



www.sfe.com.au

30 Grosvenor Street
Sydney NSW 2000 Australia
Telephone 61 2 9256 0555
Facsimile 61 2 9256 0666

PO Box N680
Grosvenor Place
NSW 1220 Australia

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AMENDMENT TO THE NZFOE BUSINESS RULES

The purpose of this Bulletin is to draw to Dealers' attention a new Rule, mandatory recording of telephone lines, which will be introduced on 15 May 2002.

At a recent meeting of the Business Rules Sub Committee (the Committee) of the New Zealand Futures and Options Exchange (NZFOE), the Committee determined that the NZFOE Rules be aligned with the SFE Business Rules so as to ensure the mandatory recording of telephone lines between Dealers, their clients and the Exchange.

In summary, the new rule requires each Dealer dealing with clients:

1) To record all telephone lines where instructions are received or are likely to be received from clients. Thus, where a telephone line is used to receive client instructions, it must be recorded, at all times, and thus will also include all discussions with clients, eg. Expressions of interest, nature of the market, strategies, etc. These recordings must be retained for a period of no less than three (3) months;

2) To record all electronic devices where instructions are received from clients or are likely to be received, eg. E-mail, Reuters, Bloomberg terminals;

As in 1) above, the records should be made available to the Exchange at all times and be maintained for a period of no less than three (3) months;

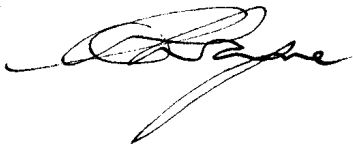
3) recordings in 1) and 2) shall be made available to the Exchange as soon as practicable upon request for the purpose of the Exchange fulfilling its regulatory responsibilities and to monitor compliance;

4) the Exchange shall be entitled to record all conversations conducted on its telecommunications equipment, including conversations with Dealers.

The new Rule is set out in full and is attached.

NZFOE BULLETIN CONTINUED

For many Dealers, the Exchange recognises that the Rule introduction will have no significant impact as it will merely formalise existing practices. However, if you have any concerns with regard to the above, please contact Michelle Wagner, SFE Compliance Manager, on +61 (02) 9256 0580 or Rebecca Riant, SFE Surveillance Officer, on +61 (02) 9256 0589.

A handwritten signature in black ink, appearing to read 'Michelle Wagner', with a stylized flourish extending from the bottom right.

MICHELLE WAGNER
COMPLIANCE MANAGER

2 MAY 2002

NZFOE BULLETIN CONTINUED

NZFOE RULE 11A - MANDATORY RECORDING OF TELEPHONE LINES

- (a) Recording by Dealer
 - (i) Each Dealer dealing with Clients must record, at its own expense, all telephone lines and other electronic devices where instructions are received, or are likely to be received from Clients. Such recordings shall be retained for a minimum three (3) month period and shall be made available, as soon as practicable to the Exchange upon request for the purpose of the Exchange fulfilling its regulatory responsibilities and to monitor compliance by its Participants with the Exchange's Rules and the Companies Act.
 - (ii) For the purpose of Rule 11A, in respect of a Dealer which is a corporation, a "Client" shall include a related corporation as defined by the Corporations Law or a division of the Dealer – which is separate from the Dealer's futures division
- (b) Recording by the Exchange
 - (i) The Exchange shall be entitled to record all conversations conducted on its telecommunications equipment
 - (ii) Disclosure to any other person of information obtained by the Exchange pursuant to Rules 11A(a)(i) shall be subject to Rule 6.1 or the consent of the Dealer.

SFE takes no responsibility for any errors or omissions contained in this bulletin and will not be liable for any reason including without limitation negligence, for losses, consequential or otherwise, arising from or in connection with decisions made in reliance upon this information. This information does not substitute for the Business Rules and in the case of inconsistency the Business Rules prevail. Before acting on any matter contained in this bulletin readers should discuss the matter with their own professional advisers.