

Chapter 1: Exchange Broker Membership

OVERVIEW

This chapter sets out the key requirements for Exchange brokers including how to apply to become recognised as an Exchange broker.

Exchange broker recognition

- 1.1 The Exchange will recognise a natural person or company as an Exchange broker if they satisfy, and continue to satisfy, the eligibility and ongoing requirements for Exchange brokers set out in the rules.

Eligibility requirements for Exchange brokers

- 1.2 To be eligible to become recognised as an Exchange broker, a company applicant:
- (a) Must have a majority of directors who are residents of a State or Territory of Australia;
 - (b) with one director, must ensure the director satisfies the principal requirements in rule 1.4;
 - (c) with between two and four directors, must have at least two directors who satisfy the principal requirements in rule 1.4;
 - (d) with more than four directors, must have not less than one quarter of its directors who satisfy the principal requirements in rule 1.4;
 - (e) must satisfy the Exchange that:
 - (i) each director who does not satisfy the principal requirements in rule 1.4; and
 - (ii) each person who is, or would be, a substantial shareholder within the meaning of part 6.7 of the Corporations Act of the applicant or its holding companyis of good character and high business integrity and has undertaken to the Exchange and to the applicant to comply with and be bound by the rules in connection with the stockbroking business to be conducted by the applicant as an Exchange broker;
 - (f) must satisfy the Exchange it has the required financial resources to meet its obligations as an Exchange broker; and
 - (g) must have a constitution which contains provisions:
 - (i) requiring continued compliance by the applicant with the rules of the Exchange; and
 - (ii) authorising the applicant, on its own initiative or at the request of the Exchange, to obtain from its members any information which could be obtained if part 6C.2 of the Corporations Act applied to the applicant.
- 1.3 To be eligible to become an Exchange Broker, a natural person:
- (a) must satisfy the Exchange they are capable of carrying out the obligations of a Broker efficiently, honestly and fairly;
 - (b) must satisfy the principal requirements in rule 1.4; and

- (c) must have the necessary financial resources to meet their obligations as an Exchange broker.

Principal Requirements

- 1.4 The principal requirements for the purposes of rules 1.2 and 1.3 require a person to:
- (a) have been employed for at least two years in a stockbroking capacity:
 - (i) by a broker or member organisation of a recognised stock exchange; or
 - (ii) by a business which in the opinion of the Exchange provided substantially equivalent experience to that which would have been derived from employment under sub-paragraph (i) above;
 - (b) either:
 - (i) have successfully completed the Diploma or the Certificate Course conducted by Securities Institute Education or a course considered by the Exchange to be substantially equivalent; or
 - (ii) hold an accepted tertiary qualification in commerce, economics, law, accountancy, business administration, banking, secretarial practice or any other qualification considered by the Exchange to be substantially equivalent;
 - (c) have successfully completed any subjects conducted by Securities Institute Education that are prescribed by the Exchange from time to time or subjects considered by the Exchange to be substantially equivalent;
 - (d) not be an insolvent under administration within the meaning of that expression in the Corporations Act;
 - (e) be of good character and high business integrity; and
 - (f) satisfy the Exchange they will devote a substantial amount of time each week working as a broker whether as a principal, officer, employee or authorised representative.

Good Character Requirements

- 1.5 For the purpose of deciding a person's good character, and without in any way limiting the discretion of the Exchange, the Exchange may take into account any conviction of the person for any offence at any time (other than a traffic offence) and any adverse mention of the person at any time in a report made by or at the request of any government or governmental authority or agency.
- 1.6 Without in any way limiting the discretion of the Exchange, the Exchange may deem a person not to be of good character if the person is prohibited under the Corporations Act from being a director or promoter of, or being in any way concerned in or taking part in the management of, a corporation.

Application to Become Recognised as an Exchange Broker

- 1.7 An applicant to become recognised as an Exchange Broker must:
- (a) complete and provide to the Exchange an application in the form of Annexure 1A;
 - (b) provide to the Exchange any other documents or information required from the applicant, or any other person, in relation to the application;

- (c) pay any fees payable to the Exchange under chapter 11; and
- (d) obtain, within 3 months of recognition by the Exchange as an Exchange Broker, an Australian financial services licence under the Corporations Act that authorises the applicant to engage in stockbroking.

1.8 The Exchange will determine an application within 6 months of receiving a fully completed application.

Key Rights and Obligations of Exchange Brokers

1.9 An Exchange broker may describe themselves as a 'SIM Venture Securities Exchange Ltd' or 'SIM VSE' broker.

1.10 The rights provided to an Exchange Broker under the rules cannot be transferred to any other person.

1.11 Subject to rule 1.12, an Exchange Broker:

- (a) has no voting rights whatsoever in relation to any shareholder or other meetings of the Exchange;
- (b) is not entitled to share in any distribution of profits of the Exchange or in a distribution on a winding up or reduction in capital of the Exchange; and
- (c) has no other claim whatsoever on the property or funds of the Exchange.

1.12 If an Exchange Broker is also a shareholder of the Exchange, their rights in relation to the matters in rules 1.11(a), (b) and (c) are limited to their rights as a shareholder as provided in the constitution of the Exchange.

Exchange Broker Certificates

1.13 The Exchange may issue a certificate to an Exchange Broker certifying that they are a broker of the Exchange. Any such certificate remains the property of the Exchange and must be returned immediately by an Exchange Broker if the Exchange requests the Exchange broker in writing to do so.

Right to Make Submissions

1.14 The Exchange will not reject an application for recognition as an Exchange Broker without providing the applicant with the opportunity to make submissions to the Exchange in relation to their application.

1.15 If the Exchange rejects any application it will, within 30 days after reaching such a decision, send by registered mail to the applicant at the address of the applicant stated on the application the reasons in writing for the rejection of the application. The applicant shall be deemed to have received the reasons on the second business day after dispatch.

1.16 An applicant must meet its own expenses and costs incurred in connection with the determination of its application.

Resignation by an Exchange Broker

1.17 An Exchange Broker may resign as an Exchange Broker by giving notice in writing to the Exchange. The resignation will not take effect until it is accepted by the Exchange. The Exchange will not unreasonably refuse to accept the resignation of an Exchange Broker.

Termination of an Exchange Broker Recognition

- 1.18 The Exchange may request any Exchange broker it believes is no longer actively carrying on their stockbroking business or does not hold any necessary licence pursuant to the Corporations Act to conduct a stockbroking business to show cause why they should not cease to be an Exchange Broker.
- 1.19 If, after considering the representations of an Exchange Broker, the Exchange is satisfied the Exchange broker is no longer actively carrying on their stockbroking business or does not hold any necessary licence pursuant to the Corporations Act to conduct a stockbroking business the Broker will, subject to rule 1.24, cease to be an Exchange Broker from the time determined in writing by the Exchange.
- 1.20 If, at any time after the admission of an applicant as an Exchange Broker, the Exchange is satisfied that:
- (a) in the case of a corporate Exchange broker - an officer or shareholder of the applicant; or
 - (b) the case of a natural person Exchange broker - the applicant
- made a wilful omission or mis-statement upon a material point prior to admission in or in connection with the application for admission that Exchange broker will, subject to rule 1.24, on being given notice to that effect by the Board, cease to be an Exchange Broker.
- 1.21 If, at any time after admission of an Exchange Broker, the Exchange is satisfied the Exchange broker no longer complies with each of the requirements for admission to membership specified in the rules the Exchange may give notice to the Exchange broker to that effect and the Exchange broker will, subject to rule 1.24, cease to be an Exchange Broker on the day specified in the notice.
- 1.22 In determining whether an Exchange Broker no longer complies with each of the requirements for recognition as a Broker for the purposes of rule 1.21, the Exchange will not take account of any requirements it waived when recognising the Exchange broker.
- 1.23 An Exchange Broker ceases to be an Exchange Broker on:
- (a) resignation;
 - (b) if a natural person Exchange broker, death;
 - (c) if a natural person Exchange broker, becoming bankrupt or insolvent or making an arrangement or composition with creditors of the person's joint or separate estate generally;
 - (d) if a natural person Exchange broker, becoming of unsound mind or a person whose person or estate is liable to be dealt with in any way under a law relating to mental health;
 - (e) if a corporate Exchange broker, being dissolved or otherwise ceasing to exist, having a liquidator or provisional liquidator appointed to it, or being unable to pay its debts; or
 - (f) The Exchange terminating the Exchange broker's recognition in accordance with these rules.

Right to Appeal

- 1.24 A person whose application to be recognised as an Exchange Broker is rejected by the Exchange or if the Exchange takes action against an Exchange broker under rule 1.21 the person or Exchange broker may appeal to the Compliance Committee.

- 1.25 An applicant making an appeal under rule 1.24 must lodge a notice of appeal, setting out the grounds of appeal, with the Exchange within 14 business days of the Exchange notifying the applicant in writing that their application has been rejected.
- 1.26 The decision of the Compliance Committee will be final and binding upon the applicant and the Exchange.