

Guidance Note: Approved Representatives

References: Chapter 5 CMAEC Business Rules

Introduction

This guidance note has been provided to assist Exchange brokers understand and meet their responsibilities under the CMAEC Business Rules in relation to their approved representatives.

Regulatory Objectives

Under CMAEC Business Rule 5.2, an Exchange broker is responsible to the Exchange for the conduct of each of their approved representatives. In particular, the Exchange broker is responsible to the Exchange for:

- a compliance by the approved representative with the provisions of the Rules; and
- b all debts, liabilities and actions incurred or undertaken by the approved representative

in their capacity as an approved representative of the Exchange broker or in any way arising out of their connection with the Exchange broker.

Approved Representatives

Approved representatives must have a proper authority from the Exchange broker and may not place orders on markets unless they are also authorized trading representatives.

It must be an approved representative that supervises and directly controls any place at which an Exchange broker carries on a business other than that place under the direct control of the Exchange broker.

Key Trading Responsibilities

Exchange brokers have a range of responsibilities while trading on the market.

As an Exchange broker is responsible for ensuring that their approved representatives comply with the CMAEC Business Rules, approved representatives should be familiar with the key responsibilities of Exchange brokers, which may be summarised as follows:

- ensure the conduct of an orderly market;
- not make bids and/ or offers with the intention of creating a false market;
- not engage in transactions that involve no change in beneficial ownership;
- not trade off market in securities quoted on the Exchange;
- not short sell other than in accordance with the Corporations Act; and
- not trade in securities that are subject to a trading halt.

These responsibilities are in addition to an Exchange broker's obligations under laws and the common law.

Insurance

As Exchange brokers are responsible to the Exchange for any debts, liabilities and actions incurred or undertaken by their approved representatives, insurance coverage should extend to approved representatives.

CMAEC Business Rule 5.3(a) provides that Exchange brokers must take out and maintain insurance policies indemnifying the Exchange brokers against liability for any potential claims.

This insurance should be of a type and amount that would be considered adequate having regard to the amount and type of business carried out by the Exchange broker.

Scope of Guidance Note

This guidance note is intended to assist Exchange brokers comply with their obligations under the CMAEC Business Rules. It is not exhaustive, does not in any way act as a substitute for any CMAEC Business Rules and is not binding on the Exchange in its application of the Rules in any particular case.

This guidance note does not constitute legal advice by the Exchange. Where appropriate, Exchange Brokers should obtain their own professional advice about compliance with their obligations under the CMAEC Business Rules.