



SFE Bulletin No: 124/01
From: SFE Corporation Limited ABN 74 000 299 392
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Effective Date: **Immediate**

ADMINISTRATION OF THE LARGE VOLUME REBATE SCHEME

Further to SFE Bulletin 235/00 (2001 Rebate) and SFE fee policy statement dated 21 November 2001 it has become apparent that there is a need to clarify further the eligibility criteria for fee rebates in respect of large volumes.

Notwithstanding that the calculation of the value of the rebate is different in 2001 and 2002, the criteria for eligibility are essentially the same. (The basis of the 2001 volume rebate is set out in Bulletin 235/00 and the 2002 volume rebate is set out in SFE fee policy statement dated 21 November 2001). The eligibility test is as follows:

Any single entity, or group of entities comprising a parent company and its majority owned subsidiaries, whether a participant or a client of a participant, which trades in excess of 1,000,000 sides on its own account ("House trading") during 2002 (960,000 sides in 2001) will qualify for a rebate. "On its own account" means as principal not as broker, nor as a manager of clients' money. Fund Managers may claim on behalf of individual managed accounts, but not in respect of any aggregation of managed accounts. The total number of trades will be the aggregate for any individual entity through any participant.

Participants must institute controls and procedures to ensure that only eligible trades are submitted for rebate.

An example of the application of the policy in 2001 is set out below:

LARGE VOLUME REBATES – 2001

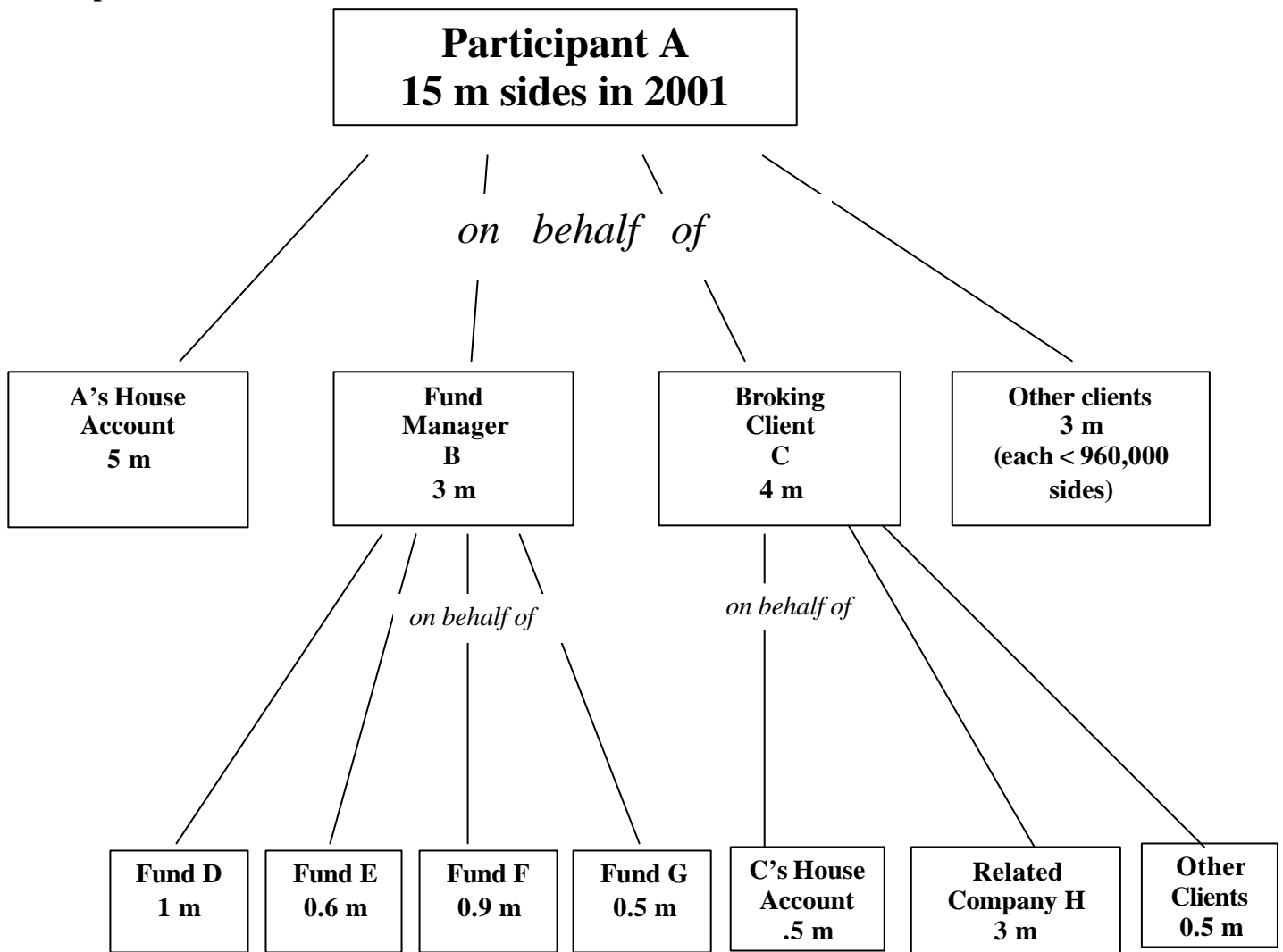
This note outlines the circumstances in which participants will qualify for a reduced fee of \$0.65 per side. Where the end client has more than 960,000 sides traded on its own account during 2001 a

rebate can be claimed in respect of each of those own account trades (i.e. the rebate applies to all trades, including the first 960,000).

The rebate can also be claimed if the 960,000 threshold is reached by aggregating the trades effected for related bodies corporate (as defined in the Corporations Law), again so long as each company is trading on its own account, irrespective of which Participant or Participants the contracts are dealt through.

Trades effected for a single fund by a fund manager will qualify as being an own account trade (for that fund). Trades effected for multiple funds will not qualify.

Example



The Participant is entitled to a reduced fee of \$0.65 on 9.5 million sides represented by:

5 million	(A's house account)
+	
3.5 million	(C (house account) & H's trades aggregated because they are related companies not acting on behalf of other parties)
+	
<u>1 million</u>	(D's proprietary trading)
<u>9.5 million</u>	

Returns

Participants have been submitting quarterly returns of their eligible volumes, which will be used to calculate their respective rebates. The quarterly returns are subject to review by SFE compliance staff. The purpose of the review is to check the consistent application of the eligibility criteria.

LARGE VOLUME REBATES – 2002

In 2002 Volume Rebates will be paid according to total exchange trading volumes and eligible Participant Volumes as described in the SFE fee policy statement dated 21 November 2001. The eligibility test in 2002 will be essentially the same as in 2001 (as set out above), with 3 exceptions:

1. The annual threshold is increased from 960,000 sides to 1,000,000
2. Eligible participants are required to submit quarterly returns of eligible volumes as they did previously. The deadline for the receipt of the first 3 quarterly returns is within 1 month of quarter end.
3. Eligible Participants will be required to submit with their December 2002 quarterly return of eligible volumes a Schedule of Eligible Trades, showing the total eligible trades claimed in respect of the year to 31 December 2002, analysed between House and individual Client accounts together with an audit certificate signed by their statutory auditor supporting the eligibility of the volumes claimed.

The eligible volumes must be calculated in accordance with the rules set out in this bulletin. Any errors identified, during the audit or otherwise, must be corrected on the Schedule or identified as uncorrected in the audit report. Audit certificates must be received before 28 February 2003 to allow the rebates to be paid by 31 March 2003. **Late, unaudited or incomplete returns will not be accepted.**

The required form of the audit report is set out below:

INDEPENDENT AUDIT REPORT

To [The Directors of the Participant]

Scope

We have audited the attached "Schedule of Eligible Trades" for the year ended 31 December 2002. [Participant] is responsible for the Schedule. We have conducted an independent audit of the Schedule in order to express an opinion on it to [Participant].

The attached Schedule has been prepared as required by SFE Corporation Limited to allow [Participant's] share (if any) of the Large Volume Rebate to be calculated and distributed. We disclaim any assumption of responsibility for any reliance on this report or on the Schedule to which it relates to any person other than SFE Corporation Limited, and [Participant], or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included the examination on a test basis of evidence supporting the information included in the schedule. These procedures have been undertaken to form an opinion whether in all material* respects, the schedule is presented fairly in accordance with the rules for eligibility for the SFE Large Volume Rebate as set out in SFE Bulletin XX/01 .

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the attached Schedule presents fairly in accordance with the SFE Bulletin XX/01 [Participant's] trades eligible for Large Volume Rebate for the year ended 31 December 2002.

Date	Firm
Address	Partner

*For the purpose of this report the materiality threshold is 5% of the annual total of each category of claim (ie house account or individual client).

(SFE reserves the right to conduct inspections of Participants' records to confirm the eligibility of trades claimed.)

Should you have any queries please contact Martin Davey, Chief Financial Officer on 9256-0576 or Ramy Aziz, Financial Controller on 9256-0657 (mdavey@sfe.com.au or raziz@sfe.com.au)

A handwritten signature in black ink, appearing to read 'Martin Davey', with a large, stylized flourish at the end.

Martin Davey
Chief Financial Officer