

**CIRCULAR TO: FULL PARTICIPANTS
ASSOCIATE PARTICIPANTS**

No. 199/00

EXPIRY OF CANOLA, BARLEY AND SORGHUM CONTRACTS

On 20 June 2000 the Exchange launched Canola, Barley and Sorghum Futures contracts with the first expiry, being the November contract, occurring on 21 November 2000.

The purpose of this Circular is to remind Participants of their obligations in respect of the maintenance of a fair and orderly market, in particular, during the expiry of illiquid contracts.

As part of its responsibility to ensure that fair and orderly markets are maintained, the Surveillance Department monitors the Exchange's markets and trading, and Open Positions held by Participants and their clients.

Participant and client positions are particularly monitored around expiry times to ensure that single position holders would not be left in circumstances where liquidation may be difficult, also that settlement of a contract is not subject to a 'corner' or 'squeeze' by a large position holder.

A 'corner' or 'squeeze' is defined as a situation where long position holders with large numbers of physical stock and futures may be able to force short position holders to buy the physical commodity at inflated prices in order to be able to deliver. It should be noted that attempts to do the above, by any market participant, will not be tolerated by the Exchange, which will not hesitate to take appropriate disciplinary action including referring the matter to the Australian Securities and Investments Commission.

Accordingly, due to the illiquid nature of the market and therefore the possible impact on the market upon expiry, where there are market participants who wish to liquidate their position, the Exchange would expect that a large position holder wishing to make or take delivery would endeavour to place a competitive bid or offer in the futures market. This would assist other position holders to liquidate their positions without 'squeezing' or otherwise unduly affecting the market.

In its aim to achieve an orderly expiry, the Surveillance Department may request information from a Participant or its client about their intentions in both the cash and futures market in regard to a particular contract. The Exchange may also request documentation which illustrates the purpose of the position.

Participants are requested to familiarise themselves with General By Law G.33 (Undesirable Market Situations and Practices and Prevention of Delivery). It is suggested that Participants also provide a copy of this Circular to their clients in order that they be made aware of the need to maintain a fair and orderly market.

Should you have any queries in relation to the above, please do not hesitate to contact either Tristan Strobl on 9256 0177 or the undersigned on 9256 0699.

BRONWYN HILL
MANAGER, SURVEILLANCE

9 NOVEMBER 2000