



**SFE Bulletin No:** 124/02

**From:** SFE Corporation Limited ABN 74 000 299 392

**Date of Issue:** 29 November 2002

**Effective Date:** 4 December 2002

## Competition Between Clearing Systems

This Bulletin outlines the actions taken by SFE and SFE Clearing in answer to the Australian Competition and Consumer Commission (ACCC) determination that the public interest called for competition between clearing systems to be facilitated within the Australian market.

In December 2001, 10 years after first sanctioning the current vertically integrated exchange and clearing house model as being in the public interest, the Australian Competition and Consumer Commission (ACCC) determined that the public interest now called for competition between clearing systems to be facilitated. It provided for a transitional period of 12 months before the two major Australian exchanges would be required to have put rules in place facilitating competition between their respective clearing systems.

In order to comply with the ACCC's determination, exchanges, have therefore had to either:

- change their rules by 4 December 2002 to permit trades effected on one market to be cleared and settled by using another clearing and settlement facility; or
- persuade the ACCC to extend, beyond 4 December 2002, its authorisation of the existing arrangements.

SFE has elected to address point 1 above and provide the optionality sought by the ACCC rather than seek to continue defending the existing arrangements. SFE, however, is not aware of any latent demand for the changes, and is not aware of what approach might be taken by other exchanges.

SFE and SFE Clearing have now made the required changes to the rules. The rule changes for SFE are attached to this bulletin. The rule changes for SFE Clearing are attached to the SFE Clearing bulletin number 131. SFE and SFE Clearing have notified the ACCC of these changes and, effective from 25 November 2002, have obtained immunity from prosecution for any breach of the *Trade Practices Act 1974 (Cth)* unless the ACCC revokes such immunity. The rules are expected to commence on 4 December 2002.

The broad effect of the rules is to allow the clearing of trades executed on SYCOM to be performed by an alternative clearing and settlement facility. The key mechanism to achieve this without introducing unacceptable systemic risks is the creation of a new class of clearing participant, a Facility Participant, as a means of enabling SFE trades to be given up to the alternative clearing and settlement facility. If the operator of an alternative clearing facility in fact applies and is admitted by SFE Clearing as a Facility Participant, SFE Participants will be able to offer their clients the option of having SFE trades registered in that system, instead of SFE Clearing's system, provided:

- The alternative clearing and settlement facility has provided to SFE an acceptable third party guarantee of the performance of the obligations of the alternative clearing system (e.g. to make variation margin payments to SFE Clearing); and
- All necessary system/administrative changes have been made to enable the nomination (firstly by the client to its broker and then by the broker when submitting orders into SYCOM or making allocations in SECUR) of the alternative clearing and settlement facility.

These arrangements avoid other users of SFE Clearing having to effectively underwrite the performance of a competing clearing and settlement facility.

Whilst SFE has no reason to expect the changes to the rules to have any immediate practical effect, in the event that an alternative clearing and settlement facility in fact applies to be admitted by SFE Clearing as a Facility Participant, a further bulletin will be issued giving participants adequate time to make any necessary adjustments.

Should you have any queries please contact:

Rule Changes:

Michela Gallimore  
Senior Legal Counsel  
Phone: 612 9256 0556  
Email: [mgallimore@sfe.com.au](mailto:mgallimore@sfe.com.au)

Systems Issues:

Paul Stonham  
Manager, Access and Distribution  
Phone: 612 9256 0152  
Email: [pstonham@sfe.com.au](mailto:pstonham@sfe.com.au)



**Malcolm Starr**  
**General Counsel**

## BUSINESS RULES OF SYDNEY FUTURES EXCHANGE LIMITED

### Definitions

G.1.1 In these General By-Laws, the Schedules to these General By-Laws and the other By-Laws of the Exchange, the words standing in the first column of the table set out below shall, except where inconsistent with the subject or context bear the meanings set opposite to them respectively in the second column:

<b>Words</b>	<b>Meanings</b>
Adoption Date	The date that the By-Laws in this Part AA of the General By-Laws take effect.
Affiliate	Has the meaning given by Trading Rule (TR) 4.3.
Affiliated Accounts	Two or more accounts maintained or carried by a Participant which that Participant knows, or with the exercise of due care should know, or is advised by the Exchange, are controlled by or under common control with the same related or affiliated persons or entities or are acting pursuant to an express or implied agreement or understanding that they will act in concert.
<u>Alternative Clearing and Settlement Facility</u>	<u>A clearing and settlement facility, approved by the Exchange, that the operator is licensed to conduct under an Australian CS Facility Licence, that is a Facility Participant and has agreed to accept registration of Market Contracts in accordance with the Clearing By-Laws.</u>
API	Applications Programming Interface.
Applicant	In relation to arbitration of disputes pursuant to these By-Laws means the party who commences the arbitration proceedings.
Approved Foreign Bank	“Approved foreign bank” as that term is defined in the Corporations Law and being a bank in respect of which there is in force an approval pursuant to General By-Law G.13.7.
Approved Securities	Those securities described in Part A of the First Schedule hereto.
Approved Subordinated Debt	An amount owing by a Participant which is payable at a time or by instalments approved by the Exchange and is to the satisfaction of the Exchange effectively subordinated so that any right of the creditor in question to receive payment in the case of bankruptcy of or any composition or compromise with creditors by or appointment of a trustee in bankruptcy or in the case of liquidation, liquidator in respect of the Participant or the partners or any of them is extinguished to such an extent as will ensure payment or provision for payment in full of all claims of all other present and future creditors of the Participant in priority to the claim of the subordinated creditors and in respect of which a Subordinated Loan Deed has been executed under seal by the Participant, the lender and the Exchange.
	The Deed shall specifically provide:
	(i) that its terms are not to be varied without the agreement in writing of all parties;
	(ii) that the lender’s rights to receive interest and principal payments pursuant to the loan are subordinated at all times

to other creditors;

- (iii) that repayment of the loan in whole or in part is subject to the approval of the Exchange, which shall not be given unless it is satisfied that the Participant will, after repayment, be able to maintain the minimum level of net tangible assets required by the By-Laws;
- (iv) that the obligation to repay the loan and to pay interest will be suspended for the duration of any period in which the level of the Participant's net tangible assets falls below the minimum required by the By-Laws,

and shall also contain such other provisions as may be required by the Business Conduct Committee.

Approved Warehouse	As that term is defined by the relevant By-Law for each contract to which it applies.
Arbitrable Dispute or Dispute	A dispute, other than an objection which can be dealt with in accordance with the Trading Rules, which arises directly or indirectly from a transaction or a proposed transaction in futures or options which is subject to the Business Rules of the Exchange, and in which at least one of the parties is a Participant or is the Registered Representative, or is a director, partner, employee, consultant, agent or other representative of a Participant.
Arbitrator	A person appointed as an arbitrator in relation to a particular dispute under General By-Law G.12.
Arbitration Administrator	An employee of the Exchange appointed by the Board as Arbitration Administrator to carry out duties in relation to Arbitrable Disputes and any Assistant Arbitration Administrators who are employees of the Exchange appointed by the Arbitration Administrator to assist the arbitration administrator.
Associate Participant	Any person who is admitted and remains recognised as a Participant under General By-Law G.4.
ASX	ASX means the Australian Stock Exchange Limited or any company which is a member of the Australian Stock Exchange Group, and any reference in these Business Rules to information provided by the ASX is a reference to information provided by a company which is a member of the Australian Stock Exchange Group.
<a href="#"><u>Australian CS Facility Licence</u></a>	<a href="#"><u>A licence granted to the operator of a clearing and settlement facility in accordance with the Corporations Act that authorises it to operate a facility providing clearing and settlement services in respect of all products traded on the Exchange.</u></a>
Australian Financial Services Licence	A licence granted by the Commission that authorises a person who carries on a financial services business to provide financial services.
BCC	Business Conduct Committee.
Board	The whole or any number of the Directors of the Exchange acting as a Board.
BOS	Back Office Server which connects to the OM SECUR BOC.
Business Day	Any day on which the office of the Exchange is open.
Business Rules	The rules, regulations and by-laws made by the Exchange or

contained in the Constitution that deal with the activities and conduct of the Exchange and its Members, the activities and conduct of each clearing house for the Exchange and the activities and conduct of other persons in relation to each Market run by the Exchange.

Buyer	In relation to a Futures Contract, the buyer of that contract, and in relation to an Option Contract, the taker or purchaser of that contract, including a person offering to take or purchase, as the case may be.
By-Laws	These General By-Laws and such other by-laws as shall be made and promulgated in accordance with the Constitution from time to time or made in accordance with any previous Articles of Association of the Exchange.
Call	The demand for payment of a sum of money made upon a client.
Chief Executive	Means the chief executive officer of the Exchange or where there is no Chief Executive, the Chairman of the Exchange or a person delegated by him to perform some or all of the powers and functions of the Chief Executive, (including any power to nominate or delegate) as conferred by the Board or the Business Rules.
Clearing By-Laws	The By-Laws of <del>the Clearing House</del> <a href="#">SFE Clearing</a> .
Clearing House	<ul style="list-style-type: none"> <li>(i) Generally a "Clearing House" as that term is defined in the Corporations Law.</li> <li>(ii) In General By-Laws G.3, G.4 and G.5, Part A of these General By-Laws, Option By-Laws, the Market By-Laws and the Trading Rules, <del>Sydney Futures Exchange SFE Clearing House Corporation Pty Limited</del> or any other body or corporation appointed by the Exchange to act as a Clearing House for the Exchange.</li> </ul>
Clearing Participant	Any corporation, body or person which is a party to clearing arrangements with the <del>Clearing House SFE Clearing</del> <u>and unless the context otherwise requires, a reference in these By-Laws to a Clearing Participant will include a reference to a Facility Participant</u> .
Client	In relation to a Participant, any person, firm or corporation on behalf of whom the Participant trades, or on whose behalf the Participant proposes to trade or from whom the Participant accepts instructions to trade, in Futures Contracts or Option Contracts.
Close of Trading or Close	Such time as is designated by the Board from time to time as the closing time for trading in all or any futures or options contracts.
Close Out	"Close out" as that term is defined in the Corporations Law.
Commencement of Trading or Open	Such time as is designated by the Board from time to time for the commencement of trading for all or any futures or options contracts.
Commission or ASIC	The Australian Securities and Investments Commission (ASIC) or any successor body.
Compliance and Surveillance Divisions	The members of the staff of the Exchange who are responsible for ensuring compliance by Participants with the Business Rules of the Exchange and surveillance of the Exchange's markets.

Constitution	The constitution of the Exchange as amended from time to time.
Exchange	Sydney Futures Exchange Limited (ACN 000 943 377). Where the Constitution or Business Rules confer on the Exchange a power to do or refrain from doing some act or to exercise a discretion, a reference to the Exchange includes a reference to the Board, the Chief Executive or other officer of the Exchange authorised by the Board or Chief Executive to exercise that power or who is otherwise properly authorised to exercise that power.
Exempt Futures Market	An exempt futures market as that term is defined in the Corporations Law.
Exercise Price	The price at which a Buyer shall purchase or sell the underlying Futures Contract upon the exercise of an Option Contract.
Exercise Request	The notice to be lodged by Participants holding a bought option position in the SFE Allocation & Clearing system pursuant to which options (whether or not in the money) are exercised prior to their expiry on the Declaration Date.
<u>Facility Participant</u>	<u>Any person approved by the Exchange who has an Australian CS Facility Licence and is a Clearing Participant.</u>
Fidelity Fund	The Fund constituted in accordance with General By-Law G.14.
Financial Statements	The financial statements as that term is defined in the Corporations Law.
Firm	A partnership of two (2) or more persons.
Full Participant	Any person who is admitted and remains recognised as a Participant under General By-Law G.3.
Futures Adviser	A futures adviser as that term is defined in the Corporations Law.
Futures Broker	A futures broker as that term is defined in the Corporations Law.
Futures Brokers Licence	A futures brokers licence within the meaning of the Corporations Act 2001 (Cth) as in force immediately before 11 March 2002.
Futures Contract	A futures contract as that term is defined in the Corporations Law.
Futures Exchange	A futures exchange as that term is defined in the Corporations Law.
Futures Law	(a) where a Participant holds a Futures Brokers Licence, the law applying to such person by virtue of the operation of Chapters 7 and 10 of the Corporations Act 2001 (Cth) and references to a part or to a section of the Futures Law shall be read as a reference to the part or to the section of the law applying by virtue of the operation of those chapters;  (b) where a Participant holds an Australian Financial Services Licence that authorises the holder to deal in derivatives, Chapter 7 of the Corporations Act 2001 (Cth) and references to a part or to a section of the Futures Law shall be read as references to the part or to the section of Chapter 7 of the Corporations Act 2001 (Cth).
Futures Market	A futures market as that term is defined in the Corporations Law.

Guarantor Clearing Participant	In relation to a Full Participant a Clearing Participant which has provided a guarantee of the trading of that Full Participant as provided for in General By-Laws G.3.2(a) and G.3.6(b) and as set out in the Twenty-Third Schedule <a href="#">and unless the context otherwise requires a reference to a Guarantor Clearing Participant in these By-Laws will include a Facility Participant.</a>
In Writing	Written, typed, printed or lithographed, or partly one and partly another and includes any other mode of representing or reproducing words in a visible form, including electronically produced, displayed and recorded matter.
Initial Margin	The amount which a Participant requires to be paid by a client in respect of a Futures Contract entered into or proposed to be entered into on behalf of a Client.
Local Participant	Any person who is admitted and remains recognised as a Participant under General By-Law G.5.
Managed Discretionary Account	<p>A trading account over which the Client gives a Participant authority to effect transactions in Futures Contracts or options without prior reference to or approval of that Client.</p> <p>Where a Client gives such authority over an account to a Director, partner, employee or representative of a Participant (other than where that person is acting in the capacity of a Director of the Client and has substantial control over the management of that Client, and holds in excess of twenty per cent (20%) of the issued shares of the Client rather than as representative of the Participant), that account shall be deemed to be a managed discretionary account operated by that Participant.</p> <p>For the purposes of this definition, managed discretionary account shall not refer to:</p> <ul style="list-style-type: none"> <li>(i) An account held by a Participant on behalf of a Client, where the instructions authorise Dealings In Futures Contracts without the prior approval of that Client only as to the time when or the price at which the Dealings are to be effected, or both.</li> <li>(ii) Any account: <ul style="list-style-type: none"> <li>(a) in respect of which there is an approved deed that is legally in force by virtue of section 1454 of the Corporations Law or its equivalent section as amended from time to time; or</li> <li>(b) which is operated as part of a registered managed investment scheme under the Corporations Law; and in respect of which there is: <ul style="list-style-type: none"> <li>(i) a current registered prospectus required pursuant to the Corporations Law; or</li> <li>(ii) a current lodged prospectus required pursuant to the Corporations Law; or</li> </ul> </li> <li>(c) which is operated as part of a managed investments scheme under the Corporations Law.</li> </ul> </li> <li>(iii) An account where an offer or invitation to subscribe in that account is exempt under the Corporations Law from the provisions relating to prescribed interests and managed investment schemes as applicable, except by virtue of any exemption granted under the Corporations Law which applies to managed discretionary accounts. The five hundred thousand dollars (\$500,000) exclusion under sub-section 708(8) of the Corporations Law or its equivalent section as amended from time to time applies only where</li> </ul>

Margin	See "Variation Margin".
Market	A market in one of the contracts or other financial products traded on the Exchange.
<u>Market Contract</u>	<u>Has the same meaning as in the Clearing By-Laws.</u>
Secured Creditor	A creditor whose debt is secured in a manner which at law gives it priority over unsecured creditors upon the bankruptcy or winding up of a Participant.
Seller	In relation to a Futures Contract the seller of that contract, and in relation to an Option Contract, the grantor or writer of that contract, including a person offering to grant or write, as the case may be.
SFE Allocation & Clearing System	The computer system known as OM SECUR developed by the Swedish company OM Technology AB, which includes the OMnet Gateway and related systems, and which comprises the central clearing system of the Exchange and all of its related bodies corporate used for the receipt of matched trade records from SYCOM, and the processing of Allocations and Confirmations of each Trade.
<u>SFE Clearing</u>	<u><a href="#">SFE Clearing Corporation Pty Ltd</a></u>
Spread	The holding of a bought Futures Contract for one delivery month and a sold Futures Contract for another delivery month in the same contract Market for a Participant or for a Client.
SYCOM®	The computerised trading facility operated by the Exchange and known as "Sydney Computerised Market".

### G.3 FULL PARTICIPANTS

#### Admission

G.3.1 The procedure for the admission of a Full Participant is as follows:

- (a) An applicant shall lodge with the Exchange, an application in such form and providing such undertakings and information as the Exchange shall from time to time require together with any prescribed application fee. Such information shall include evidence that:
  - (i) it has the power to carry on business as a Full Participant;
  - (ii) in the case of a Firm, evidence that the relationship of the partners is satisfactorily defined;
  - (iii) in the case of a corporation, that it has been incorporated or registered in and is carrying on or intends to carry on business in Australia;

Provided that, in the case of a corporation which does not carry on business in Australia, the condition that the application include evidence that the corporation is incorporated or registered may be waived by the Board (for so long as it does not so carry on such business) on condition that the applicant nominates an address for service in Australia, and on such other conditions as the Board sees fit.
- (b) In the case of an applicant which is not a Clearing Participant, the applicant shall also state whether it has applied or proposes to apply for admission to membership of the Clearing House.
- (c) The Exchange shall consider the application and may call for such further information as it considers necessary. The Exchange shall not be obliged to furnish any reason for its decision to approve or reject the applicant.
- (d) In determining whether to approve an applicant the Exchange shall be entitled to consider not only the character, business integrity, financial probity and standard of training and experience of the applicant but also the effect of granting Participant status and rights to the applicant in terms of the balance, support and development of the various Markets, the degree of accessibility of the Markets through the applicant for both the trade and the public at large as well as such other matters as the Exchange regards as relevant from time to time. Prior to admission the Exchange shall use its best endeavours to ensure that the applicant is of good character and high business integrity and, where the applicant is a corporation, that its Directors, those concerned in its management and those who have control or substantial control over the corporation are of high business integrity.

G.3.2 Following upon admission by the Exchange the applicant shall within two (2) months of notification of admission from the Exchange or such further period as the Exchange may otherwise allow:

- (a) Lodge with the Exchange the admission fee described in the General By-Laws, such portion of the annual Participant fee as the Exchange may determine, and such amount for payment into the Fidelity Fund as the Exchange may determine for the purposes of this sub-paragraph.
- (b) Lodge with the Business Conduct Committee a statement of its Net Tangible Assets, its Liquid Assets and Secured Creditors in such form as the Committee shall from time to time prescribe. Such statement shall be signed by a partner or Director thereof and shall be binding on the applicant.
- (c) If the applicant has not been admitted as a Clearing Participant, [unless it arranges to have all of its trades registered with a Facility Participant](#), provide a duly signed guarantee from a Clearing Participant (the Guarantor Clearing Participant) in the form set out in the Twenty-Third Schedule to the effect that the Guarantor Clearing Participant:
  - (i) guarantees to each and every Full Participant of the Exchange contracts entered into by the applicant on the Markets of the Exchange or by a Local Participant to which an undertaking given by the Full Participant under General By-Law G.5.5(f) as set out in the Seventeenth Schedule is applicable; and
  - (ii) agrees to accept for registration in its name with the Clearing House all contracts referred to in paragraph (i) unless such contracts are accepted for registration by another Clearing Participant.

A Full Participant shall be bound by such guarantee in relation to any other Participant and shall comply with such guarantee.

- G.3.3 Full Participant status shall be effective when the applicant has complied with General By-Law G.3.2. If the applicant has not complied with General By-Law G.3.2 within the time allowed ~~his~~its admission shall be deemed to have lapsed.

### **Rights**

- G.3.4 Subject to the provisions of General By-Law G.15 and the Trading Rules, a Full Participant:
- (a) shall be entitled to trade on the Markets of the Exchange through its duly authorised SYCOM® Traders in its own name, or as otherwise permitted by the Business Rules.
  - (b) shall be entitled to charge a commission on all business transacted by it on behalf of Clients;
  - (c) shall, subject to these General By-Laws and the Futures Law, be entitled to deal in Futures and Options Contracts on behalf of Clients.
- G.3.5 The powers and privileges set out in paragraph 3.4 shall collectively be known as a Participant's trading rights and shall cease entirely for the duration of any period of suspension of Participant status. No suspension or termination of Participant status shall affect a Participant's ability or obligation to comply with any direction given or condition imposed pursuant to General By-Law G.11 or affect the operation of that General By-Law.
- G.3.6 A Full Participant's entitlement to trade pursuant to General By-Law G.3.4(a) shall exist subject to the Business Rules and only for so long as:
- (a) the Full Participant is a Clearing Participant not subject to suspension of its Clearing Participant status; or
  - (b) unless the Full Participant arranges to have all its trades registered with a Facility Participant, there is in existence in relation to the Full Participant a guarantee in the form set out in the Twenty-Third Schedule to the effect that a Clearing Participant (the Guarantor Clearing Participant):
    - (i) guarantees to each and every Full Participant of the Exchange contracts entered into by the Full Participant on the Markets of the Exchange or by a Local Participant to which an undertaking given by the Full Participant under General By-Law G.5.5(f) as set out in the Seventeenth Schedule is applicable; and
    - (ii) agrees to accept for registration in its name with the Clearing House all contracts referred to in sub-paragraph (i) unless such contracts are accepted for registration by another Clearing Participant.

A Guarantor Clearing Participant shall be bound by such guarantee in relation to any other Participant accordingly and shall comply with such guarantee; or
  - (c) there is in existence in relation to a Full Participant that arranges to have all or any of its trades registered with a Facility Participant by an entity that is a participant (as that term is defined in the Corporations Act) of the Facility Participant, a duly signed satisfactory guarantee from a third party in a form that is acceptable to the Board or its authorised delegate to the effect that the third party guarantees to the Exchange and each and every Full Participant of the Exchange the performance by the Facility Participant of all its obligations under the Clearing By-Laws arising out of any Market Contract registered with it.

Where a Market Contract is registered with a Facility Participant, any Clearing Participant that has provided a guarantee in the form set out in the Twenty-Third Schedule with respect to that Market Contract will be released from its obligations under such guarantee to the extent that there is in existence a guarantee from a third party with respect to the Facility Participant in accordance with General By-Law 3.6(c) with respect to that Market Contract.

## Behaviour of Local Participants

G.5.17 Subject to General By-Law G.5.19 it shall be the responsibility of each Local Participant:

- (a) To advise the Exchange In Writing of any change in its partners, Directors or shareholders within twenty-one (21) days of such occurring provided that in the case of a public company it shall be deemed sufficient compliance with this paragraph in relation to shareholders if the Participant provides to the Exchange copies of all notifications given by it to the home stock exchange on which the Participant is listed, or if it is not listed then copies of notices served upon it pursuant to any law requiring shareholders to disclose a shareholding in excess of five per cent (5%) of the issued capital of the Participant.
- (b) To notify the Exchange immediately upon the happening of any one or more of the following:
  - (i) a receiver or liquidator is appointed in respect of the property of the Participant;
  - (ii) the bankruptcy of the Participant or a partner or a Director of the Participant, as the case may be.
  - (c) In relation to Reportable Positions and Position Limits, to comply in full with General By-Laws G.36 to G.38 inclusive.
  - (d) In particular, it shall be the responsibility of each Local Participant:
    - (i) to ensure that all its trades are registered with either:
      - (A) the Clearing House in the name of the Nominating Participant or where the Nominating Participant is not a Clearing Participant in the name of the Nominating Participant's Guarantor Clearing Participant; or
      - (B) a Facility Participant
    - (ii) not to employ any person who has been a Participant (or a Director, partner, employee or representative of a Participant) if:
      - (A) that person has to the knowledge of the Participant taken part or been concerned in any failure to comply with the Business Rules which failure has been found to have occurred by the Board, BCC or MPC under General By-Law G.11 and where the Board, BCC or MPC has determined (at the time that action is taken under General By-Law G.11 or at some later time) that this provision shall apply in relation to the person; or
      - (B) this provision as previously in force would have been applicable, without first obtaining the written approval of the BCC.  
For the purposes of this sub-clause the words "to employ" and cognate expressions shall include agreeing or arranging with a person for that person to act as the Participant's representative to advise or solicit instructions from other persons or to trade, on the Participant's behalf in relation to dealings in Futures or Options Contracts.
    - (iii) to resolve any objection or Dispute made in the course of Open Trading in accordance with the Trading Rules and to comply with the requirements of General By-Law G.12 in relation to arbitration; and
    - (iv) to use its best endeavours to settle any objection or Dispute referred to in sub-paragraph (iii) in a manner consistent with upholding the goodwill and public image of the Exchange, its Participants and Markets.

## Disciplinary Proceedings

G.5.27 Disciplinary proceedings for breaches of the Business Rules shall be conducted in accordance with General By-Law G.11 or as otherwise provided in the Business Rules.

G.5.28 The Participant status and rights of a Local Participant shall be immediately suspended without the necessity for a decision of the Board upon the happening of any of the following events:

- (a) the Clearing House refuses to register trades in the name of its Nominating Participant or in the name of the Guarantor Clearing Participant of its Nominating Participant;
- (b) if its Nominating Participant notifies the Exchange In Writing that it will no longer permit the futures transactions of the Local Participant to be registered with the Clearing House or a Facility Participant in the Nominating Participant's name PROVIDED THAT the Local Participant shall not be suspended in such case if it has proposed another Full Participant as its Nominating Participant in accordance with General By-Law G.5.9 and that Full Participant has lodged with the Exchange the undertaking referred to in General By-Law G.5.5(g); or

- (c) if the Local Participant is a Firm or corporation and its SYCOM® Trader ceases to be a person who satisfies the conditions of General By-Laws G.5.2 or G.5.3 as the case may be. |

Notice In Writing by the Clearing House or Nominating Participant shall be prima facie evidence for the Board.

**Prohibited Withdrawal**

- G.13.4 Notwithstanding any other provision of this General By-Law G.13, a Participant shall not withdraw any money from a Clients' segregated account, other than money required to pay Calls from the Clearing House [or a Facility Participant](#) for Initial and Variation Margin of which the Participant has notice at the time of the withdrawal, if the effect of such withdrawal would be that the Participant would then be required to Call Initial or Variation Margin in accordance with the General By-Laws.

**ALLOCATION CONFIRMATION AND DESIGNATION OF TRADES**

G.42.1 In General By-Law G.43 the words in the first column hereof shall bear the meanings in the second column:

<u>First Column</u>	<u>Second Column</u>
Allocation or Allocated	The signification through the SFE Allocation & Clearing System that the bought or sold side of a Futures Contract or Options Contract is to be held in the name of another Participant.
Client Trade	A trade of a Participant held on behalf of a Client.
Confirmation or Confirmed	The confirmation that the bought or sold side of a Futures Contract or Options Contract has been: <ul style="list-style-type: none"> <li>(a) traded by a Participant; or</li> <li>(b) accepted by Allocation from a Participant.</li> </ul>
Designation or Designate	The indication or designation by any means within the SFE Allocation & Clearing System that the Trade is a House Trade or Client Trade.
Holder	The Participant in whose name a Trade is recorded in the SFE Allocation & clearing System or where that Participant is not a Clearing Participant, its Guarantor Clearing Participant, upon Trade being Confirmed (or being deemed to be confirmed) by such Participant.
House Trade	Any Trade other than a Client Trade.
SFE Allocation & Clearing System	The computer system known as OM SECUR developed by the Swedish company OM Technology AB which includes the OMnet Gateway and related systems and which comprises the Central Clearing system of the Exchange and all of its related bodies corporate used for the receipt of matched trade records from SYCOM, and the processing of Allocations and Confirmations of each Trade.
Trade	The bought or sold side of a contract.

G.42.2 In General By-Laws G.42 and G.43 and for the purposes of the definition of "Client" in the Clearing By-Laws, "Client" shall mean a Client within the meaning of S.1209(1) of the Corporations Law or a person whose monies are required or authorised to be placed in a clients' segregated account by Section 1209 of the Futures Law or the Corporations Regulations.

G.43.1 (a) Trades may be recorded in the SFE Allocation & Clearing System in the name of:
 

- (i) the Full Participant which executed the Trade or which is responsible for the Trade as a Nominating Participant; or
- (ii) another Full Participant or Clearing Participant to whom a Trade is Allocated.

 (b) Trades may only be Allocated by a Participant referred to in paragraph (a).  
 (c) Trades may only be Allocated to a Full Participant or a Clearing Participant.

G.43.2 (a) All Trades recorded as having been Traded by SYCOM® shall be deemed Confirmed by both parties immediately upon such recording.  
 (b) Where a Trade is entered into the SFE Allocation & Clearing system in the name of a Participant the Participant shall:
 

- (i) Designate the trade in the SFE Allocation & Clearing System as a House Trade or a Client Trade; or
- (ii) Allocate the Trade to another Participant entitled to receive Allocations.

Upon the resolution of an objection in accordance with the Trading Rules the trade(s) as determined by the Trading Manager shall be deemed to be Confirmed by the parties shall correct any entries in the SFE Allocation & Clearing System accordingly.

- G.43.3 Where a Participant receives an Allocation of a trade within the SFE Allocation & Clearing System it may either:
- (a) Designate the Trade in the SFE Allocation & Clearing ~~system~~ as a House Trade or a Client Trade; or
  - (b) Allocate the Trade to another Participant entitled to receive Allocations.
- G.43.4
- (a) Where a Trade has been Designated pursuant to G.43.3(a) the Participant who Designated the Trade shall be deemed to have Confirmed the Trade.
  - (b) Where a Trade has been Allocated pursuant to G.43.3(b) the Participant who Allocated the Trade shall be deemed to have Confirmed the Trade and such Confirmation stands until the Trade is Confirmed by the other Participant to whom the Trade has been Allocated.
  - (c) Where a Trade has been Allocated pursuant to G.43.3(b) to a Participant that is a Facility Participant, the Participant who Allocated the Trade shall be deemed to have Confirmed the Trade.
- G.43.5 Where a Trade is Confirmed pursuant to G.43.2(a) a failure to Designate or Allocate such Trade by 6.30 pm on the SYCOM® Trading Date shall, subject to any provision of the Business Rules or the Clearing By-Laws, deem such Trade to be Designated as a House Trade.
- G.43.6 Where the Participant which executed the Trade is a Full Participant which is not a Clearing Participant then:
- (i) Confirmation of the Trade by the Full Participant shall also be deemed to be a Confirmation by the Guarantor Clearing Participant of the Full Participant;
  - (ii) the Trade shall be deemed to be immediately Allocated to the Guarantor Clearing Participant of the Full Participant; and
  - (iii) an Allocation deemed to be made under sub-paragraph (ii) shall cease to apply upon the Full Participant Allocating a Trade to another Participant and the Allocation being Confirmed by that Participant.
- G.43.7 Where the Participant which executed the Trade is a Local Participant and its Nominating Participant is not a Clearing Participant:
- (i) Confirmation of the Trade by the Full Participant which is responsible for the Trade as the Nominating Participant shall also be deemed to be a Confirmation by any Guarantor Clearing Participant of the Nominating Participant.
  - (ii) The Trade shall be deemed to be immediately Allocated to the Full Participant which is responsible for the Trade as the Nominating Participant and shall be deemed to be further Allocated to the Guarantor Clearing Participant of that Nominating Participant.
  - (iii) An Allocation deemed to be made under paragraph (ii) to the Guarantor Clearing Participant of the Nominating Participant shall cease to apply upon the Allocation (subject to the Business Rules) of the Trade by such Nominating Participant to another Participant and such Allocation being Confirmed by that other Participant.
- G.43.8 All Designations and Allocations shall be effected by the time specified in the Trading Rules.
- G.43.9 The Exchange may correct an entry into the SFE Allocation & Clearing System with the consent of the holder of both sides of the Trade.

**SEVENTEENTH SCHEDULE**

**UNDERTAKING BY NOMINATING PARTICIPANT**

We hereby undertake to Sydney Futures Exchange Limited ("the Exchange") and to each other Full Participant of the Exchange to cause all Futures Contracts or Option Contracts traded on the Exchange:

by \_\_\_\_\_  
(Name of Local Participant)

to be registered with the Exchange's Clearing House , in our name or in the name of our Guarantor Clearing Participant except those Futures Contracts or Option Contracts traded on the Exchange registered with a Facility Participant.

·

Words and phrases defined in the Exchange's Constitution and By-Laws have the same meaning in this undertaking.

DATE: \_\_\_\_\_

SIGNED: \_\_\_\_\_

NAME OF NOMINATING PARTICIPANT: \_\_\_\_\_