

Guidance Note: Broker Application Procedures

References	Chapter 1, SIM VSE Business Rules
	Guide to Becoming an Exchange Broker

Introduction

This guidance note has been issued to assist an organisation to apply to become an Exchange broker.

Regulatory Objectives

The Exchange regards the application process as an important part of satisfying some of the key principles upon which the SIM VSE Business Rules are based.

First, it ensures that an applicant meets minimum standards in relation to integrity, competency, experience and financial capacity before being recognised as an Exchange broker.

Secondly, it ensures applicants become well aware of their ongoing obligations to ensure they remain capable of properly carrying out their obligations to the Exchange, their clients and other Exchange brokers.

Key Steps

Becoming recognised as an Exchange broker involves the following key steps:

- gaining an understanding of the initial and ongoing requirements of Exchange brokers;
- carrying out any work required before applying to become an Exchange broker;
- providing a completed Exchange broker application to SIM VSE together with any other documents required by the Exchange;
- providing a properly executed Exchange broker contract to the Exchange;
- providing Exchange broker application and other fees to the Exchange.

Understanding of SIM VSE Broker Requirements

Either an individual or a company may apply to become an Exchange broker.

There are a range of initial and ongoing requirements that need to be satisfied to be recognised as an Exchange broker. These are set out in the SIM VSE Business Rules and in the Guidance Notes and Annexures to the SIM VSE Business Rules. We also refer applicants to our 'Guide to Becoming an Exchange Broker' which is available on the SIM VSE website, www.simvse.com.au or from the SIM VSE Broker Office at Level 1 / 7 Bridge Street, Sydney, NSW 2000.

While these requirements will generally be well understood and familiar to brokers of other operational stock exchanges, we encourage all organisations to gain a good understanding of these requirements before applying to become recognised as an Exchange broker. In particular we encourage organisations to consult with the SIM VSE Broker Office at an early stage.

Initial Requirements

To be eligible to become recognised as an Exchange broker an applicant needs to satisfy a range of initial requirements. These are set out in SIM VSE Business Rules 1.2 and 1.3. These include requirements that:

- the applicant (or a certain number of directors of the applicant) to demonstrate they have certain skills and experience;

- the applicant (or the directors in the case of a corporate applicant) to demonstrate they are of good character and high business integrity;
- the applicant to display they have the required financial resources to meet their obligations as an Exchange broker.

An applicant must also obtain a dealer's licence under the Corporations Act that entitles the applicant to engage in stockbroking.

While brokers of other operational stock exchanges are likely to be able to comply with these requirements without any substantive changes, other organisations may well need to make organisational, financial and human resource changes before applying to become recognised as an Exchange broker.

Ongoing Requirements

In assessing applications for recognition as an Exchange broker, the Exchange will need to be satisfied that the applicant understands and will be in a position to comply with their ongoing requirements as an Exchange broker.

The SIM VSE Business Rules and the Guidance Notes and Annexures to the SIM VSE Business Rules contain a range of ongoing requirements that need to be complied with by Exchange brokers.

These may be summarised as follows:

- financial obligations (Chapter 2);
- capital liquidity requirements (Chapter 3);
- obligations to clients (Chapter 4);
- business obligations of Exchange brokers (Chapter 5);
- dealing requirements (Chapter 6); and
- clearing and settlement obligations (Chapter 7).

These requirements are in addition to an Exchange broker's obligations under the Corporations Act and their financial services licence.

While the ongoing requirements for Exchange brokers will generally be well understood and familiar to brokers of other operational stock exchanges, we encourage all organisations to gain a good understanding of them before applying for recognition as an Exchange broker. Further information can be obtained from the SIM VSE web site, www.simvse.com.au, or the SIM VSE Broker Office on +61 2 9241 2740.

Application for Recognition as an Exchange Broker

A person or organisation applying to be recognised as an Exchange broker must provide a completed application to the Exchange in the form of Annexure 1A. The application must be properly executed by an organisation in accordance with its constitution.

Annexure 1A requires certain additional information to be provided to the Exchange. This should be provided to the Exchange with the completed application. The Exchange will also sometimes require additional information to be provided. Once again, this should be provided with the completed application.

In some cases it may not be possible to provide a fully completed application to the Exchange at the outset. In this case, the application should be completed as far as possible and the remaining details provided to the Exchange as soon as they are available. The Exchange will not approve the application until all relevant information is provided.

Exchange Broker Contract

A person or organisation applying to be recognised as an Exchange broker must provide a properly executed broker contract to the Exchange in the form of Annexure 1B.

Fees

A person or organisation applying to be recognised as an Exchange broker needs to pay all relevant initial fees, charges and levies to the Exchange. These are set out in the Broker Fees Guidance Note. The fees should be paid at the same time the completed application is provided to the Exchange.

Assessment of Application

Completed applications for recognition as an Exchange broker are reviewed by staff of the SIM VSE Broker Office. It is then submitted to SIM VSE's Broker Admissions Committee with a recommendation from the SIM VSE Broker Office for consideration.

The Exchange is committed to providing excellent service and makes every effort to process applications in a timely way. However, our ability to do so depends significantly on how well and efficiently applicants prepare their applications. In particular, it depends upon how efficiently applicants deal with requests and queries from the SIM VSE Broker Office in relation to their applications.

Waivers

In some circumstances, an applicant may wish to seek a waiver from complying with a particular SIM VSE Business Rule. The circumstances in which the Exchange will consider a request for a waiver and the manner in which requests are dealt with may be discussed with the Exchange.

Appeals

A person or organisation whose application for recognition as an Exchange broker is rejected may appeal that decision to the Compliance Committee. The manner in which appeals are dealt with may be discussed with the Exchange.

Scope of Guidance Note

This guidance note is intended to assist Exchange brokers to comply with their obligations under the SIM VSE Business Rules. It is not exhaustive, does not in any way act as a substitute for any SIM VSE Business Rules and is not binding on the Exchange in its application of the Rules in any particular case.

This guidance note does not constitute legal advice by the Exchange. Where appropriate, Exchange brokers should obtain their own professional advice about compliance with their obligations under the SIM VSE Business Rules.

Queries

If you have queries about this guidance note please contact the SIM VSE Broker Office on:

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