

NEW ZEALAND FUTURES & OPTIONS EXCHANGE LIMITED

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NZFOE BULLETIN No: 002/04

From: New Zealand Futures & Options Exchange Limited

Date of Issue: 12 May 2004

CARRYING ON THE BUSINESS OF DEALING IN FUTURES CONTRACTS IN NEW ZEALAND

NZFOE has recently determined that the rules of NZFOE generally cease to apply to NZFOE Dealers with effect from:

- in the case of SFE Participants, commencement of business on 11 March 2004 - (this being the date on which existing NZFOE products became SFE products); and
- in the case of other NZFOE Public Brokers and Introducing Brokers, midnight on 2 May 2004 (3 May 2004 being the date on which regulation of futures dealers in New Zealand was transferred from NZFOE to NZX); an exception to this is that NZFOE Brokers who are now Participants of NZX and who are bound by the Futures and Options Rules of the New Zealand Exchange Limited (NZX), must lodge their NZFOE monthly financial statements for April 2004 with NZX.

These determinations coincide with the New Zealand Securities Commission having changed, with effect from 3 May 2004, the basis upon which persons are authorised to carry on the business of dealing in futures contracts in New Zealand. Prior to that date, authorisation by the Commission was granted to most Public Brokers and Introducing Brokers by virtue of their being Dealers of NZFOE and by being subject to the relevant obligations set out in NZFOE's Rules.

Authorised Futures Dealers Notices Nos 2 and 3 of 2004, issued by the Securities Commission*, now provide that:

- being a Participant of NZX that is subject to its Futures and Options Rules; or
 - being an SFE Participant that has an Australian Financial Services Licence (AFSL)
- are the alternative ways of qualifying for continuing authorisation to conduct a futures business involving New Zealand clients.

The NZFOE determination that Dealers are free from continuing obligation to comply with NZFOE rules does not apply retrospectively except in relation to the lodgement of April monthly financial statements, as mentioned above: all other rules that applied prior to 11 March or 3 May (as the case may be) continue to operate until the relevant date. Rule breaches which occurred prior to 11 March or 3 May 2004 may still be the subject of disciplinary proceedings, and any directions by the Business Conduct Committee must be complied with. In due course, the NZFOE rules will be repealed and NZFOE will be wound up.

Effect of the Change on SFE Participants

1. SFE Participants should note that the Securities Commission authorisation is subject to:
 - the Participant providing a copy of their annual audited financial statements to the New Zealand Securities Commission within three months of their balance date; and

*The Notices may be viewed on the Securities Commission's website, at <http://www.sec-com.govt.nz/new/releases/2004/300404.shtml>



- the Participant holding an AFSL which authorises them to deal in futures contracts. SFE Participants should note that Australian law also requires that, if they wish to deal in derivatives other than futures contracts (such as options over securities), their AFSL must authorise dealing in derivatives. SFE Participants who have such an authorisation will be able to deal in the NZ Equity Options which are proposed to be listed on Sydney Futures Exchange later this year.

Effect of the Change on NZX Participants

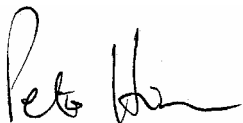
1. NZX Participants should note that the Securities Commission authorisation is subject:
 - to the Participant being bound by all applicable NZX Futures and Options Rules in respect of any dealing in futures contracts; and
 - to the Participant providing a copy of their annual audited financial statements to the New Zealand Securities Commission within three months of their balance date.
2. NZX Participants are required to comply with the all applicable NZX Futures and Options Rules.
3. Where the NZFOE Dealer has paid an annual fee for 2004, a pro-rata refund of the fee for the period 3 May – 31 December 2004 will be made.

Annual audited financial statements should be lodged with Mr Liam Mason or Mr Edwin Bunning at the New Zealand Securities Commission, Unisys House, 56 The Terrace or PO Box 1179 Wellington New Zealand.

Dealers should note that nothing affects the continuing force of the New Zealand Futures Industry (Client Funds) Regulations which require a separate client account to be maintained in New Zealand.

Queries by SFE Participants should be directed Ms Barbara Jones, Senior Legal Counsel (bjones@sfe.com.au) or Tel (612) 9256 0560.

Queries by NZX Participants should be directed Mr Greg Boland, Regional Manager New Zealand (gboland@sfe.com.au) or Tel (649) 413 6990



Peter Hiom
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