

CIRCULAR



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To: Floor Members

No: 269/99

Risk Management Rules

I refer to Circular No. 242/99 issued on 26 August 1999 which advised that the Business Conduct Committee (BCC) had agreed that it was appropriate to introduce a Moratorium on the enforcement of the Risk Management Rules (TR8A). The purpose of the Moratorium was to provide Floor Members with sufficient time to fully understand the new requirements and to enable additional procedures to be implemented.

This Moratorium was due to partially end from 4 October 1999 for transactions executed in products exclusively traded on SYCOM® IV and completely end for transactions executed following floor closure. However, on the basis of a number of concerns raised by some Members, the BCC has agreed to extend the existing Total Moratorium on the enforcement of the Risk Management Rules.

As Floor Members are aware, the Compliance Department issued a Questionnaire to each Member to obtain details of the approach each Member intended to take. Responses to the Questionnaire have raised various concerns in relation to the appropriateness of the new Risk Management Rules.

Accordingly, the concerns of Members will be referred to the Board for its consideration of the appropriateness and applicability, or otherwise, of the new Risk Management Rules. Thus, the Moratorium on the enforcement of the new Risk Management Rules (TR8A) will continue until the Board has reviewed the issues. Members will be advised of the Board's decision.

It should be highlighted that the Moratorium only applies to TR8A.1 and not TR27.4, ie. where clients have electronic access to SYCOM® through the AOEI via a Member Order System then the Risk Management Rules set out in TR27.4 must be complied with. Further, the limits required by TR8A.2 must also be complied with, ie. limits to be imposed on SYCOM® Traders.

Should any Member have any queries in relation to this matter, please contact Ms Deborah Horne (General Manager, Compliance & Surveillance) or Ms Michelle Wagner (Manager, Compliance).

**Les Hosking
Chief Executive & Director**

24/09/99

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