

Chapter 6

Prohibited Trading Practices

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601. Withholding of Customer Orders Prohibited

601.1 A Broker Member or a Registered Person shall not withhold or withdraw from the Market any Order or any part of a Customer's order for the benefit of itself or himself or for any other person.

602. Disclosure of Customer Orders

602.1 A Broker Member or a Registered Person shall not divulge information relating to a Customer's order held by it or him unless such disclosure:

- (a) is necessary for the effective execution of such order;
- (b) is in compliance with these Rules; or
- (c) is made at the request of the Exchange and the Book Depository.

603. Wash Sales / Fictitious Trades

603.1 A Member or a Registered Person shall not, by means of any purchase or sale of any Products that do not involve a change in the beneficial ownership of those Products, or by any fictitious transaction or device, maintain, inflate, depress, or cause fluctuations in, the market price of any Product.

603.2 In any proceeding under these Rules against a Member or a Registered Person for a contravention of Rule 603.1 in relation to a purchase or sale of Products that did not involve a change in the beneficial ownership of those Products, it is a defence if the Member or the Registered Person establishes that the purpose or purposes for which it or he purchased or sold the Products was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, the Products.

604. Trading Against Customer Orders

604.1 A Broker Member or a Registered Person must not knowingly enter into a transaction to buy from or sell to a Customer any Product for:

- a) the Broker Member's or the Registered Person's own account;
- b) the accounts of connected persons or persons associated with the Broker Member or the Registered Person; or
- c) an account in which the Broker Member or the Registered Person has an interest (including any account over which it or he has discretion),

except with the Customer's prior consent and in accordance with these Rules.

605. Trading Ahead of Customer Orders

605.1 A Broker Member or a Registered Person shall not buy any Product for its or his own account, accounts belonging to connected persons, or an account in which it or he has an interest (including any account over which it or he has discretion), if the Broker Member or the Registered Person has in hand orders to buy for Customers at the prevailing market price or at the same price.

605.2 A Broker Member or a Registered Person shall not sell any Product for its or his own account, accounts belonging to connected persons, or an account in which it or he has an interest

(including any account over which it or he has discretion), if the Broker Member or the Registered Person has in hand orders to sell for Customers at the prevailing market price or at the same price.

606. Market Manipulation

606.1 A Member or a Registered Person shall not, directly or indirectly, manipulate, or attempt to manipulate, the price of any Product.

606.2 A Member or a Registered Person shall not effect, take part in, be concerned in or carry out, directly or indirectly, 2 or more transactions in any Product, being transactions (including but not limited to the making of an offer to purchase or sell such Product or the making of an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such Product) that have, or are likely to have, the effect of raising, lowering, maintaining or stabilising the price of any Product, with intent to induce other persons to subscribe for, purchase or sell any Product.

607. Cornering

607.1 A Member or a Registered Person shall not, directly or indirectly, corner, or attempt to corner, any Product.

608. Churning

608.1 A Broker Member or a Registered Person shall not churn or generate commissions through creating excessive transactions in a Customer Account.

609. Bucketing

609.1 A Broker Member or a Registered Person shall not knowingly execute, or hold itself or himself out as having executed, an Order for the purchase or sale of a Product without having effected a bona fide purchase or sale of the Product in accordance with these Rules.

610. False Trading

610.1 A Member or a Registered Person shall not do any thing, cause any thing to be done or engage in any course of conduct, if its or his purpose, or any of its or his purposes, for doing that thing, causing that thing to be done or engaging in that course of conduct (as the case may be) is to create:

- a) a false or misleading appearance of active trading in any Product; or
- b) a false or misleading appearance with respect to the market for, or the price of any Product.

610.2 A Member or a Registered Person shall not do any thing, cause any thing to be done or engage in any course of conduct that creates, or is likely to create, a false or misleading appearance of active trading in any Product or with respect to the market for, or the price of any Product, if:

- (a) it or he knows that doing that thing, causing that thing to be done or engaging in that course of conduct (as the case may be) will create, or will be likely to create, that false or misleading appearance; or
- (b) it or he is reckless as to whether doing that thing, causing that thing to be done or engaging in that course of conduct (as the case may be) will create, or will be likely to create, that false or misleading appearance.

610.3 Without prejudice to the generality of Rule 610.1, where a Member or a Registered Person:

- (a) effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction (including but not limited to the making of an offer or the making of an invitation however expressed that expressly or impliedly invites a person to offer to purchase or sell) of purchase or sale of any Products, being a transaction that does not involve any change in the beneficial ownership of those Products;
- (b) makes or causes to be made an offer to sell any Products at a specified price where it or he has made or caused to be made or proposes to make or to cause to be made, or knows that a person it or he is associated with has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of Products at a price that is substantially the same as the first-mentioned price; or
- (c) makes or causes to be made an offer to purchase any Products at a specified price where it or he has made or caused to be made or proposes to make or to cause to be made, or knows that a person it or he is associated with has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of Products at a price that is substantially the same as the first-mentioned price,

it shall be presumed that its or his purpose, or one of its or his purposes, for doing so is to create a false or misleading appearance of active trading in Products.

610.4 The presumption under Rule 610.3 may be rebutted if the Member or the Registered Person establishes that the purpose or purposes for which it or he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in Products.

611. Fraudulent Inducement to Trade

611.1 A Member or a Registered Person shall not induce or attempt to induce another person to trade in a Product:

- (a) by making or publishing any statement, promise or forecast that it or he knows or ought reasonably to have known to be false, misleading or deceptive;
- (b) by any dishonest concealment of material facts;
- (c) by the reckless making or publishing of any statement, promise or forecast that is false, misleading or deceptive; or
- (d) by recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular.

611.2 In any proceeding under these Rules against a Member or a Registered Person for a contravention of Rule 611.1 constituted by recording or storing information as mentioned in Rule 611.1(d), it is a defence if it is established that, at the time when the Member or the

Registered Person so recorded or stored the information, it or he had no reasonable grounds for expecting that the information would be available to any other person.

612. Employment of Fraudulent or Deceptive Devices

612.1 A Member or a Registered Person shall not, directly or indirectly, in connection with any trading in a Product:

- (a) employ any device, scheme or artifice to defraud;
- (b) engage in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any Person;
- (c) make any statement it or he knows to be false in a material particular; or
- (d) omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

613. Dissemination of False or Misleading Information

613.1 A Member or a Registered Person shall not disseminate false or misleading reports concerning market information or conditions that may affect the price of any Product, if:

- (a) the Member or the Registered Person knows or ought reasonably to have known that the information is false or misleading; or
- (b) the Member or the Registered Person is reckless about the truth of the information.

614. False or Misleading Statements

614.1 A Member or a Registered Person shall not make a statement, or disseminate information, that is false or misleading in a material particular and is likely:

- (a) to induce other persons to purchase any Product;
- (b) to induce the sale or purchase of a Product by other persons; or
- (c) to have the effect of raising, lowering, maintaining or stabilising the market price of a Product,

if, when it or he makes the statement or disseminates the information:

- (i) it or he does not care whether the statement or information is true or false; or
- (ii) it or he knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

615. Dissemination of Information About Illegal Transactions

615.1 A Member or a Registered Person shall not circulate, disseminate, or authorise, or be concerned in, the circulation or dissemination of, any statement or information to the effect that the price of trading in any Product will, or is likely to, rise or fall or be maintained because of the market operations of one or more persons which, to his knowledge, are conducted in contravention of Rules 603, 606, 607, 608, 609, 610, 611, 612, 613 or 614 if:

- (a) the Member or the Registered Person, or a person associated with the Member or the Registered Person, has conducted such market operations; or
- (b) the Member or the Registered Person, or a person associated with the Member or the Registered Person, has received, or expects to receive, directly or indirectly, any consideration or benefit for circulating or disseminating, or authorising or being concerned in the circulation or dissemination of, the statement or information.

616. Interpretation

- 616.1 For the purposes of Rules 603 and 610, a purchase or sale of Products does not involve a change in the beneficial ownership of those Products if a person who had an interest in those Products before the purchase or sale, or a person associated with the first-mentioned person in relation to those Products, has an interest in those Products after the purchase or sale.