

TO:

CLEARING MEMBERS
FULL MEMBERS
LOCAL MEMBERS
ASSOCIATE MEMBERS

NO:54/00

**SFECH REQUESTS INTEREST FROM CLEARING MEMBERS IN THE OPTION TO
CLEAR REMOTELY FROM HONG KONG.**

In order to continue to develop SFE's strategy to compete within the Asia Pacific Region, The Sydney Futures Exchange Clearing House (SFECH) has been exploring opportunities to develop clearing links, reduce risk and provide market participants with the associated benefits. The provision of remote clearing services has been identified as a facility that could greatly assist in pursuing a strong Asia Pacific clearing presence.

As a result of the above analysis the SFECH, in conjunction with the SFE, has been developing a remote clearing facility by leveraging off the existing infrastructure established for SYCOM® trading hubs. Pending finalisation of technical analysis and regulatory approval the SFECH intends to phase in the implementation of this facility, starting in the first instance with Hong Kong. The SFE has an existing Wide Area Network (WAN) link to a hub site in Hong Kong. In addition to trading information, the Exchange intends to allow clearing information to be passed through this WAN, allowing Clearing Members the option to have STACS member firm workstations located in their affiliates offices. This facility will enable an entity clearing remotely through the affiliate to:

- register/confirm trades;
- allocate/assign trades;
- accept give ups;
- post and withdraw margins/settlement variations and excess deposits;
- complete/receive position and risk management reporting;
- clear and settle on behalf of clients and house accounts;
- instruct/accept physical deliveries (via an agency agreement);
- accept direct file feeds from SFECH systems.

All Clearing Members wishing to use this facility will be considered on a case by case basis by SFECH and must, as a minimum, meet the established criteria outlined below:

- The Affiliate must be related to the Clearing Member in accordance with TR.4.3(c):
 - the Affiliate and the Member are each wholly owned subsidiaries of the same holding company;
 - the Affiliate is a subsidiary or related body corporate of the Member; or
 - Any other relationship between the Member and the Affiliate as may be approved by the Board.
- The Clearing Member must satisfy the SFECH that it has adequate operations and risk practices in place to enable it to manage remote clearing;
- The Clearing Member must provide appropriately authorised personnel to be available during Exchange business hours;
- The Clearing Member must have back-up clearing facilities located in Australia;
- The Clearing Member must satisfy the SFECH that it has appropriate infrastructure in place to handle remote clearing;
- The Clearing Member and Affiliate must comply with the overseas regulatory authority's rules, SFE Business Rules and SFECH Clearing By-Laws;
- A service agreement between the Clearing Member and the Affiliate must be in place and acceptable to the SFE;
- The minimum lead time for implementation of each remote clearing facility is approximately 3 months, although this may increase dependent upon the local regulatory environment and the extent of additional infrastructure required;
- Any further requirements as detailed by the SFE.

Additional remote clearing sites at locations other than Hong Kong are under investigation and will be implemented in accordance with demand.

It would greatly assist the SFECH to hear from Clearing Members that may wish to utilise a remote clearing facility in order to prioritise the resources that will be undertaking the ongoing analysis of remote clearing.

It is anticipated that this new facility in Hong Kong will be available by the end of August 2000. If any Clearing Member wishes to utilise this facility or obtain further information please contact the SFECH on +61 2 9256 0548.



Martin Stockley-Smith

29 June 2000

General Manager – SFECH