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REVISIONS TO THE CASH SETTLEMENT PRICE METHODOLOGY FOR SEPTEMBER 2001 SPI® & SPI 200™ CONTRACTS

Introduction

Bulletin 81/01 (issued 8 August 2001) outlined changes to the methodology for determining the Cash Settlement Price (CSP) of SPI® & SPI 200™ contracts and the background to those changes. Further to market consultation, this Bulletin describes enhancements to the CSP methodology for SPI® & SPI 200™ contracts that expire on 28 September 2001.

Analysis of CSP Methodology

Throughout the process of investigating, identifying and implementing the most appropriate CSP methodology to replace the existing mechanism, SFE has actively sought the views of a broad range of customers. As a consequence, SFE has taken into consideration feedback from customers as to the relevance of including the ASX random closing period in calculating the CSP of expiring SPI® & SPI 200™ contracts.

SFE has received strong support from customers to exclude the ASX random closing period thereby reducing the complexity and risk of managing exposure than would otherwise be the case if the random period were included.

In addition, further analysis has been undertaken to ensure that the sampling methodology is both simple to understand, and straightforward for users to replicate if they wish to do so. Due to the nature of the dissemination of underlying index prices¹, SFE has determined that minor revisions to the sampling methodology are appropriate to ensure that all underlying index prices disseminated within the sample period are captured as part of the CSP calculation. This is preferable to taking a snapshot of underlying index prices at intervals of precisely thirty seconds where there would be the potential for movements in the underlying index price to be excluded from the arithmetic average calculation.

¹ Underlying index refers to the S&P/ASX 200 Index, in the case of the SPI 200™ and Share Price Index in the case of the SPI®. "S&P/ASX 200 Index" is a trademark of Standard and Poors and is used under license by the Sydney Futures Exchange.

S F E B U L L E T I N C O N T I N U E D

Revised CSP Methodology

On the basis that on 28 September 2001 ASX plans to extend normal trading by randomly closing the underlying market, **SFE has determined not to incorporate underlying index prices disseminated within the random period when calculating the CSP of September 2001 SPI® & SPI 200™ contracts.** SFE believes that this action will address the concerns of a large majority of market users.

In addition, **the CSP methodology will also be revised to include every underlying index price disseminated by ASX within the sample period.** Participants should note that, due to the nature of underlying index price dissemination process, the interval between prices will not necessarily be precisely thirty seconds. In order to ensure that sufficient prices are sampled under the revised methodology, the sample period will be extended by five minutes. This will mean that the number of samples taken will be at least sixty rather than exactly sixty.

Consequently, on Friday 28 September 2001, the CSP of expiring September 2001 SPI® and SPI 200™ contracts will be determined as an **arithmetic average of all underlying index prices disseminated by ASX between 3:25:00pm and 4:00:00pm inclusive as determined by the ASX Dissemination Processor System clock.**

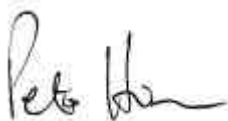
The publication of the final CSP will continue to occur on SYCOM® at 12.00pm on the business day following the last day of trading.

Subsequent SPI 200™ Expiries

SFE will monitor the September 2001 expiry and, subject to any changes as determined by ASX to the closing price mechanism of the underlying market for December 2001 onward, will review the new methodology and assess whether any further minor enhancements to the average price calculation algorithm are appropriate.

Further Information

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