



SFE Bulletin No: 14/04

From: SFE Corporation Limited ABN 74 000 299 392

Date of Issue: 18 March 2004

Effective Date: Immediately

RELEASING OPPOSING ORDERS INTO SYCOM®

The Market Practices Committee (MPC) was recently requested to consider an issue relating to the increasing tendency for Participants to enter opposing orders into SYCOM® for execution either simultaneously or within one second. The Exchange has subsequently deemed it appropriate to re-iterate its previous advice on this matter and to issue clear and unambiguous guidelines on those activities that are inappropriate when entering opposing orders.

Participants will recall that this issue was previously addressed in SFE Bulletin 59/2000 (Tagging and Releasing Strategies with the Intent to Cross) issued on 16 March 2000.

It has been noted that, similar to the preparation and release of 'local' strategies, certain Participants' third party order systems enable the generation of multiple order entry screens that allow the pre-preparation of certain types of orders for fast release into the market. Legitimate uses of this functionality would be, but are not limited to, the preparation of 'stop loss' or 'market on close' orders for immediate release into the Trading Platform.

It is, however, deemed to be inappropriate to use such functionality (including the use of 'mass release' functionality) for the purpose of executing opposing orders in an attempt to exclude other market participants, and is ultimately deemed to represent a contravention of Operating Rule 3.1.14 (Trading to the Exclusion of Others).

It is recognised that Clients who place opposing orders for separate accounts, often as 'best' orders, may wish for the orders to be executed at the same price, this being for various reasons. Participants are advised that merely having intent to cross opposing orders is not in itself a breach, rather, it is the actions of the Participant in attempting to achieve the cross that may cause the Participant to be in breach of the Rules. Regardless, Participants must ensure that Clients are never given guarantees that a cross will be achieved in respect of opposing orders placed.

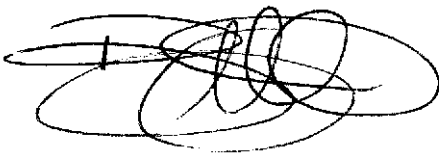
In addition, the MPC requested that the market be advised of its views in respect of the receipt and execution of 'best' orders. It was noted where Participants executed opposing 'best' orders, on most occasions it appeared that the intention was to cross without working either order at a better price than that ultimately achieved. The MPC expressed the view that Participants should make attempts to execute 'best' orders in accordance with what is perceived to be in the client's best interests, in respect of each order, and that in order to do so Participants should represent Client orders in the market. The MPC was also of the view that any attempt to wait for an opportunity to cross opposing orders could be subject to disciplinary action even if the orders concerned are 'best' orders.

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

For the information of Participants Operating Rule references related to this matter are as follows:

3.1.14 Participants must not execute or attempt to execute trades with the intent to exclude other Participants or their Representatives

Should you have any queries please contact the undersigned on 9256-0699 or bhill@sfe.com.au or Andrew Farquhar on 9256-0498 or afarquhar@sfe.com.au .

A handwritten signature in black ink, appearing to be 'Bronwyn Hill', written in a cursive style with several loops and a horizontal line extending to the left.

BRONWYN HILL
MANAGER, COMPLIANCE AND SURVEILLANCE