

ASX Disciplinary Matter – Societe Generale Securities Australia Pty Ltd

ASX's Chief Compliance Officer ('CCO') has determined that Societe Generale Securities Australia Pty Ltd ('SGSAPL') did not comply with:

- (a) ASX Clear (Futures) Operating Rule ('ASX CFR') 45.1, being SGSAPL's obligation to settle an intra-day margin ('Intra-day Margin') by the prescribed time of 1:02pm on 16 July 2024; and
- (b) ASX CFR 4.10, being the requirement on SGSAPL to at all times ensure that it satisfies its continuing requirements under ASX CFR 4.2(e), to have adequate resources and processes to comply with its obligations as a clearing participant under ASX CFR 45.1,

together, the 'Contraventions'.

The CCO imposed a total fine of \$50,000 (plus GST) for the Contraventions.

The circumstances of this matter are:

On 16 July 2024, SGSAPL failed to settle an Intra-Day Margin call of NZD \$1,364,411.36 by the prescribed time of 1:02pm. The Intra-Day Margin was subsequently settled at approximately 1:26pm (the 'Event').

SGSAPL's failure to settle the ASX Margin Call by the prescribed time stemmed from inadequate, or inadequately embedded, procedures, including but not limited to the deactivation of the relevant Standard Settlement Instruction without validating this decision with the relevant decision-maker, preventing a transfer of NZD \$1.4m to SGSAPL.

The delay was exacerbated by the relevant SGSAPL team failing to follow the appropriate procedures to verify that there were sufficient funds available prior to the ASX Margin Call.

In determining the penalty, the CCO took into account, among other factors, the following:

- (a) The RBA has determined Financial Stability Standards ('FSS') for licensed clearing facilities such as ASX Clear (Futures) ('CCP Standards'). Under Standard 16 of the CCP Standards, central counterparties such as ASX must identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures and controls.

Given the important role margins serve to protect the integrity of ASX's markets and facilities, as a central counterparty ASX is required to establish and rigorously enforce relevant rules and timelines, such as ASX CFR 45.1, for margin collections and payments.

- (b) Where a Clearing Participant fails to meet any obligation under the ASX CFR, or fails to pay any Initial Margins, Intraday Margins, or Daily Settlement Amounts, such failure may constitute an event of default (per ASX CFR 71.3 (a) and ASX CFR 71.3(c), respectively).
- (c) In accordance with the CPP Standards, ASX CFR Guidance Notes 1 and 9 establish that, as a component of the requirement on a participant to have adequate processes to comply with its obligations under the ASX CFR, clearing participants are expected to document and implement their key processes for meeting their obligations under the ASX CFR.
- (d) The Contraventions were inadvertent and unintentional.
- (e) Notwithstanding that the Contraventions were inadvertent and unintentional, ASX is of the view that the breach of this margin payment obligation is one which ought to have been prevented or mitigated by appropriately embedded processes.
- (f) SGSAPL did not derive a financial benefit or other commercial advantage from the Contraventions.

- (g) SGSAPL did not act unconscionably towards, or otherwise take advantage of, clients or counterparties.
- (h) SGSAPL demonstrated a cooperative stance with ASX in its investigations of the breaches.
- (i) SGSAPL has undertaken prompt and effective remedial action.

Sanction Guidelines

The CCO determined that, given the circumstances in this matter, a fine of \$50,000 (plus GST) was an appropriate sanction.