



UNAUTHORISED TRADING

Proposal Form

1. All questions must be answered giving full and complete answers.
2. Please ensure that this Proposal Form is Signed and Dated.
3. This document is designed to be completed electronically.

London Australia Underwriting Pty Ltd

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IMPORTANT NOTICES

Pursuant to the provisions of the *Insurance Contracts Act 1984*, Underwriters are required to notify you of the following relevant information.

Your Duty of Disclosure

In accordance with the provisions of the *Insurance Contracts Act 1984*, you have a duty to disclose to the Underwriter every matter that you know, or could reasonably be expected to know, is relevant to the Underwriter's decision whether to accept the risk of the insurance and, if so, on what terms.

This duty does not require disclosure of matters that diminish the risk to be undertaken by the Underwriter, that are common knowledge, or that the Underwriter knows or, in the ordinary course of its business, should know, or as to which compliance with your duty is waived by the Underwriter.

It should be noted that this duty continues until the Policy is entered into with Underwriters, and extends to any renewal, reinstatement, variation or extension to the Policy.

Non-Disclosure

Underwriter may be entitled to either reduce their liability under the contract in respect of a Claim, cancel the contract or avoid the contract from its beginning in accordance with the provisions of the *Insurance Contract Act 1984* if you fail to comply with your duty of disclosure, or if any non-disclosure is fraudulent.

Claims Made

This is a "claims made" policy of insurance, which means that it only covers claims made against an insured and notified to Underwriters during the period of insurance. By operation of Section 40 (3) of the *Insurance Contracts Act 1984*, where the insured gives notice in writing to the insurer of facts that might give rise to a claim against the insured as soon as was reasonably practicable after the insured became aware of those facts but before the insurance cover provided by the contract expired, the insurer is not relieved of liability under the contract in respect of the claim, when made, by reason only that it was made after the expiration of the period of the insurance cover provided by the contract.

Retroactive Liability

The policy may be limited by a retroactive date stated in the schedule. The policy does not provide cover in relation to any claim arising from any actual or alleged act, error, omission or conduct that occurs before the commencement of the policy, unless retroactive liability cover is extended by Underwriters.

Liability Assumed Under Agreement

Cover provided by this form of liability insurance does not cover liability which you have agreed to accept unless you would have been so liable in the absence of such agreement.

Utmost Good Faith

In accordance with Section 13 of the *Insurance Contracts Act 1984*, the policy of insurance is based on utmost good faith requiring Underwriter(s) and the proposer/insured(s) to act towards each other with the utmost good faith in respect of any matter relating to the insurance contract.

Privacy Notice

In order for Underwriters to provide you with insurance products and the processing of Claims, it is necessary to obtain personal information from you. Underwriters are bound by the provisions of the *National Privacy Principles* as set out in the *Privacy Act (Cwlth) 1988*.

You may elect not to provide Underwriters with this information; however, this may prevent Underwriters from providing you with the products or services sought.

Underwriters may disclose this information to other insurers, re-insurers, an insurance reference service, or other advisers used by Underwriters such as loss adjusters, lawyers or others who may be engaged to assist in Claims handling.

These third parties will all be contractually required to adhere to Underwriters privacy obligations.

Should you require access to your personal information, Underwriters may be contacted on (02) 8912 6401

A. GENERAL

1.	Company name:	
2.	Date since the Company has continuously carried on business:	
3.	Principal Address:	
4.	<p>Identify each permanent or temporary office at or from which Trading is conducted, the number of Traders employed at each, and the total number of Employees (other than Traders) whose duties are mainly or exclusively within your Trading operations.</p> <p><i>If Trading is conducted from subsidiary or affiliated companies that you wish to be considered for coverage under the proposed policy, please complete the supplementary application provided in respect of each such company.</i></p>	<p><u>Location</u> <u>Number of Traders</u> <u>Other Employees</u></p>
5.	If any Trader does not conduct Trading from any of the above-mentioned offices, then identify any such Trader(s) and the location from which said Trader(s) has the authority to conduct Trading.	
6.	Identify any temporary office used for the purpose of disaster recovery:	
7.	State your total operating profit (loss) before tax for each of the last three financial years and the contribution made thereto by all Trading activities.	<p><u>Year</u> <u>Total Profits / Loss</u> <u>Trading Contribution</u></p>
8.	Show those profits (losses) from Trading activities for the most <i>recent</i> financial year broken down by the <i>type</i> of Trading book.	
9.	Provide a complete list of all Subsidiary Companies to be covered hereunder (unless shown in the latest annual report and financial statements attached to this proposal): <input type="checkbox"/> <i>More than 4 Subsidiary Companies (Please attach listing)</i>	
	Subsidiary Company	(a) Country of Registration
		% owned by Company

B. LOSS RECORD

10.	<p>Have you experienced any incidents of Unauthorised Trading in the past 5 years, whether or not any loss resulted there from?</p> <p><i>If so, provide a full narrative description of an attachment of each such incident, any loss which resulted, and the steps taken to prevent recurrence.</i></p>	<input type="checkbox"/> No <input type="checkbox"/> Yes
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C. TRADING PROCEDURES

11.	<p>Please identify those persons who comprise your Market Risk Committee and their titles.</p> <p><i>(Market Risk Committee means those senior business-line managers and managers independent of the line areas that collectively have direct accountability for all corporate-wide market risk activities).</i></p>	
12.	<p>Have you established written policies and procedures for all Trading that include:</p> <p>(i) permitted financial limits;</p> <p>(ii) permitted product lines;</p> <p>(iii) permitted counterparties;</p> <p>applicable to the activities of each individual Trader?</p>	
13.	<p>If such written policies and procedures are established, are all Traders provided with an initial instruction as to their content?</p>	<input type="checkbox"/> No <input type="checkbox"/> Yes
14.	<p>Are all Traders continuously updated as to any changes or modifications to the written policies and procedures?</p>	<input type="checkbox"/> No <input type="checkbox"/> Yes
15.	<p>Is there an independent review and reconciliation of each day's Trading by one or more officers of the Assured who are independent of the Traders?</p>	<input type="checkbox"/> No <input type="checkbox"/> Yes
16.	<p>Is such a review and reconciliation recorded, signed, dated and retained?</p>	<input type="checkbox"/> No <input type="checkbox"/> Yes

17.	<p>Have you established a separation of duties as to:</p> <p>(i) trade reconciliation? (ii) trade statements? (iii) trade confirmations?</p>	<p>(i) <input type="checkbox"/> No <input type="checkbox"/> Yes (ii) <input type="checkbox"/> No <input type="checkbox"/> Yes (iii) <input type="checkbox"/> No <input type="checkbox"/> Yes</p>
18.	<p>Have you assigned responsibility for and monitoring of Trading activities to a group or department outside of the Trading departments themselves?</p>	<p><input type="checkbox"/> No <input type="checkbox"/> Yes</p>
19.	<p>Have you established written policies and procedures forbidding Brokers' Points and Adjusted Price Trading?</p> <p><i>(Adjusted Price Trading means a collusive agreement with a party from whom the Assured previously purchased a security that has now dropped in value and the security is resold to the party at the Assured's original purchase price, and the Assured purchases other securities from the dealer at an inflated price.)</i></p> <p><i>(Brokers' Points means one party agreeing to the other party's price in a disputed trade, but with the caveat that the discrepancy will be made up in the future.)</i></p>	<p><input type="checkbox"/> No <input type="checkbox"/> Yes</p>
20.	<p>Do you maintain written policies and procedures for:</p> <p>i) dealing with trades conducted at off market rates? ii) regular re-valuation of positions? iii) proper use of trade tickets and blotters?</p>	<p>(i) <input type="checkbox"/> No <input type="checkbox"/> Yes (ii) <input type="checkbox"/> No <input type="checkbox"/> Yes (iii) <input type="checkbox"/> No <input type="checkbox"/> Yes</p>
21.	<p>After a Trading transaction has been completed, is there a requisite period of time within which said Trade must be recorded?</p>	<p><input type="checkbox"/> No <input type="checkbox"/> Yes</p>
22.	<p>Do you have established procedures to price thinly traded or non-exchange traded instruments and do you independently review such pricing on a regular basis?</p>	<p><input type="checkbox"/> No <input type="checkbox"/> Yes</p>
23.	<p>Are all Trading telephone conversations at your premises recorded and are the recordings retained for at least three years?</p>	<p><input type="checkbox"/> No <input type="checkbox"/> Yes</p>

24.	Are all traded instruments marked to market on a daily basis by employees independent of your Traders?	<input type="checkbox"/> No <input type="checkbox"/> Yes
25.	Do you permit Trading away from your premises (e.g., from a Trader's home)? If so, describe the procedures and controls which you apply to such Trading.	<input type="checkbox"/> No <input type="checkbox"/> Yes
26.	Are all Traders and support staff, whose duties are within your Trading operations, required to take an uninterrupted holiday of at least two weeks in each calendar year during which they perform no duties and are required to stay away from the premises?	<input type="checkbox"/> No <input type="checkbox"/> Yes

D. SYSTEMS

27.	Is all Trading entered and monitored on a globally centralised computer system such that management can be aware of your total positions and exposures on a world-wide basis at any given time? If "no", please describe how Trading exposures are co-ordinated and controlled.	<input type="checkbox"/> No <input type="checkbox"/> Yes
28.	Do your procedures require that all Trades are entered into the system immediately upon execution or within a designated maximum period?	<input type="checkbox"/> No <input type="checkbox"/> Yes
29.	What is the <i>maximum</i> period during which a trade may remain unrecorded by a Trader after execution?	

E. AUDIT CONTROLS

30.	Identify the firm(s) of external accountants who audit your accounts annually.	
31.	Do the external accountants review all Trading operations annually?	<input type="checkbox"/> No <input type="checkbox"/> Yes
32.	Do the external accountants perform any internal control audits of the Trading function whereby an opinion letter or similar document is furnished?	<input type="checkbox"/> No <input type="checkbox"/> Yes

33.	Describe the role performed by your internal audit department with respect to your Trading operations	
34.	Are written reports identifying any weaknesses in controls or procedures made by internal and external auditors on an annual basis?	<input type="checkbox"/> No <input type="checkbox"/> Yes
35.	Have all such weaknesses been corrected to the auditor's satisfaction?	<input type="checkbox"/> No <input type="checkbox"/> Yes

F. REGULATORY

36.	Identify any governmental regulatory authorities charged with overseeing your Trading operations.	
37.	Has any regulatory authority issued any report in the last three years which contained negative observations or issued any directives concerning your Trading operations or staff employed in it? If so, identify the regulatory authority, the negative observation, or the directive, and the action taken.	<input type="checkbox"/> No <input type="checkbox"/> Yes
38.	Are you presently, or were you at any time in the last three years, required to submit reports or operate under any imposed requirements or restrictions concerning your Trading activities at the instance of a regulatory authority?	<input type="checkbox"/> No <input type="checkbox"/> Yes. <i>If Yes, please provide details:</i>
39.	Have you at any time in the last three years incurred any fine, penalty or censure from a regulatory authority arising from your Trading operations or staff employed in it?	<input type="checkbox"/> No <input type="checkbox"/> Yes. <i>If Yes, please provide details:</i>

G. COUNTERPARTIES

40.	Describe the procedures which are required in order for a counterparty to be approved for Trading purposes.	
41.	Is such approval required before a Trader may engage in Trading involving such counterparty?	<input type="checkbox"/> No <input type="checkbox"/> Yes
42.	Is your computer system programmed to identify and reject a transaction which is not with an approved counterparty?	<input type="checkbox"/> No <input type="checkbox"/> Yes

H. PRODUCT LINES

43.	Describe the procedures which are required in order for a product line to be approved for Trading purposes.	
44.	Is such approval required before a Trader may engage in Trading involving such product line?	<input type="checkbox"/> No <input type="checkbox"/> Yes
45.	Is your computer system programmed to identify and reject a transaction which is not within an approved product line?	<input type="checkbox"/> No <input type="checkbox"/> Yes
46.	Are you involved in the design/creation of 'complex/exotic' proprietary derivative instruments?	<input type="checkbox"/> No <input type="checkbox"/> Yes
47.	If so, are such instruments used for Trading with other financial institutions?	<input type="checkbox"/> No <input type="checkbox"/> Yes. <i>If Yes, please provide details:</i>

I. PROPOSED INSURANCE

48.	Aggregate Indemnity Limit required, please indicate:	<input type="checkbox"/> \$5,000,000 <input type="checkbox"/> \$10,000,000 <input type="checkbox"/> \$15,000,000 <input type="checkbox"/> \$10,000,000 <input type="checkbox"/> Other, please state:
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J. STAMP DUTY SPLIT

49.	For the purpose of calculating Stamp Duty please confirm the number of employees in the relevant State of Australia:								
	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	Overseas

K. DECLARATION

We declare that the above answers, statements, particulars and additional information are true to the very best of the knowledge and belief of the **Proposer**. After full enquiry we also confirm that we have disclosed all information and material facts that may alter the Underwriters' view of the risk, or affect their assessment of the exposures they are covering under the policy. We understand that all answers, statements, particulars and additional information supplied with this proposal form will become part of and form the basis of the policy.

We acknowledge that we have read and understood the content of the **Important Notice** contained in this proposal.

We confirm that we are authorised to complete this proposal on behalf of the Company referred to in **Question 1** of this proposal and all subsidiary companies declared in **Question 11**.

To be signed by two Executive Officers

Name:
Capacity:
Signed:
Date:

Name:
Capacity:
Signed:
Date: