

**CIRCULAR TO:**     **ALL MANAGERS**  
**BACK OFFICE ACCOUNTING SUPPLIERS**  
**NZ AGENTS**

**NO: 57/99**

## **WIDENING THE ACCEPTED COLLATERAL BASE**

### **Introduction:**

SFECH is committed to providing an innovative and flexible service to its members. As part of identified member business requirements, SFECH is now in a position to offer a wider collateral base for the satisfaction of initial margin requirements.

In addition to the existing acceptable collateral base, as from 1<sup>st</sup> October 1999, SFECH will provide for the acceptance of:

- AUD denominated equities (selected equities only) for SFE,
- NZD denominated equities (selected equities only) for NZFOE,
- US Government Treasury Bills will be accepted as collateral on SFE only, and
- Cash deposits in Hong Kong Dollars, Japanese Yen and Euro (in addition to USD, AUD and NZD) on both markets.

All settlement variation margins will continue to be settled in cash and in the currency that the contract is denominated in.

Attachment A provides details on the profile, conditions of use, timings, valuation haircuts applied and the payment/settlement method for all the accepted collateral types.

Members will be contacted in the near future to discuss these new collateral types and to distribute the required forms.

If you require additional information or have any queries please do not hesitate to contact Leanne Terrett (Ph.+612 9256 0435) or Paul Williamson at SFECH. (Ph. +612 9256 0139)

**Martin Stockley-Smith**  
**GENERAL MANAGER**

**SYDNEY FUTURES EXCHANGE CLEARING HOUSE PTY LTD**  
**27<sup>th</sup> September 1999.**

<b>New Collateral Types:</b>							
<b>Collateral Type</b>	<b>Profile</b>	<b>Notification of Lodgments</b>	<b>Notification of Releases</b>	<b>Physical Lodgement Times</b>	<b>Physical Release Times</b>	<b>Valuation Haircut</b>	<b>Payment Instructions</b>
AUD Equities	Limited to those shares traded as ISF®'s on SFE. Minimum holding and minimum transaction size is the underlying currency equivalent of \$10,000.	By 8:00AM Sydney on day of lodgment	By 8:00AM Sydney on day of release.	Until 9:15AM Sydney	Between 2:00PM and 4:00PM Sydney.	30%	Across CHES to <b>PID-20001</b>
NZD Equities	Limited to those shares traded as Equity Options on NZFOE. Minimum holding and minimum transaction size is the underlying currency equivalent of \$10,000.	By 8:00AM Sydney on day of lodgment	By 8:00AM Sydney on day of release.	Until 9:15AM Sydney	Between 12:00PM and 1:30PM Sydney	30%	Across Austraclear NZ to <b>CCNZ21</b>
US T-Bills	Any US T-Bill lodged with SFECH must have a minimum of two weeks to maturity. Minimum holding and minimum transaction size is USD\$100,000	By 4:00PM Sydney on the day of lodgment. Securities will be applied to margins on the following day.	By 8:00AM Sydney on the day of release.	Between 10:00AM and 3:00PM New York time.	Between 10:00AM and 3:00PM New York time.	10%	Payment to: <b>021000018 BKOFNYC/SFE</b>
EUR cash	No minimum or maximum	By 9:30AM	By 9:30AM	On the day	After	3% if lodged	Please see the

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HKD cash JPY cash	limits apply to cash collateral.	Sydney on the day after payment	Sydney on the day of payment	prior to the amount being set against initial margins	10:00AM Sydney on the day of release	against SFE margins. 4% if lodged against NZFOE margins.	attachments at the back of the circular for cash payment information.
<b>Existing Collateral Types</b>							
Australian Commonwealth Government Securities (CGS)	Only AUD Treasury Notes with a maturity greater than 2 weeks. Only AUD Treasury Bonds with a maturity greater than 6 months. The minimum holding is AUD\$500,000.	By 8:00AM Sydney on the day after payment	By 8:00AM Sydney on the day after payment	Between 9:30AM and 10:30AM Sydney.	From 12:00PM Sydney.	5% for CGS with a maturity of less than 1 year. 10% for CGS with a maturity of greater than 1 year.	Across RITS to SFEL20RA.
USD cash AUD cash (for NZFOE) NZD cash (for SFE)	No minimum or maximum limits apply to cash collateral	By 9:30AM Sydney on the day after payment	By 9:30AM Sydney on the day of payment	On the day prior to the amount being set against initial margins	After 10:00AM Sydney on the day of release	3% if lodged against SFE margins. 4% if lodged against NZFOE margins.	Please see the attachments at the back of the circular for cash payment information.

**PLEASE NOTE:**

- 1) Acceptance of equities and US T-Bills as margin collateral is entirely at the discretion of SFECH. SFECH reserves the right to refuse or to accept any or all equities or US T-Bills proposed for lodgment by Members and its decision to so refuse will be final.
- 2) Members should note that any Stamp Duties liabilities which arise as a result of lodging the above equities as the Member lodging the equities must satisfy margin collateral.
- 3) SFECH reserves the right to refuse any type of collateral due to a gazetted public holiday in a particular country.
- 4) Member shall not lodge their own equities for house account purposes

## **Equity Collateral – Corporate Actions**

There are only two (2) Corporate Actions that SFECH will allow to occur whilst SFECH is holding equity as collateral.

### *Bonus Issues, and Dividends.*

Any other Corporate Actions that occur will automatically signify that the relevant equities will be released back to the Member on ex-date prior to book close date with no other option being available.

Bonus issues are automatically accepted. The Member will be notified and asked whether they would like to take the bonus shares back or add it to the collateral in place (providing it has the same ASX / SEDOL code as the original share). Either way, the Member must provide SFECH with a new lodgment or release form (depending on the action being taken) on the morning following the day on which the issue is allocated.

If a dividend is available as both cash and shares, a choice will be offered to the Member. If taken in cash, it will be paid to Members on the day following receipt from the registry. This dividend will be paid directly to Members by CCSL using Austraclear (Austraclear NZ for NZD dividends). If the Member does not respond to this dividend choice within the requested time frame, the default action will be instigated which will be to accept cash.

If the Member elects to take the dividend as shares, the procedures for bonus issues will then apply.

## **Non-Cash Collateral Revaluation**

### Equity Revaluation

Equities will be revalued daily, using the official price of the last trade of the day for that particular stock as reported by the ASX.

### Security Revaluation

SFECH will value US T-bill holdings in the morning (Sydney time) using closing market prices from the immediately prior business day as per Reuters page “USBMK=”.

## **Foreign Currency Payments**

SFECH maintains foreign currency accounts with Bank of America, Sydney. In the past it has only been necessary for Member to send one message (MT202) to direct payment to the USD account SFECH maintained. However for several reasons, it is now imperative that Members forward an MT100 in accordance with the above. If Members experience any difficulties, please call Trent Whalan at Bank of America, Sydney on +612 9931 4200 or Leanne Terrett at SFECH.

As with USD, payments need to be made the day before the amount will be applied against initial margins. Payments must also be made in strict accordance with the following. Bank of America may not be able to apply payments to SFECH accounts if the following instructions are not complied with.

### **HKD:**

Please send a direct SWIFT MT100 to Bank of America N.A, Sydney (BOFAAUSX) instructing payment as follows:

Intermediary Bank	-	BOFAHKHX
Beneficiary Bank		BOFAAUSX
Beneficiary Account		13464 042
		Sydney Futures Exchange Clearing House
Beneficiary Information		Cash collateral sent by " <i>Member name</i> "

Please send a cover payment by SWIFT MT202 with the following details:

Intermediary Bank	BOFAHKHX
Beneficiary Bank	BOFAAUSX
Bank to Bank Info	Cover direct MT100 value " <i>DDMMYY</i> "

### **JPY:**

Please send a direct SWIFT MT100 to Bank of America N.A, Sydney (BOFAAUSX) instructing payment as follows:

Intermediary Bank	-	BOFAJPJX
Beneficiary Bank		BOFAAUSX
Beneficiary Account		13464 026
		Sydney Futures Exchange Clearing House
Beneficiary Information		Cash collateral sent by " <i>Member name</i> "

Please send a cover payment by SWIFT MT202 with the following details:

Intermediary Bank	BOFAJPJX
Beneficiary Bank	BOFAAUSX
Bank to Bank Info	Cover direct MT100 value " <i>DDMMYY</i> "

**EUR:**

Please send a direct SWIFT MT100 to Bank of America N.A, Sydney (BOFAAUSX) instructing payment as follows:

Intermediary Bank	-	BOFAGB22
Beneficiary Bank		BOFAAUSX
Beneficiary Account		13464 034
		Sydney Futures Exchange Clearing House
Beneficiary Information		Cash collateral sent by " <i>Member name</i> "

Please send a cover payment by SWIFT MT202 with the following details:

Intermediary Bank	BOFAGB22
Beneficiary Bank	BOFAAUSX
Bank to Bank Info	Cover direct MT100 value " <i>DDMMYY</i> "

As previously advised, the USD account has been moved to Bank of America, Sydney. Payment instructions are:

**USD:**

Please send a direct SWIFT MT100 to Bank of America N.A, Sydney (BOFAAUSX) instructing payment as follows:

Intermediary Bank	-	BOFAUS6S
Beneficiary Bank		BOFAAUSX
Beneficiary Account		13464 018
		Sydney Futures Exchange Clearing House
Beneficiary Information		Cash collateral sent by " <i>Member name</i> "

Please send a cover payment by SWIFT MT202 with the following details:

Intermediary Bank	BOFAUS6S
Beneficiary Bank	BOFAAUSX
Bank to Bank Info	Cover direct MT100 value DDMMYY