on 4 February 2009. Mr Catena then sought a review of this decision before the AAT. Mr Catena currently has an appeal against the AAT's decision before the Federal Court.

The ASIC investigation followed a referral from ASX.

- On 29 June 2010, the AAT upheld ASIC's banning of Clive Henley of Patersons Securities. Mr Henley was banned by ASIC from providing financial services until 2013 after being in breach of the Corporations Act. Mr Henley, who was originally banned for 10 years, was found to have created a false or misleading appearance with respect to the price of Genetic Technologies (GTG). Mr Henley is the third adviser banned for manipulating GTG following the banning in 2008 of former Bell Potter adviser Rocco Musumeci and former ABN Amro adviser Richard Wade.

The ASIC investigation followed a referral from ASX.

Update on transfer of supervisory functions to ASIC

- Subject to Ministerial decision, it is expected that during the 3rd quarter of 2010, ASX will no longer supervise real-time trading on its markets or the broker-client relationship in relation to those markets. In its place, ASIC will take over the supervision of trading on Australia's domestic licensed markets and the supervision of trading participants.
- ASX is retaining a subsidiary company to fulfil the obligations of each of the licensed entities in the ASX Group to monitor and enforce compliance with the relevant operating rules, including the listing rules. The name of this subsidiary will change to ASX Compliance Pty Limited from August 2010, as the existing name - ASX Markets Supervision Pty Limited - will no longer properly describe the subsidiary's role within the ASX Group or ASX's ongoing obligations.

ASX has appointed Kevin Lewis to the role of Group Executive and Chief Compliance Officer. This role will supersede the Group Executive role that Eric Mayne has held in his five years with ASX.

- Upon the transfer, ASIC will assume responsibility for the supervision of domestic licensed financial markets and participants (including the relationship between participants and their clients) on those markets. ASX will retain responsibility for making sure participants admitted to its market comply with its operating rules.

The new arrangements do not change the existing oversight of listed entities or the obligations on ASX's clearing and settlement facility operators (in particular the obligations for the supervision of the facility and enforcement of compliance with the operating rules by clearing and settlement participants).

- Matters covered by the current ASX Market Rules and SFE Operating Rules will be split between ASIC and ASX Compliance. Access-to-facility rules and other rules that relate to the operation of ASX markets will be

contained in two new rule books – the ASX Rules and the ASX 24 Rules. (The SFE market is to be renamed the ASX 24 market.) Under the new arrangements, ASX will be required to monitor and enforce compliance with its new market operator rules.

Market integrity and participant conduct (as it applies to trading on licensed financial markets) rules to be supervised by ASIC will be contained in ASIC's Market Integrity Rules. There will be two new sets of ASIC Market Integrity Rules that apply to ASX's financial markets - one for the ASX securities and derivatives market, and another for the ASX 24 futures market.

- In light of the changes, it has been necessary for ASX to restructure the operating rules to provide a clear and workable rules framework once the market integrity-type and participant conduct rules currently in the operating rules are deleted. The new ASX Rules and ASX 24 Rules maintain the status quo where possible and practical, while presenting rules in a simpler and more concise format.

Notwithstanding the aim of maintaining the status quo, there are five key areas where substantive changes have been made. These changes have been driven by a range of reasons including the need to streamline and simplify the disciplinary process post-transfer, and to harmonise certain ASX and SFE processes. Further details about the new ASX Rules are available on http://www.asx.com.au/about/whats_new.htm

- The draft ASX Rules were released for consultation in April 2010. At the same time, these rules were informally lodged with ASIC. The new Rules were formally lodged on 28 June 2010 and are subject to the 28-day Ministerial non-disallowance process under the Corporations Act.
- Transitional arrangements will be necessary in some areas. Two of the main ones are:
 - The capital requirements in the ASX Rules for market participants will only apply for a further 12 months after the transfer date.
 - Potential breaches of the current ASX Market Rules and the SFE Operating Rules which occur prior to the transfer date will continue to be dealt with by the ASX Disciplinary Tribunal. This means that two separate (but similar) disciplinary processes will apply to certain breaches (eg market manipulation) post-transfer, and up to the time when the ASX Disciplinary Tribunal completes its determination of all potential pre-transfer breaches.
- ASX and ASIC have worked collaboratively since the Government's announcement of 24 August 2009 in re-shaping the rule framework to minimise the impact of this transfer of responsibility on market participants.

Changes to the Corporate Governance Principles and Recommendations

- In light of the reviews conducted by the Productivity Commission and CAMAC on issues such as executive remuneration and gender diversity, the ASX Corporate Governance Council considered changes to the Corporate Governance Principles and Recommendations.
- Following reviews by Council and a public consultation that was held in the second half of FY10, the Principles and Recommendations have been amended in the following areas:
 - Diversity: There are new Recommendations that Boards set measurable objectives for diversity and report against these in the annual report, and that companies report on the proportion of women in their work force, at senior executive level and on the board;
 - Remuneration: Current commentary on the composition of the remuneration committee has been elevated to a Recommendation;
 - Shareholder communication: Further guidance has been provided in the commentary about briefings; and
 - Trading Policies: Current Recommendation 3.2 has been deleted to avoid duplication with the new ASX listing rules.
- The new reporting requirements will apply to an entity's first financial year commencing on or after 1 January 2011. Companies will be encouraged to early adopt from 1 July 2010.

- Malcolm Starr, ASX's Executive General Manager, Regulatory and Public Policy, succeeded Eric Mayne as chairman of the ASX Corporate Governance Council on 1 July 2010.

ASXMS Education and Research Program

- Fines imposed by the Disciplinary Tribunal since 1 January 2007 have been directed to the funding of the ASXMS Education and Research Program. The Program is focused on raising awareness of current supervisory issues and promoting compliance with ASX's Operating Rules. It supplements ASXMS's existing and regular program of presentations, road shows and newsletters to listed entities and ASX Participants.

Program activities	Q4 FY10	Q3 FY10	Q2 FY10	Q1 FY10	Q4 FY09
Events held	11	8	7	14	52
Persons in attendance*	380	276	140	303	2,197

* Actual attendance figures - in some instances estimates are used based upon numbers registered to attend the event.

Educational events in Q4 FY10

- The national roll out of the compliance and risk course for ASX group participants was completed during Q4 FY10. This course was developed in association with the Australasian Compliance Institute.
- A Futures Compliance Forum was held to update SFE participants on the progress of the transfer of supervisory functions to ASIC.
- A transition roadshow was held to update ASX participants on the progress of the transfer of supervisory functions to ASIC.
- A financial reporting seminar was held in conjunction with the Institute of Chartered Accountants and ASIC for listed companies.