

**References** Version 1, Operative 12/7/2001

BSX Business Rules, Chapter 2

---

**Introduction**

This guidance note has been provided to assist BSX brokers in complying with their obligations to lodge accurate financial returns with BSX under Chapter 2 of the BSX Business Rules

**Regulatory Objectives**

BSX brokers must lodge financial returns with BSX in order to satisfy certain regulatory objectives of the BSX market. The main regulatory objectives are as follows:

- the information provides BSX with the necessary financial data to determine whether or not the BSX broker is financially sound. BSX brokers are required to be financially sound under the BSX Business Rules in order to protect investors and entities trading on the BSX market; and
- BSX must be able to ensure the integrity of its market. Maintaining a profile of the financial strength of brokers allows BSX to monitor and assess a broker's ability to remain as a going concern, thereby protecting the integrity of the market and the reputation of BSX as a regulator.

**Returns must Accord with Rules**

BSX Business Rule 2.27 states that:

*All returns, schedules and calculations submitted to BSX or the BSX Accountant by a BSX broker must be prepared in accordance with the rules.*

**General Rule Regulating Accuracy of Returns**

BSX Business Rule 2.29 states that:

*The information contained in the returns, schedules and calculations referred to in rule 2.27 must be extracted from the books and records of the BSX broker and accurately reflect the state of affairs of the BSX broker.*

**Returns to be Certified**

BSX Business Rule 2.28 states that:

*All returns, schedules and calculations submitted to BSX or the BSX Accountant must be certified as having been prepared in accordance with the rules by:*

- (a) a director, in the case of a corporate BSX broker; or*
- (b) the BSX broker, in the case of a natural person BSX broker.*

**Overview of Returns to be Lodged with BSX**

- At the end of every financial year a BSX broker must lodge a schedule of its investments with the annual accounts and audit report.
- On a quarterly basis a trust account schedule must also be lodged with BSX.
- A BSX broker that participates in underwriting activities must maintain

a register containing the details of each underwriting agreement entered into.

- A monthly Capital Liquidity Return (Annexure 3A) must be submitted.
- A monthly aged debtors return is required
- Where appropriate, a quarterly return of discretionary account details should be supplied to BSX
- BSX may request additional information regarding a BSX broker's financial position.

### **Investments Schedule**

BSX Business Rule 2.18 requires a BSX broker to prepare a schedule of its investments as at the end of their financial year and include the schedule with the accounts furnished to the BSX Accountant under Rule 2.8. The schedule of investments is returned to the BSX Accountant using Annexure 2A.

BSX Rule 2.8 provides that annual accounts must be lodged no later than two months after the end of the BSX Broker's financial year. However, in certain circumstances BSX may grant an extension of one months time in which to lodge the accounts.

### **Trust Account Schedule**

On the first business day of each week BSX Brokers are required (by BSX Business Rule 2.20) to reconcile the balance held in the BSX broker's trust account on the last business day of the preceding week with the corresponding balance in the BSX broker's accounting records.

If a BSX broker fails to carry out a reconciliation for any week they must immediately notify BSX.

BSX Business Rule 2.22 states that:

*Within 5 business days of 31 March, 30 June, 30 September and 31 December in each year a BSX broker must prepare, or cause to be prepared, a schedule showing the respective amounts held in the BSX broker's trust account on behalf of clients together with the name of the particular client in relation to each amount as at the above dates.*

### **Underwriting**

A BSX broker participating in underwriting activities must maintain a register of their activities.

BSX Business Rule 2.23 prescribes that the following information must be contained in the underwriting register:

- (a) the number of securities covered by the underwriting agreement;
- (b) the gross amount the BSX broker is liable for the underwriting agreement;
- (c) the dates of commencement, termination and/or crystallisation of the BSX broker's underwriting obligations under the underwriting agreement; and
- (d) the number of securities disposed of or allocated to sub underwriters by the BSX broker during the period of the underwriting agreement.

If the gross amount that a BSX broker is liable for under the current underwriting agreement exceeds 25% of a BSX broker's net tangible assets (as disclosed in the most recent balance sheet provided by the BSX broker to the BSX Accountant) the BSX broker must immediately notify the BSX Accountant under BSX Business Rule 2.24.

Furthermore, if required under BSX Business Rule 2.25 a BSX broker must provide the BSX Accountant with details of any current underwriting agreement they are a party to.

**Factors BSX Considers when Determining the Accuracy of a Return**

- Whether the inaccuracy regarding the reporting on the financial position of the BSX broker is unintentional or intentional.
- Whether the matter should be investigated or referred to ASIC.
- Whether the error is in relation to a current or past reporting period. Matters may be reviewed more seriously if the error is in relation to a current reporting period.
- Whether notice has been given to the BSX Accountant of any error or omission.
- Whether this is the first time an error or omission has been detected for the particular BSX broker.
- Whether a BSX broker has been warned about past errors or omissions.

**Scope of Guidance Note**

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

This guidance note does not constitute legal advice by BSX. Where appropriate, BSX brokers should obtain their own professional advice about

compliance with their obligations under the BSX Business Rules.

**Queries**

If you have queries about this guidance note please contact the BSX Brokers office on:

Email: [broker.manager@bsx.com.au](mailto:broker.manager@bsx.com.au)

Tel: 03 5444 0055

Fax: 03 5444 0033