

**ALL DEALERS
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BACK OFFICE ACCOUNTING PROVIDERS**

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ENHANCEMENTS TO THE NZFOE MARKET

In response to customer demand, as requested in a letter received from the New Zealand Financial Markets Association (NZFMA), NZFOE proposes to:

- Change its trading hours
- Provide a fee reduction for 3-Year and 10-Year Government Stock Futures
- Double the Face Value of the 90-Day Bank Bill Future & Option contracts

In addition the Exchange is investigating the introduction of a Block Trading Facility for the 3-Year and 10-Year Government Stock Futures.

1.0 Trading Hours

1.1 NZFOE will eliminate the lunch hour effective 23 April 2001.

The 12:00 – 13:00 lunchtime halt will no longer occur.

1.2 Trading will commence earlier for the evening session effective 23 April 2001.

The Exchange will reopen for the new trading day at 17:40 hours rather than the current 19:10. The market will pre-open at 17:30 hours with leveling between 17:39:30 and 17:40. The new hours would therefore be:

| | |
|---------------------|---|
| 17:30:00 – 17:39:30 | Pre-open |
| 17:39:30 – 17:40:00 | Leveling |
| 17:40:00 – 07:00:00 | Market open |
| 07:00:00 – 07:50:00 | Market halt (pre price discovery) |
| 07:50:00 – 07:59:30 | Price discovery |
| 07:59:30 – 08:00:00 | Leveling |
| 08:00:00 – 16:30:00 | Market open (price discovery end) |
| 16:30:00 | Market closed and daily settlement price determined |

2.0 Block Trading Facility

NZFOE acknowledges the NZFMA's request for a Block Trading Facility. The NZFOE recognises the market's need and is in the process of reviewing the regulatory and operational issues, and the SFE group wide market impacts of such a facility.

3.0 Trading Fees

NZFOE will introduce a fee reduction from \$2.50 (incl. GST) per side to \$1.25 (incl GST) per side for the 3 – Year and 10 – Year Government Stock Futures from 1 May to 31 May 2001.

Subject to the introduction of a Block Trading Facility, or some such facility, and the market achieving volume thresholds in these contracts, this fee reduction will be extended for the months of June, July and August. Post August 2001, NZFOE fees will be reviewed as part of an SFE group wide fee review.

4.0 90-Day Bank Bill Contract

In order to standardise the contract specifications with other major world bank bill/money market contracts, NZFOE will double the size of the Bank Bill contracts in December 2001. The implied cost of dealing the contract will halve, as the current fee structure will remain unchanged. This will align the cost of dealing the contract with other major world exchanges.

GREG BOLAND
GENERAL MANAGER