

CIRCULAR TO:

ALL PARTICIPANTS

No 219/00

**GREASY WOOL FUTURES CONTRACT
DELIVERABLE STOCK**

Background

This Circular is to advise market participants of a special arrangement that has been put in place as a result of the major hailstorm in Sydney on 3 November 2000. It has now become apparent that the special arrangement is necessary to ensure the orderly conduct of the market, to protect market participants and to maintain the integrity of the futures delivery process.

The Australian Wool Handlers (AWH) warehouse at Yennora, Sydney was partially flooded during the storm, which resulted in some wool bales becoming water damaged. The futures delivery period starts on 15 December 2000 and the extent of the damage to futures deliverable stock is still unknown.

Wool which has been appraised by the Australian Wool Exchange (AWEX) and tested by the Australian Wool Testing Authority (AWTA) and accepted by the Sydney Futures Exchange Clearing House (SFECH) as forming part of deliverable stock, may cease to satisfy the futures contract specifications if it is subsequently damaged by water and left in storage. Wool which was stored at the AWH Yennora site on 3 November 2000 (including wool that has subsequently been moved to a different site) is in danger of falling into this category.

Special Certification Regarding Water Damage

Under SFE's By-law GW.5(iii) the SFE is authorised to issue a declaration that wool does not comply with the deliverable stock criteria. However, rather than declare all wool that was stored at the AWH Yennora warehouse on 3/11/00 to be undeliverable, the SFE has arranged for a service to be offered to wool owners of examining wool that was stored at the AWH Yennora warehouse on 3/11/00 to see if it is water damaged and to issue a Special Appraisal Certificate for Water Damage.

As the maintenance of market integrity is paramount, and in the interests of ensuring an efficient and reliable service, the SFE has arranged for the appraisal service to be provided by AWEX, which is already an approved appraisal body under the Greasy Wool By-laws.

The form of the certificate has been agreed between SFE and AWEX.

The costs of obtaining the Certificate are the responsibility of the owner of the wool. Owners will be invoiced by AWEX at an hourly rate.

Market participants who wish to make delivery in the Greasy Wool Futures Contract with wool that was stored at AWH Yennora on 3/11/00 will need to obtain the Special Appraisal Certificate.

Declaration under the Greasy Wool By-laws

To ensure that wool delivered under a futures contract continues to satisfy the contract specifications set out in the SFE By-laws, the Exchange hereby makes a declaration under By-law GW.5 (iii) that wool that was stored in the Australian Wool Handlers warehouse at Yennora NSW on 3 November 2000 is deemed to be no longer deliverable stock unless the tender documentation includes an AWEX Special Appraisal Certificate for Water Damage indicating that the wool is not damaged. This declaration includes wool that was stored at the AWH Yennora warehouse on 3/11/00 and has subsequently been moved to a different site.

Please contact the undersigned on (02) 9256 0493 if you have any queries regarding this issue.

**MARGARET WILLETT
MANAGER COMMODITY PRODUCTS**

6 DECEMBER 2000