

Attachment 1 to Stock Exchange Notice N78/07

General conduct

Misleading acts, conduct and prohibited practices [1400]

G	1400	A member firm shall not, in respect of its on Exchange business:
	1400.1	do any act or engage in any course of conduct which creates or is likely to create a false or misleading impression as to the market in, or the price or value of, any security;
	1400.2	cause a fictitious trade or a false price to be input into TradElect™ ;
	1400.3	effect a trade at any price which differs to an unreasonable extent from any firm price displayed on TradElect™ in that security;
	1400.4	do any act or engage in any course of conduct which is likely to damage the fairness or integrity of the Exchange's markets; or
	1400.5	do any act or engage in any course of conduct which causes, or contributes to, a breach of the Exchange's rules by another member firm .

Guidance to Rule:

Order book conduct

A **member firm** is at all times bound by suitability rule 1020.

A **member firm** submitting an order to **TradElect™** is responsible for that order under the above Rule. This applies whether the order is submitted by the **member firm** itself or has been automatically routed from a third party (whether another **member firm** or not).

*Certain trading practices that exploit the commitment given by firms that act as RSPs are considered to be detrimental to the fairness and integrity of the **Exchange's** markets and should be discouraged. For example, an order is entered onto the **order book** with the intention of creating a new best price, away from generally accepted trading levels, for the principal purpose of executing a larger order against an RSP by virtue of the RSP's previous commitment to deal on the basis of the current best order book price.*

*In any instance where a firm trades either as **principal** or as **agent** on behalf of an employee of the firm in a manner and with an intention similar to that described above, the **Exchange** will conduct a full investigation into the circumstances of the activity and, if considered appropriate, will initiate disciplinary action.*

*Where a firm deals in a manner similar to that described above (regarding the commitment given by firms that act as RSPs) on behalf of a **customer**, the firm will not be in breach of the **Exchange's** rules per se. However, although the **Exchange's** rules do not specifically require a firm to establish the motives behind a **customer's** trade, if the Exchange becomes aware that a firm is knowingly engaging in such a trading strategy on behalf of a **customer**, the **Exchange** will conduct an investigation and consider whether disciplinary action or a referral to another regulatory body is appropriate.*

Entry and deletion of orders

*All orders entered on to the **order book** are firm. While the **Exchange** understands that trading decisions of **member firms** may change ~~during the auction process~~, **member firms** should not enter orders into the auction or during continuous trading with the intention of deleting or otherwise amending them before execution. ~~the auction uncrossing, to~~ This can give a potentially misleading impression of the level of liquidity in the market or the likely auction uncrossing price and volume to other participants. Such activity may constitute a breach of rule 1400*