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**TRANSITIONAL AMENDMENTS TO THE BUSINESS RULES OF SYDNEY FUTURES EXCHANGE LIMITED AND SFE CORPORATION LIMITED**

Following the introduction of the Financial Services Reform legislation, further minor amendments have been made to definitions in the Business Rules (General By-Law 1.1) to clarify the way in which the 'old' Corporations Act and the 'new' Corporations Act are to apply during the period in which licence holders must convert from a futures broker's licence to an Australian Financial Services Licence.

The amendments, which came into effect on 3 April 2002, do not change the originally intended operation of the definitions – of 'Futures Brokers Licence' and 'Futures Law' – which were advised in SFE Bulletin 26/02: The intended effect is that until an SFE Participant transitions their existing futures brokers licence into one of the new financial services licences, their obligations under Exchange Business Rules to comply with the "Futures Law" involves an obligation to continue complying with relevant parts of the old Chapter 8 of the Corporations Act.

For convenience, all of the provisions relating to this subject, including the aspects that are unchanged from those advised in the previous bulletin are attached.

Should you have any queries please contact Patricia Gilligan on 9256-0661 or [pgilligan@sfe.com.au](mailto:pgilligan@sfe.com.au)

A handwritten signature in cursive script that reads "Malcolm Starr".

**MALCOLM STARR**  
**GENERAL COUNSEL AND COMPANY SECRETARY**

SFE Corporation Limited (SFE) and its subsidiaries operate fully electronic financial exchanges with 24-hour trading capability, providing investment and risk management products, trading market data, and centralised clearing, settlement and depository services for institutions globally. SFE's shares are listed on an exempt market.

**TRANSITIONAL AMENDMENTS TO THE BUSINESS RULES**  
**OF SYDNEY FUTURES EXCHANGE LIMITED**  
**AND SFE CORPORATION LIMITED**

**BACKGROUND**

SFE Business Rules impose a number of obligations by referring to sections of the “Futures Law”. For example, General By-Law G.13.1 requires all Participants to comply with “S.1209 of the Futures Law” relating to the maintenance of client segregated accounts.

For this example, the combined effect of the Corporations Act and the new business rule definition of “Futures Law” is as follows:

- until the Participant has obtained its financial services licence – it must continue to comply with Section 1209 of the old Corporations Act (to be found in the repealed Chapter 8); whereas
- as soon as the Participant has obtained its financial services licence – a reference in SFE’s Rules to the Participant being obliged to comply with “Section 1209 of the Futures Law” is to be construed as a reference to complying with the replacement provisions in the new Part 7.8 of the Corporations Act. (In due course, further amendments are likely to be made to SFE’s Business Rules so as to delete these specific references to repealed sections of the law, but this will be to enhance comprehension of the Rules rather than to change their present effect).

Similarly, the combined effect of the Corporations Act and the new business rule definition of “Futures Law” in relation to product and risk disclosures to clients for existing financial products is as follows:

- until the Participant opts into the new financial product disclosure regime in Part 7.9 of the new law, (whether before or after it obtains its new licence) – it must continue to comply with Section 1210 of the old Corporations Act in relation to providing all clients with a risk disclosure statement and client agreement form; whereas
- if the Participant opts into the new product disclosure regime or the transition period ends on 11 March 2004 (whichever occurs first) – a reference in SFE’s Rules to the Participant being obliged to comply with “Section 1210 of the Futures Law” is to be construed as a reference to complying with the replacement provisions in part 7.9 of the new law.

**THE AMENDMENTS**

The following is the complete set of rule amendments relating to accommodating the FSR legislation (most aspects of which are unchanged from those advised in SFE Bulletin 26/02)

**Definitions:**

Australian Financial Services Licence	a licence granted by the Commission that authorises a person who carries on a financial services business to provide financial services.
Futures Brokers Licence	a futures brokers licence within the meaning of the Corporations Act 2001 (Cth) as in force immediately before 11 March 2002.
Futures Law	(a) where a Participant holds a Futures Brokers Licence, the law applying to such person by virtue of the operation of Chapters 7 and 10 of the Corporations Act

- 2001 (Cth) and references to a part or to a section of the Futures Law shall be read as a reference to the part or to the section of the law applying by virtue of the operation of those chapters;
- (b) where a Participant holds an Australian Financial Services Licence that authorises the holder to deal in derivatives, Chapter 7 of the Corporations Act 2001 (Cth) and references to a part or to a section of the Futures Law shall be read as references to the part or to the section of Chapter 7 of the Corporations Act 2001 (Cth).

**Other provisions:**

- G16.7 A Participant who holds an Australian financial services licence shall:
- (a) provide a copy of that licence to the Exchange;
  - (b) advise the Exchange of any variation to the conditions of the licence or of the supervision or cancellation of the licence; and
  - (c) comply in all respects with the Futures Law.
- G16.8 If a Participant holds an Australian Financial Services Licence, then where a provision of these Business Rules is inconsistent with a provision of the Futures Law, the provisions of the Futures Law shall prevail.
- G16.9 A Participant who provides an opt-up Product Disclosure notification to ASIC pursuant to the Futures Law will comply in all respects with Part 7.9 of the Futures Law.
- G16.10 If a Participant has transitioned to the product disclosure requirements of Part 7.9 of the Futures Law then where a provision of these Business Rules is inconsistent with that part, the provisions of that part shall prevail.
- G16.11 For the purpose of G16.9 and G16.10, Futures Law shall mean that law which would apply as if the Participant holds an Australian Financial Services Licence.