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GUIDANCE ON MARKET FACILITATION RULES FOR LARGE ORDERS AND THE LEVEL OF PENALTIES FOR INDIVIDUALS FOR BREACHES OF THE RULES

Market Facilitation Rules for Large Orders

At its meeting on 31 July 2001, the Market Practices Committee (the Committee) considered the interpretation of the Market Facilitation Rules for Large Orders, specifically Trading Rule TR.20.7, which states:

TR.20.7 Once counterparties have been solicited for the large order pursuant to TR.20.2, the Participant or SYCOM® Trader must enter the large order on SYCOM® for execution. A Participant or SYCOM® Trader shall be subject to the normal trading rules of the Exchange once a large order is released into the SYCOM® system.

The Committee has determined that in an instance where only a 'small' order can be solicited, following the receipt of a 'large' order (i.e. an order which meets the criteria of a large order under Schedule H) and the invocation of the Market Facilitation Rules, a large order must be entered into SYCOM® to be crossed with the small order. For example, where an order for 1200 lots is received in the SPI® 200 options contract and the Market Facilitation Rules are invoked, but opposing orders for only 300 lots can be solicited, the SYCOM® Trader must enter at least 1000 lots of the 1200 lot order, when crossing with the opposing 300 lot order. It should be noted that the entire large order may not be required to be entered, just enough of the order to satisfy the large order requirements under Schedule H.

Further, in relation to any residual portions of large orders which do not meet large order criteria, pursuant to Trading Rule TR.20.7, the Participant or SYCOM® Trader shall be subject to the normal Trading Rules after a large order is entered into SYCOM®. Therefore, in the above instance where only 900 lots of the original large order remains, the SYCOM® Trader would no longer be covered by the Market Facilitation Rules.

Level of Penalties for Individuals

In relation to breaches generally, the Committee noted that the Business Conduct Committee directed that penalties against individuals, following breaches of the Rules, should be increased in proportion to penalties against Participants.

Should you have any queries please contact Mark Floyd on 9256-0477 or mfloyd@sfe.com.au

A handwritten signature in black ink that reads "M Floyd". The "M" is large and stylized, and "Floyd" is written in a cursive script.

Mark Floyd

Acting Manager, Surveillance

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