

CIRCULAR



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To: All Members

70a/98

No:

Change to Capital Based Position Limit (CBPL)

Sydney Futures Exchange Clearing House (SFECH) currently has in place a CBPL, which allows Clearing Members to hold maximum total initial margin liabilities up to an amount equivalent to three times their Net Tangible Assets (NTA).

This is a formal limit as defined under SFECH By Law 9.1 with no exceptions allowed.

The CBPL is a broad risk management tool which is used in conjunction with a range of procedures to specifically assess individual Member risk characteristics.

The SFECH Board has recently reviewed the appropriateness of the CBPL of three times a Members NTA. After careful consideration as to the impact on Members as compared to the risk management benefits, it was deemed prudent in the current economic climate to reduce the CBPL.

The SFECH Board has therefore prescribed under SFECH By Law 9.1 to limit the amount of total initial margin liabilities a Clearing Member can hold (CBPL) to two times their NTA.

This change will become effective from 16 November 1998 and will assist with ensuring Clearing Members are appropriately capitalised for the Clearing business undertaken.

Clearing Members are required to take steps to ensure they are in compliance with the above change before 16 November 1998.

If there are any queries with the above please do not hesitate to contact the undersigned on (Fax.) 9256 0426 or (Tel. 9256 0585).

**Ben Hatcher
Risk Manager**

23/10/98

**SYDNEY FUTURES EXCHANGE CLEARING HOUSE PTY LIMITED
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A wholly owned subsidiary of Sydney Futures Exchange Limited**

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