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CLARIFICATION OF MARKET PRACTICES: PRE-NEGOTIATED BUSINESS ORDERS

With regard to recent consideration by SFE disciplinary committees of a number of failures by Participants to follow the procedural requirements related to the execution of Pre-Negotiated Business Orders, the Exchange considers it appropriate to clarify those requirements for the benefit of all Participants.

The Exchange wishes to emphasise that strict adherence to these requirements is expected and any failure to adhere is in no way mitigated by a lack of awareness with respect to these requirements.

Prescribed Contracts – Operating Rule 3.3.2

Participants are reminded that only Contracts which have been prescribed by the Exchange may be executed under the Pre-negotiated Business Orders rules. Prescribed contracts are listed on the SFE's website and may be viewed via the link to the Explanatory Notes appended to Operating Rule 3.3.

Client Authorisation – Operating Rule 3.3.8

Participants are reminded that prior to undertaking to pre-negotiate orders on behalf of a client, the Participant must be authorised to do so in writing by the client. While such authorisation may be obtained at the time of order placement, it is not acceptable practice to obtain the client's authority after the fact.

Procedures Prior to Order Entry on the Trading Platform – 3.3.5

Participants are reminded that prior to entering the Pre-Negotiated Business Orders on the Trading Platform for execution, the Participant holding the originating client order must make an enquiry via the Trading Platform Message Facility or via the Trading Platform Request for Quote Facility for a market in that contract month or strategy.

Once a message is entered via the Message Facility or Request for Quote Facility, the Participant must wait the prescribed time period before entering the order into the Trading Platform. The Participant is expected to know the prescribed time applicable to the contract being traded. Minimum specified time periods can be viewed on the SFE's website via the link to the Explanatory Notes appended to Operating Rule 3.3.

Once the prescribed time has lapsed, the Participant must execute the trades within the time period determined by the Exchange. This is currently specified to be sixty (60) seconds.

Should you have any queries with regard to the above, please do not hesitate to contact Janice Coles, Compliance and Surveillance Officer on 9256 0448 or at jcoles@sfe.com.au.

A handwritten signature in black ink, appearing to read "Anne T. Brown". The signature is written in a cursive style with a horizontal line underlining the name. To the right of the signature is a vertical red line.

ANNE T. BROWN
GENERAL MANAGER, RISK AND COMPLIANCE