

**SENATE STANDING COMMITTEE ON ECONOMICS QUESTION**  
(Supplementary Budget Estimates 20 October – 21 October)

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Question: SBT 201

Topic: Matters under investigation re irregular trading

Senator Abetz asked:

**Senator ABETZ**—So you do not know either?

**Mr D'Aloisio**—It is not that we do not know. The assertion that we do not have what was needed to calibrate SMARTS proceeds on the assumption that we have not acquired that from ASX and we have not acquired it from SMARTS. What I am saying is that I would like to look at that because I am not sure what the source of your information is.

**Senator ABETZ**—But surely you must know whether you bought the intellectual property from the ASX. You must know that?

**Mr D'Aloisio**—We would have acquired from ASX what we needed, our team would have assessed on what was needed to run the surveillance system. We would have acquired from other software houses and SMARTS what was needed. It is the aggregate of that that gives us as the commission the assurance that we have the wherewithal to do the surveillance of the market. How we acquired that, who we paid and how it was put together, I am happy to look at that in more detail and answer that question for you, but the overriding issue for us as a commission is that we are satisfied that we have the wherewithal to conduct surveillance, and we have.

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**Senator ABETZ**—I am sure you are self-satisfied in relation to this, but can I assure you that there are a number of people about who are not satisfied that you are necessarily able to detect the irregular trading activity and monitor the market at this stage as well as the ASX did in the past. In relation to the numbers that we were given, were they started off completely fresh—they are the 57 market matters—were they all as of 1 August or were they hangovers, if I can use that term, inherited from the ASX when matters were handed over to you?

**Mr Tregillis**—My understanding is that they are matters we have identified, but I would want to check precisely.

**Senator ABETZ**—In relation to the nine that had moved to a formal investigation, were they matters that had already come to the attention of the ASX before being transferred to you or were they as a result of your investigations as of 1 August?

**Mr Tregillis**—Again, my understanding is that eight of the nine are matters that we identified and one is a transfer. But let me reconfirm that figure for you.

**Senator ABETZ**—If that is the case and, sure, it is only one number—it does not make much difference—but why have we been told that the system is working well and you now have nine going to formal investigation, when you cannot really take responsibility for one of them? Sure, it is small, but it potentially creates the impression that all is well. You are painting a picture that may be a little bit better than it actually is, and I accept that this is only one formal investigation that, with respect, you cannot lay claim to, given that it was initiated by the ASX.

**CHAIR**—The officers have said that they will take it on notice and get back to us. Your colleagues, I would remind you, are waiting to come on.

**Answer:**

All 57 Markets related enquiries were identified by ASIC Surveillance. Of these eight were accepted by the ASIC deterrence for investigation. The term investigation is a formal one in the sense that a decision has been made by one of ASIC's deterrence units to resource a matter for investigation where there is an indication of a possible breach of the Corporations Act.

One matter referred to Deterrence was originally referred to ASIC by ASX. The other eight were identified by ASIC Surveillance during the first quarter of ASIC's market surveillance operations and concerned

**Senate Standing Committee on Economics**

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possible Insider Trading and Market Manipulation. From 1 Jan 2006 to 31 July 2010, ASIC received a total 199 referrals from ASX in relation to Insider Trading and Market Manipulation matters only – of these, 95 were referred to Deterrence for formal investigation – that is an average of 5.2 referrals per quarter.

**ENDS**