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STANDARD & POORS MOVE TO FREE FLOAT METHODOLOGY FOR S&P/ASX 200 INDICES – ACTION IN RESPECT OF SPI 200™ CONTRACTS

1.0 Introduction

- 1.1 Standard & Poor's have announced that **effective from the start of business on 1 October 2002, all S&P/ASX indices will be calculated using a 'free float' methodology.** Standard & Poors believe that the move to a free float methodology will reduce portfolio turnover, increase portfolio stability and result in the S&P/ASX indices continuing to be liquid, transparent, investable and an accurate representation of the Australian equity market.
- 1.2 To assist market participants in preparing for the change to a free float methodology, Standard & Poor's will calculate and disseminate provisional index prices for the S&P/ASX 200 Index¹ based upon free float methodology alongside the S&P/ASX 200 Index calculated using the current methodology. Provisional index prices will be calculated in real time from 8 April 2002 and will be officially implemented on 1 October 2002, when the current index calculation methodology will be curtailed by Standard & Poor's.

2.0 Impact on SPI 200™ Contracts

- 2.1 As Participants are aware, the S&P/ASX 200 Index is the basis for all SPI 200™ contracts. In order to give Participants and their clients the maximum period to become accustomed to the new free float based S&P/ASX 200 Index, **SFE will only adopt the free float based S&P/ASX 200 Index as the basis of SPI 200™ contracts when it becomes the official S&P/ASX 200 Index on 1 October 2002.**

3.0 Implementation

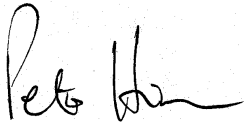
- 3.1 In accordance with the date of adoption of free float as the official index methodology, June 2002 and September 2002 SPI 200™ contracts will continue to be settled at expiry using the S&P/ASX 200 Index based on the existing methodology.
- 3.2 All subsequent SPI 200™ contracts (inclusive of the December 2002 expiry) will be settled at expiry using the S&P/ASX 200 Index based on the free float methodology.

¹ "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

4.0 **Further Information**

- 4.1 Participants seeking further information in relation to the S&P/ASX 200 Index or other S&P/ASX Indices should contact Tim Eisenhauer, Associate, Business Development at Standard & Poors (02 9255 9870) or refer to www.standardandpoors.com/australiaNZ/forum/index/index.html
- 4.2 Participants seeking further information in relation to this Bulletin should contact Martyn Wild, Manager, Equity Products, SFE Strategy & Business Development (02 9256 0178).



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