

**References** Version 2, Operative 12/12/2002

BSX Business Rules, Chapter 2

Corporations Act, Part 7.8

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### **Introduction**

This guidance note has been issued to assist BSX brokers comply with their financial obligations under the BSX Business Rules.

### **Regulatory Objectives**

The key objective of the financial obligations for BSX brokers is to build on the key operative provisions contained in the Corporations Act to create an appropriate financial operating environment for BSX brokers and their clients.

Therefore, many of the financial obligations of BSX brokers in the BSX Business Rules supplement their obligations under the Corporations Act.

### **Primary Obligations of BSX Brokers**

Chapter 2 of the BSX Business Rules sets out the key financial obligations of BSX brokers. These provisions should be read closely with the capital liquidity requirements in Chapter 3 of the BSX Business Rules.

The primary obligations of BSX brokers under Chapter 2 are to:-

- maintain a trust account under clearly defined principles;
- maintain their books of account generally;

- comply with a specified audit regime; and
- maintain, and in some cases provide to BSX, a set of reports.

### **Trust Account**

The majority of provisions dealing with the administration of trust accounts by holders of a securities dealer's license are contained in Part 7.8 of the Corporations Act.

These provisions are supplemented by BSX Business Rule 2.4 that requires after-hours deposits to be made the following business day.

BSX Business Rule 2.20 requires a reconciled balance between a BSX broker's trust account records and those of its banker to be performed on a weekly basis.

In addition, BSX Business Rule 2.22 requires a detailed reconciliation to client by client records each quarter.

In practice, BSX expects BSX brokers to operate sufficiently advanced systems to maintain a running ledger of client balances capable of being reconciled to the banking records of the BSX broker. This system is necessary to meet the ongoing reporting provisions contained in Part 7.8 of the Corporations Act.

### **Trial Balances and Annual Accounts**

BSX envisages BSX brokers adopting modern accounting regimes in their offices and, as a minimum, expects BSX brokers to be able to perform a trial balance on a monthly basis and to provide to BSX within two months following year end a set of audited accounts that give a true and fair view of the state of affairs of the BSX broker's business.

### **Audit Arrangements**

BSX expects BSX brokers to submit to an audit regime coupled with a notification requirement so that BSX will at all times know the auditor a BSX broker has appointed.

BSX brokers should note that the Corporations Act contains provisions regarding notification to BSX, the auditor and to ASIC. These are not restated in the BSX Business Rules.

BSX will accept an audit report in identical format to that required by ASIC in the lodgement by the BSX broker of accounts for each year.

### **Returns to BSX**

In addition to the reports previously mentioned, and any obligations under the Corporations Act, BSX requires a number of additional reports.

BSX brokers are required to include in their annual accounts a schedule of investments as at the end of the year. The information required is set out in Annexure 2A which must be completed and returned to BSX. This schedule details each asset type, the quantity held, its valuation amount and basis, its acquisition date and any other information that the BSX broker believes would lead to a fair assessment of its value (eg any encumbrances).

BSX brokers that engage in underwriting must maintain a register in relation to each underwriting agreement. BSX Business Rule 2.23 details the material to be included in the register.

BSX Business Rules 2.24 and 2.25 require BSX brokers to notify BSX when certain events occur in relation to an underwriting. To the extent that BSX Business Rule 2.25 allows BSX discretion in notification of any underwriting agreement, BSX requires notification of any agreement that relates to a security either currently listed or proposed to be listed on BSX.

### **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:

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