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INFORMATION BULLETIN - COMMISSION PROCESSING FEE

Further to Bulletin 119/02, in which SFE Corporation announced the introduction of a Commission Processing Fee, for the reporting and settlement of commissions on behalf of Participants of the exchange, this Bulletin provides additional detail on how the new fee will be administered.

Background

The Sydney Futures Exchange (SFE) and New Zealand Futures and Options Exchange (NZFOE) and SFE Clearing Corporation offer Trading and Clearing Participants a commission collection and settlement service, which allows for:

- Capture of a contract commission rate in the OM Secur system (via the OM Secur Back Office PC -BOPC).
- Recording of this commission rate against trades captured in OM Secur.
- SFE Clearing Corporation acting as a central settlement agent for all recorded commission flows.
- The multilateral netting of all commission obligations (earned or owed) for each Participant.
- Calculation of the resulting monthly multilateral net commission amounts and inclusion on the Participant settlement statements.
- Production and distribution of daily and monthly "Commission Earned and Owed" statements.

SFE understands that this service is unique to SFE and NZFOE and represents a significant value add to Participants by releasing them from the need to independently record, collect and settle commission cash flows for SFE / NZFOE trades.

The system parameters required to support the Commission Processing Service represented a substantial customisation of the Secur application both in terms of system modifications and project development. A Commission Processing Fee was seen as an equitable way of funding this investment and was favoured in lieu of increasing headline exchange fees, as this would have impacted all Participants and not just those utilising the custom enhancements to the commissions system.

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

2003 Commission Processing Fee

As advised in Bulletin 119/02 a Commission Processing Fee will be introduced as of 1 April 2003.

- The fee will be levied only on commissions calculated and collected via OM Secur.
- The fee will be charged for commissions processed for both SFE and NZFOE Participants.
- The fee will be levied upon the Participant who is the receiver of the commission (in most cases this is the Trading Participant). For clarification, Participants who are liable to pay commission on a specific trade will not be charged for the processing of that commission.
- A fee of 1 cent will be charged for each contract side that is liable to a commission, irrespective of the actual amount of the commission itself.
- The fee is exclusive of applicable GST, and will be charged in the relevant domestic currency - namely AUD or NZD.
- The fee will be listed as a separate item in the monthly statement for each Participant and settled as part of the multilateral settlement batch conducted with SFE Clearing.
- Contracts with zero commission will not attract the Commission Processing Fee.
- Participants giving up trades to themselves will not attract the Commission Processing Fee.
- As the fee is based on the number of contract sides, split trades will not incur any additional fees.

Example:

- Participant X executes a trade of 100 lots at a commission of \$1.68 per contract side (commission total \$168.00).
- Participant X records the commission earned in the trade record held in OM Secur (via their BOPC)
- The trade is allocated to Clearing Participant Z. (Allocation to a non-Clearing Participant is treated in the same manner)
- A Commission Processing Fee of \$1.00 plus GST (being 100 contract sides x 1 cent per contract side) will be levied on Participant X as they used OM Secur to record and subsequently collect the commission amount.
- The monthly GST Commissions Statement for Participant X will identify the total contract volume for Commission Received (Earned).

Should you have any queries please contact Martin Davey on 02 9256 0576 or Philip Galvin on 02 9256 0130.



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