Credit Suisse Equities
(Australia) Limited
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Direct Market Access
Core Trading Rules Booklet

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DISCLAIMER

This publication is provided to you pursuant to the Australian Securities & Investments Commission ("ASIC") Market Integrity Rules (Securities Markets) 2017 (MIR) Part 5.6.2 – Authorised Persons for Automated Client Order Processing. It provides a summary only of the subject matter covered, without the assumption of a duty of care by Credit Suisse Equities (Australia) Limited, its affiliates, employees or agents ("CSEAL").

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1. INTRODUCTION

This booklet contains important information for all Direct Market Access ("**DMA**") users. Upon being granted access to DMA, each DMA user should read and understand the information in this booklet.

Please note that references in this booklet to "DMA users" include DMA clients who have entered into a DMA Agreement with Credit Suisse Equities (Australia) Limited ("**CSEAL**") or an affiliate of CSEAL for the use of DMA, and their nominated representatives authorised by CSEAL to access DMA. CSEAL requires that all DMA users comply with all aspects of the Corporations Act 2001 (Cth) (the "**Act**"), the Australian Securities Exchange ("**ASX**") Operating Rules, Cboe Australia[1] ("**Cboe**") Operating Rules, ASIC Market Integrity Rules (Securities Markets) 2017 ("**MIR**") and all other applicable rules and regulations in their use of DMA. This booklet has been compiled to assist you to identify conduct that may be unacceptable under Australian laws and regulations. However, responsibility for understanding and complying with applicable laws and regulations rests at all times with DMA users.

Some DMA users may be granted permission to place orders using DMA on stock markets located outside Australia. This booklet only outlines the requirements applicable to the Australian market, and does not deal with any laws, regulations or other requirements that may be applicable in those other markets.

2. ACCEPTABLE CONDUCT

2.1 ACCEPTABLE MARKET CONDUCT

As DMA users will appreciate, it is not possible to produce a definitive list of what constitutes acceptable market conduct. In using DMA to access the Australian market, DMA users should:

- Engage in conduct that promotes the fairness, efficiency, transparency and integrity of the market;
- Ensure that adequate security measures are in place to prevent unauthorised access of DMA;
- Abide by all procedures, protocols and guidelines agreed between themselves and CSEAL;
- Keep accurate records of orders sent via DMA;
- Immediately contact CSEAL if they have any queries regarding market conduct; and
- Have access to and acquaint themselves with relevant provisions of the Act, ASIC MIRs, ASX Operating Rules, Cboe Operating Rules, and all other applicable rules and regulations.

2.2 SECURITY ARRANGEMENTS FOR DMA ACCESS

- Security arrangements
- Access restrictions
- Risks of failing to ensure security arrangements

2.2.1 Security Arrangements

[1] Formerly Chi-X Australia

DMA users must ensure that they have adequate security arrangements in place to prevent unauthorised access to the DMA system.
DMA has restricted access that is login specific and individually password protected. In issuing logins and passwords to designated users, the DMA client must take full responsibility for all orders placed under the allocated logins.

2.2.2 Access Restrictions

DMA users must maintain procedures to prevent unauthorised access to DMA. These should include, amongst other things:

- the DMA user not permitting access to DMA by any individual who has not been approved by CSEAL;
- the DMA user ensuring that there is no sharing of system login by two or more authorised DMA users, whether using the one terminal or in any other circumstance; and
- the DMA user ensuring that there is no disclosure of DMA passwords between persons, whether authorised or not authorised.

DMA users must not record login and password details where they may be accessible by any other person other than the designated DMA user.

2.2.3 Risks of Failing to Ensure Security

Failing to adhere to security arrangements may give rise to unauthorised use of DMA. If it is apparent that DMA users are not adhering to adequate security arrangements, CSEAL may be obliged to restrict or terminate the DMA user's access to DMA. The DMA client is solely liable for all trades executed under all logins allocated to it and to its authorised users.

3. PROHIBITED CONDUCT

3.1 MARKET MANIPULATION PROHIBITION

- What is market manipulation?
- Why is market manipulation prohibited?
- Examples of market manipulation
- Regulatory references

3.1.1 What is Market Manipulation?

Market manipulation (or "market rigging" or "false trading", as it is sometimes also called) is, in essence, artificially interfering with genuine forces of supply and demand in the market, thereby giving a misleading appearance of the true state of the market.

Under the Act, the market manipulation rules apply to any "***financial product***" traded on a "***financial market***". A "financial product" includes:

- Securities, including shares

- Equity derivatives, including options, warrants and LEPOS
- A derivative, including a futures contract
- Foreign exchange products which are traded on a market
- Fixed interest products which are traded on a market.

This list is non-exhaustive, as other instruments may come within the broad definition of a "financial product" contained in the Act.

Note: The ASX and Cboe are "financial markets" within the meaning of the Act. Products traded on the ASX are primarily securities, including shares, and equity derivatives, but may also include other ASX listed derivatives. These are all "financial products" as defined, and hence for ease of reference, that term will generally be used in this booklet in substitution for "securities", "derivatives" or other such specific terms.

The market manipulation rules prohibit a person from carrying out any transaction, or two or more transactions, that ***will have the effect***, or ***are likely to have the effect***, of:

- creating an artificial price;
- maintaining a price at an artificial level; or
- creating a false or misleading appearance with respect to active trading,

in any financial product traded on a market.

3.1.2 Why is Market Manipulation Prohibited?

Any action that is taken with the intention of manipulating the market price of a financial product directly impacts on the function of the market in providing efficient price discovery. It disrupts the natural interactive forces of supply and demand and may ultimately impact on the participation levels of individuals and firms in the market.

Market manipulation is an example of misleading and deceptive conduct. It misleads the rest of the market into believing that the transaction was between one (or more) bona fide participants, whereas it was in truth a transaction motivated by an intention to distort the market.

Other market users may enter into trades at prices that are to their financial detriment, or because of an appearance of trading volume which is fictitious. Other market users may also suffer detriment because the price for a financial product is lower (or higher) than it would have otherwise been e.g. parties cashing in a holding in a managed fund comprising a portfolio of securities, parties holding a bona fide hedge linked to an ASX Share Index.

Market manipulation, by detracting from the fair and efficient operation of the market, gives rise to the following concerns:

- **Maintaining Market Confidence**

  Market manipulation detracts from the expectation of participants in the securities or derivatives markets that the price of a financial product reflects the operation of genuine market forces. Transparency in market pricing of a financial product is also fundamental from an efficiency perspective as investors can at least assume there is integrity in the pricing of a derivative or an index, relative to the pricing of the underlying securities or commodity.

- **Orderly Markets**

Market manipulative practices may contribute to sudden wild and excessive price movements. This can have a negative impact on the confidence and trust of the investing public with adverse flow-on effects to the economy generally. Investors might look to other investment opportunities or demand higher risk premiums, thereby increasing the cost of capital to companies. Alternatively, they may simply invest elsewhere and thus reduce liquidity on the ASX.

- **Investor Protection**

  Market manipulative conduct may have misleading or even fraudulent aspects that can lead to financial loss by investors. This leads to a diminishing level of investor protection in the marketplace that is counter to the objective of investor protection and maintaining a good market reputation in the international community.

3.1.3 Examples of Market Manipulation

- Any order placed with the intention to "up tick" or "down tick" the price of a security or "mark" the close (i.e. set the closing price) of a security. Manipulative practices which have led to regulatory enforcement action have included attempts to create a false arbitrage opportunity at the expiry of an equity option, or an attempt to move the price of an option such that it expires "in the money" when otherwise it would not have.

  Another example could be that of a funds manager who enters a large buy order in stocks which impact on the calculation of an ASX Index, such as the All Ords or the ASX 200, in order to cause the closing level to tick up on a day on which those funds are valued in order to increase the value of funds under its management.

- A holder of convertible notes who sells the subject security in order to depress the price at the relevant times during which the conversion ratio is calculated, in order to increase the number of securities which will be issued to the holder on conversion.

- A person who places a series of concurrent bids/offers at different price levels ("layering"), in order to create the appearance that the market for the security is deeper than it actually is.

- A person who places a large buy [sell] order above [below] the prevailing spread for the purpose of placing a floor [or ceiling] on the market.

- A client who consistently declines the opportunity to trade at lower levels during the day, but prefers to buy at higher level at or near the close.

- A person sells a particular security purely in order to cause the security to be deleted from an Index, thereby triggering selling of the security by index linked managers, thereby presenting an opportunity to profit from buying the stock at depressed levels.

- A person sells a particular security purely for the purpose of triggering another issuer's barrier warrant, or setting off a stop-loss order.

- The practice sometimes referred to as "spoofing the market", whereby a person places a large (perhaps undisclosed) order above the prevailing spread, not for the purpose of trading, but in order to draw in sellers at prices below. When the sellers enter at their desired level, the first

person then enters a buy order to trade with the sellers, and then withdraws the first sell order above the market prior to it trading.

3.1.4 Pre-arranged Trading, Transactions involving no change in beneficial ownership

These are particular types of market manipulation.

A transaction involves **no change in beneficial ownership** if the same party is the beneficial owner on both sides of the transaction, not as agent or trustee for separate parties. This is sometimes called "wash trading". It is immaterial whether the party uses different nominees as the buyer and seller if they are in truth the beneficial owner of both sides of the transaction.

Transactions where there is no change in beneficial ownership are deemed by the Act to be a breach of the law. As a result, in effect the onus then shifts to the person involved to prove that they were not engaging in manipulation. This may be difficult to establish in practice, even if there was in fact no intention to manipulate the market.

Such trading is considered manipulative because it misleads the market into believing that the transaction was a bona fide one between an independent buyer and independent seller on arm's-length terms, whereas it was in truth an arranged transaction involving the same party on both sides.

If the transaction is between the same buyer and seller, but the party is acting as trustee for different beneficial owners, then this rule is not breached, because there is, in fact, a change in beneficial ownership. An example of this is a funds manager acting as responsible entity for two different funds, who transfers securities from one fund to the other. Such trades are sometimes known as "put throughs".

Pre-arranged trading is where a person makes a bid or offer, and has either made, or proposes to make the opposite offer or bid at the same price, or knows that (or has arranged that) an associate has made or is going to make the other offer/bid at that price.

This prohibition is designed to prevent financial products being transferred between associates, for reasons unrelated to a bona fide transfer of the asset. For example, two or more associates who acquire a holding in securities, may subsequently begin to place both buying and selling orders for those securities, usually at about the same price, or at slightly rising prices, in order to build up an impression of turnover. The buying and selling just about balance each other out so there is not a large investment beyond the initial purchases.

The scheme may be carried out through several brokers or traders some of whom would not know they are being used for the purpose of market manipulation. When the sales are displayed on the electronic market screens or are reported to the market, unsuspecting investors interpret this as genuine interest and may also buy those securities with the effect that price and turnover increase, thereby providing the associates with an opportunity to sell out at a profit.

3.1.5 Manipulation can be across different financial markets

The conduct which amounts to market manipulation is not limited only to conduct which occurs on the securities market. The conduct may occur anywhere, including in other markets (such as the futures market) if it results in manipulation of the price of a financial product on the securities market.

Similarly, conduct on the securities market could potentially amount to manipulation of the futures market. For example, where a person buys or sells stock at the relevant time on the ASX in order to influence the level of the All Ords Index, and thereby, the settlement price of the SPI Futures contract on ASX24 (formerly the SFE).

3.1.6 Arbitrage Trading, Hedging

This covers strategies devised to arbitrage between two markets e.g. a stock market index and the futures contract over the stock market index. As mentioned above, arbitrage trading must not be engaged in for the purpose of increasing or decreasing the price of one market to artificially create a profit on a position held in another market.

One instance of inappropriate arbitrage trading occurred in the last trading day of the March SPI Futures Contract on 29 March 1996 involving a well-known international institution, which was found by Australian Courts to have contravened the market manipulation provisions of the Act. In that instance, buy and sell orders were placed well out of market range in a number of main stocks that made up the All Ordinaries Index. The institution also held significant futures positions, which it allowed to go to expiry and placed large sell orders in the stock to cause a sell down in the share price. Whilst the institution used as its defence that the selling was conducted as part of a legitimate economic objective of realising an arbitrage profit, the Courts decided that the legitimate economic objective did not mean all strategies engaged with that objective were right. The sell down in shares resulted in some sell trades at depressed prices and did not reflect the genuine forces of supply and demand.

Similarly, trading linked to strategies for hedging must not be designed to artificially raise, lower or stabilise prices.

3.1.7 Regulatory References

- **Market Manipulation**

  Section **1041A** of the Act prohibits taking part in or carrying out (whether directly or indirectly) any transaction or two or more transactions that have or are likely to have the effect of creating an artificial price for dealing in a financial product or maintaining a price level that is artificial for trading in a financial product on a financial market.

- **False Trading and Market Rigging**

  Section **1041B** of the Act prohibits a person (in this jurisdiction or elsewhere) doing anything, or omitting to do an act, if that act or omission has, or is likely to have, the effect of creating or causing the creation of a false or misleading appearance of active trading in financial products in a financial market or with respect to the market for, or the price for dealing in, financial products on a financial market.

  Section **1041B(2)** deems a person to have created a false or misleading appearance of active trading in a financial product if they enter into any transaction that does not involve any change in beneficial ownership of the financial product.

  Section **1041C** of the Act prohibits a person (in this jurisdiction or elsewhere) entering into or engaging in a fictitious or artificial transaction or device that results in the price for trading in a financial product on a financial market being inflated, depressed or maintained, or results in fluctuations in the price for trading in a financial product on a financial market.

- **False or Misleading Statements**

  While false and misleading statements and deceptive conduct are dealt with elsewhere (see Section **3.3.** below), this conduct may also be linked to price manipulation. Misleading statements extend to statements that omit material facts or statements that are factually incorrect.

  Section **1041E** of the Act prohibits a person from making a false statement or disseminating false information which is likely to induce other persons to deal in a financial product or have the effect of increasing, reducing, maintaining or stabilising the market price of a financial product if, when making that statement or giving that information, the person is recklessly indifferent as to whether the information is true or false or knew or ought reasonably to have known that the statement is false or misleading in a material particular.

  Section **1041D** of the Act relates to dissemination of information about illegal transactions. This section makes it an offence to disseminate any statement or information to the effect that the price for dealings in a financial product will rise, fall or be maintained because of an illegal futures contract (i.e. a contract that contravenes Section **1041A**, **1041B** or **1041E** as described above or Section **1041F** as described in Section **3.3.3.** below).

- **ASIC Market Integrity Rules - Prevention of manipulative trading**

Rules 5.7.1 and 5.7.2 of the MIRs contain similar provisions to those in the Act, prohibiting brokers from executing an order which is manipulative, or where, having regard to all of the surrounding circumstances, the broker ought to have formed a suspicion that the order may be manipulative.

In this respect, it is important for a client to be aware that ASIC places an onus on a broker to recognise when circumstances ought to give rise to a suspicion, and requires the broker not to execute the order until they have taken steps to enquire of the client as to the reasons or strategies behind the order, for the purpose of allaying the suspicion.

If a broker is not able to properly allay these concerns, then ASIC requires the broker to decline to execute the order. A broker which fails to discharge these obligations faces potential disciplinary proceedings by ASIC

3.2 INSIDER TRADING PROHIBITION

- What is inside information and who is deemed to have it?
- Why is dealing whilst in possession of inside information prohibited?
- Regulatory references

3.2.1 What is Inside Information and Who is Deemed to Have it?

Once again, the insider trading provisions apply to all "***financial products***", which includes securities, futures contracts and other derivatives.

Inside information is any information that is not generally known to the marketplace that, if it were generally known, would have a material effect on the price or value of a financial product. Such information may include knowledge of a client's intention to trade in a product or information relating to the underlying company/issuer, commodity or instrument.

Any person who is in possession of inside information pertaining to a financial product (an "insider") is precluded from dealing in that financial product, or any other financial product the price or value of which may be materially affected.

Insiders as referred to above include any other person to whom the original insider has communicated the inside information (sometimes called "tipees").

Information is not inside information if it is derived from one's own deductions made from publicly available information or anything which is readily observable.

3.2.2 Examples of Inside Information

Information about the following types of matters would likely be inside information relevant to a financial product, if not generally known to the market:

- in relation to securities, information relating to the company, including proposed takeovers, proposed capital raisings, significant technological discoveries, changes to financial forecasts, announcement regarding financial performance or significant changes to management personnel;
- any material change in the financial position, including credit rating of a listed company;
- proposed movements in official interest rates;
- likely movements in exchange rates;
- significant orders about to be placed in the market (other than one's own orders). For example, knowledge that another person was proposing to sell a large line of a stock in the market, if that line would cause the price to fall;
- in relation to derivatives based on commodities, movements in the price of the commodity, including knowledge about an underlying event which is likely to give rise to such a movement.

3.2.3 Why is Dealing Whilst in Possession of Inside Information Prohibited?

A fair and efficient market requires that one trader not have an unfair advantage over any other trader in the market. Trading whilst in possession of inside information gives that person an unfair advantage in the marketplace as they have a greater chance of knowing in advance the direction in which the market price will move.

Selective disclosure of information that is not known to the rest of the market is not only contrary to the concept of dealing in a fair and efficient manner, it may also represent a conflict of interest for a broker where the information relates to another client's order. For clarification, only information that has been previously disclosed to the rest of the market may be communicated to another person.

Other issues that relate to the prohibition on dealing whilst in possession of inside information are:

- **Informed Market**

  All market users must be able to access the same level of information in the marketplace as any other market user.

- **Investor Protection**

  The prohibition against the use of inside information is to safeguard market users from being placed in a disadvantaged position that could lead to financial loss.

3.2.4 Regulatory References

- **Inside Information**

  The term “inside information” in relation to “***financial products***” is defined by Section **1042A** of the Act to mean information that is not generally available, but if it were generally available, would be likely to affect materially the price or value of a particular financial product.

- **Persons precluded from dealing**

  Under Section **1043A** a person is precluded from dealing in a financial product in the following situations:

  - the person (the ‘insider’) is in possession of information which they know, or ought reasonably to know, is not generally available; and

    the insider knows, or ought reasonably to know, that if it were generally available, a reasonable person would expect it to have a material effect on the price or value of a financial product;

  - dealing by a person who has received inside information directly or indirectly from another person and the person is aware or ought reasonably to be aware that the other person who supplied the information (the ‘tipper’) is precluded from dealing in the financial product because they are an insider (‘tippee dealing’).

  Under Section **1042G** of the Act, a body corporate is precluded from dealing in a financial product while one of its officers is precluded from direct or indirect insider dealings or tippee dealings in that product (‘body corporate dealing’). However, see exception below.

- **Exceptions from the dealing prohibitions**

  Under Section **1043F** of the Act, a body corporate will not be prohibited from dealing in a financial product because an officer (the ‘insider’) of that body corporate has inside information if the following three tests are satisfied:

  - the decision to deal by the body corporate was taken by someone other than the insider;
  - the body corporate had sufficient information barriers to ensure that the inside information was not communicated to the person who made the decision; and
  - the information barriers were effective in that no inside information or advice was actually communicated to the decision maker.

- **Prohibition on procuring another person to deal**

  Under Section **1043A** of the Act, a person precluded from dealing in a financial product because they are an insider must not procure another person to deal in the financial product.

- **Prohibition on communication of information by precluded person**

  Under Section **1043A(2)** of the Act, a person precluded from dealing in a financial product because they are an insider must not pass on the information if the person knows or ought reasonably to know that the other person would be likely to deal in that financial product.

3.3 FALSE & MISLEADING STATEMENTS AND DECEPTIVE CONDUCT

- What are false and misleading statements?
- Why are false and misleading statements prohibited?
- Regulatory references

3.3.1 What are False and Misleading Statements?

False and misleading statements include written or verbal commentary by a person who does not have reasonable grounds for making those statements. In the context of securities or other financial products, the prohibition against making false and misleading statements centres on the likelihood of such statements inducing a person to deal in the securities/financial products or on having an effect on their price.

The prohibition extends to making or publishing statements or disseminating information that is false and misleading. This includes instances where the person:

- knows, or ought reasonably to know, that the statement is false, misleading or deceptive;
- is reckless in making or publishing the statement i.e. does not care whether the statement is true or false;
- knows that the statements or published material contains statements, promises or forecasts that are known to be false and misleading; or
- stores information (e.g. electronically) that they know is accessible to others, that is false or misleading.

3.3.2 Why are False and Misleading Statements Prohibited?

False and misleading statements impact on the integrity of the market. They may artificially induce another person to trade based on information that the person does not know is false or may influence the price of a security by causing it to either increase, decrease or stabilise.

The dissemination of false and misleading information detracts from the market being properly informed by not giving investors access to all material information on which to make an informed trading decision.

The prohibition is also intended to minimise the risk of investors incurring losses due to reliance on information presented in a way that may cause financial loss. The person that makes or disseminates the false and misleading information has an unfair advantage over the person that does not know it is false and misleading.

3.3.3 Regulatory References

Fraudulently Inducing Persons to Deal

- Section **1041E** of the Act prohibits a person from inducing or attempting to induce another person to deal in a financial product by the following means:
    - making or publishing a statement, promise or forecast that the person knows to be misleading, false or deceptive;

  - dishonestly concealing material facts;
  - recklessly making or publishing any statement, promise or forecast that is misleading, false or deceptive; or
  - recording or storing in, or by means of, any mechanical, electronic or other device information that the person knows to be false or misleading in a material particular, and which they had grounds to expect that other people would have access to. (This would extend to internet chat sites).

False or Misleading Statement

- Section **1041E** of the Act prohibits a person from making a statement or disseminating information which is false or misleading in a material matter and is likely to:
  - induce the sale or purchase of a financial product by other persons; or
  - have the effect of raising, lowering, maintaining or stabilising the price for dealings in financial products [See also **Section 3.1** above];

  and when making or distributing the statement, the person either does not care whether the information is true or false, or knows or ought reasonably to know the statement is false in a material particular or is materially misleading.

Other Legislation

- **Australian Securities and Investments Commission Act 2001:**
  - Section **12DA** of the *Australian Securities and Investments Commission Act 2001* prohibits a person, in trade or commerce, engaging in conduct in relation to a financial service that is misleading or deceptive or is likely to mislead or deceive.
  - A financial service includes, for example, dealing in a financial product (e.g. futures contracts) or providing financial product advice.
- **Competition and Consumer Act 2010:**
  - Section **18** of the **Australian Consumer Law** (as defined in the *Competition and Consumer Act 2010* (Cth)) prohibits a person, in trade or commerce, engaging in conduct that is misleading or deceptive or likely to mislead or deceive.

3.4 FAIR AND ORDERLY MARKETS

- What is a fair and orderly market?
- What conduct is prohibited?

3.4.1 What is a Fair and Orderly Market?

A fair and orderly market is one where the forces of demand and supply can operate freely and where each user has an equal opportunity to participate. No one user should be able to have an unfair advantage over other users or have an undue influence over the marketplace. Accordingly, regulations have been formulated in an attempt to ensure that markets operate in a fair and orderly manner, brokers and their representatives deal efficiently, honestly and fairly with client orders and access to the marketplace is consistent, fair and non-discriminatory.

3.4.2 What Conduct is Prohibited?

The prohibitions discussed in Sections **3.1** to **3.3** above are all relevant to maintaining a fair and orderly securities market. However, users of DMA should also be aware of and understand the following regulatory prohibitions relevant to this area. Please note the following does not cover all conduct that may potentially disrupt the operation of a fair and orderly market – they are cited as some relevant examples only.

- **Unlicensed Dealings**

  It is requirement under the Act that a person must not deal in financial products on another person's behalf without holding either an appropriate Australian Financial Services licence or an authorisation as a Representative from the holder of such a licence. Therefore, DMA users may not agree and accept an order for execution on another person's behalf unless either of these requirements is satisfied. Failure to hold these authorisations carries severe penalties under the Act. DMA users should advise Credit Suisse if they hold an AFS licence or are an Authorised Representative of another AFS licence holder for the purposes of dealing in financial products.

3.5 SHORT SELLING

3.5.1 What is Short Selling?

Short selling involves a person entering into a contract to sell a financial product (i.e. securities, managed investment products, government bonds, or certain warrant products) which, at that time, they do not own (referred to as 'section 1020B products').

A person that sells a section 1020B product must, at the time of sale, have a "presently exercisable and unconditional right to vest" the product in the buyer.

Generally speaking, under the current law operating in Australia, only "covered" short sales are permitted. Short sales that are not "covered" are known as "naked" short sales. A "covered" short sale occurs if:

- before the person enters into the contract of sale, they have entered into or gained the benefit of a securities lending arrangement; and
- at the time of the sale, the person intends that the securities lending arrangement will ensure that some or all of the products that are the subject of the sale can be transferred to the buyer.

Naked short sales are prohibited except where ASIC has given relief, which is usually only given to facilitate the orderly operation of markets.

3.5.2 Short Selling disclosure

Where a DMA Client is a seller entering into a covered short sale must advise CS at the time of requesting the sale. The DMA User agrees to comply with these obligations by contacting CS, using FIX protocols in the manner directed by CS and ASIC, and specify whether the sale is (a) a Covered Short Sale or is (b) a Long Sale.

ASIC requires the disclosure of long and short sales for DMA via FIX tag 54:

Sale type	FIX
Long sale	2
Short sale	5

3.6 WHAT ARE THE PENALTIES FOR ENGAGING IN PROHIBITED CONDUCT?

Both ASIC and the ASX will investigate and, if warranted, pursue persons who engage in the prohibited conduct described in this booklet. There are a number of disciplinary actions that can be taken by the regulators against the trader, broker and DMA user involved in prohibited conduct, including:

- **Loss of Licence/Banning**
  Under the Act, ASIC has the power to cancel or suspend any licence where it forms the view that it is in the interests of maintaining market confidence. Anyone who is an Authorised Representative may face revocation of their Authorisation. ASIC also has the power to make orders banning a person from providing any financial services for a period of time.

- **Criminal and Civil Penalties**
  Under the Act there are avenues for criminal prosecution of the trader, broker and/or DMA user where they are either directly involved or knowingly concerned in certain of the conduct described above. Penalties include up to 15 years imprisonment and/or a civil penalty of a $1.11 million fine for individuals, or for companies, the greater of a $11.1 million fine, three times the benefit obtained and detriment avoided by the conduct, or 10% of annual turnover (capped at $555 million).

- **Civil Court Action**
  Civil court action may be pursued by persons who have suffered financial loss as a result of other persons having engaged in prohibited conduct.

- **Reputational Risk**
  Any person or entity involved in prohibited conduct bears the risk of adverse publicity and loss of reputation.

GLOSSARY OF TERMS

Artificial Price	A price traded in the market that is not reflective of genuine supply and demand but is reflective of attempts by one or more market users to influence the market price of a financial product traded on a market.
Authorised Users	Persons that have been nominated by a DMA Client and granted permission by CSEAL to enter orders into DMA on behalf of the DMA Client.
DMA Client	Clients that have executed a DMA Agreement with CSEAL or an affiliate of CSEAL.
DMA User	Includes the reference to DMA Clients and their nominated representatives that have been authorised by CSEAL to access DMA.
Orderly Market	A market that is operating where genuine forces of supply and demand are permitted to operate free of disruptive market conduct or artificial measures that are designed to influence the price at which financial products are traded.