

## KEY TOPICS

1. Guidelines of establishing Chinese Walls

## ASX Market Rules

1. 7.18

## Guidance Note History

### Re-Issued:

11 March 2004  
Introduction of New Rule Book

### Previously:

28 August 1997  
ASX GN 7/97

## PROHIBITION OF ADVICE TO CLIENTS

### Purpose

The purpose of this guidance note is to provide assistance to Market Participants on the interpretation of ASX Market Rule 7.18 and to set out the ASX prescribed Chinese Walls guidelines for Market Participants pursuant to that rule.

This document does not deal with the provisions 3 of Part 7.10 of the Corporations Act which provides the statutory basis of the regulation of insider trading. Market Participants should refer to the provisions of sections 1043F “Chinese Walls arrangements by bodies corporate”, 1043G “Chinese Walls arrangements by partnerships” and the provisions of section 1043A “Prohibited conduct by person in possession of inside information” when considering the provisions of this guidance note.

### Background

The term ‘Chinese Walls’ refers to procedures and policies that are designed to restrict the dissemination or passing of Financial Product information that is not generally available and might have a material effect on the price of the security if that information were generally available.

Chinese Walls are typically established to prevent insider trading activity and to avoid conflicts of interest within an organisation. Once established, Chinese Walls procedures require ongoing monitoring and maintenance.

Market Participants are not required by the Market Rules to establish Chinese Walls. However, Market Participants who have previously notified ASX that they have created Chinese Walls for the purposes of Market Rule 7.18 should review their procedures to ensure they conform to this guidance note. Further notification to ASX is not required unless the Chinese Walls are to be altered to conform to the requirements of this guidance note or if the Chinese Walls cease to exist.

Rule 7.18 provides an exception to this prohibition if the Market Participant has Chinese Walls in place and the particular person within the Market Participant who is advising the other client, is not in possession of such non-public price sensitive information.

ASX encourages Market Participant to take advantage of this exception by following the provisions of this guidance note.

## Guidelines

The following procedures represent the guidelines prescribed by ASX for the establishment of Chinese Walls by Market Participant for the purposes of Business Rule 7.18.

### Written policy statement and restricted communication flows

1. A written policy statement forbidding communication of non-public information to members of staff who offer Financial Product advice or trade Financial Products must be completed by the Market Participant.
2. Communication of non-public information (or information that is not generally available) across Chinese Walls is to be strictly prohibited. For example, between the investment/trading departments and the corporate advisory/underwriting departments.
3. Communication of general market information is not required to be restricted between departments or work units on opposite sides of the Chinese Walls.

### Acknowledgment of Chinese Walls

4. The written policy statement is to be distributed to all staff.
5. All members of staff are to acknowledge in writing that they have read, understood and have agreed to comply with the Market Participant written policy statement.
6. The Market Participant is to retain these acknowledgments. Attachment 1 details a form of acknowledgment.
7. The staff acknowledgments are to be renewed annually.
8. New members of staff are to:
  - be informed of their obligations with respect to insider trading;
  - be informed of the Market Participant's Chinese Walls policies and procedures; and

**Complete a personal acknowledgment, immediately on commencement of employment.**

9. Partners/directors are to acknowledge in writing that they agree to be denied information regarding the Market Participant's business activities where the communication of that information would be in breach of the Market Participants Chinese Walls procedures. Attachment 2 details a form of acknowledgment.

**Physical access restrictions**

10. Access to documents (including electronic records and computer files) which may contain non-public information (or information that is not generally available), is to be restricted and the restriction monitored by a nominated officer(s) in the Market Participant. The nominated officer is to be referred to in the written policy statement.

**Separate supervision of each department or work unit**

11. The departments or work units on opposite sides of the Chinese Walls are to have separate management supervision on a day to day basis.

**Physical separation**

12. Departments or areas likely to be in possession of non-public Financial Product information (or information that is not generally available), will be physically separated and secured from Financial Product advisory and trading departments or areas.

**Limits on transfer of staff between department or work units**

13. Frequent transfers of personnel between corporate (and other like departments) and dealing/advising departments is to be avoided.
14. No member of staff who is in a position of knowing non-public information (or information that is not generally available), may participate in any investment committees (or similar bodies) or engage in activities involving the giving of Financial Product advice, including research reports and funds management.

**Continuing education**

15. The Market Participant is to facilitate the periodic (at least annual) training and education of members of staff in relation to the nature and implication of insider trading and other commonly encountered conflict of interests.

**Monitoring and detection of breaches**

16. The Market Participant is to arrange for periodic internal review (at least annual) and external (where warranted) auditing of the effectiveness of its written policy statement.

17. Where the integrity of the Chinese Walls is not maintained (ie. they are breached), the Market Participant must immediately (upon detection of the breach) initiate steps to ensure that members of staff who are in a position to use the non-public information (or information that is not generally available) are immediately prohibited from advising on or initiating dealings in any Financial Products whose market price is likely to be affected by the disclosure of that information.

## Qualification

ASX has published this note to promote commercial certainty and to assist Participants. Nothing in this note necessarily binds ASX in the application of the Rules in a particular case. In issuing this note ASX is not providing legal advice and market participants should obtain their own advice from a qualified professional person in respect of their obligations. ASX may replace this Guidance Note at any time without further express notice to any particular person. Readers may contact ASX to ensure they have the latest version.

## **Attachment 1**

### **Acknowledgment by Member of Staff of Chinese Walls Procedures and Policies**

I \_\_\_\_\_, hereby state that I have read, understand and agree to comply with (a) the procedures and policies relating to the operation of Chinese Walls and (b) ASX Market Rule 7.18.

\_\_\_\_\_  
Signature

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
Date

## Attachment 2 Acknowledgment by Director/Partner

I \_\_\_\_\_, hereby state that I have read, understand and agree to comply with (a) the procedures and policies relating to the operation of Chinese Walls and (b) ASX Market Rule 7.18 and agree to be denied information regarding the Market Participants business activities where the communication of that information would be in breach of the Chinese Walls procedures.

\_\_\_\_\_  
Signature

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
Date