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**BOND AND REPO CLEARING PROJECT - PHASE 2
VARIATION MARGIN RULES AND RELATED CONSEQUENTIAL CHANGES**

Clearing Participants are advised that the Clearing By-Laws have been amended to make certain changes to the Variation Margin provisions regarding BRC and to make various consequential changes. The changes are to increase the effectiveness of the variation margining process for bond and repo transactions.

BRC Participants were advised of the details previously by direct mail.

Extracts of the relevant pages from the Clearing By-Laws, with changes marked, are **attached**. At the beginning of the attachment is a list of the changes, for ease of reference.

A full version of the SFE Clearing By-Laws, updated to include the abovementioned amendments, will soon be available on the SFE website at www.sfe.com.au.

From the home page
Select "SFE Clearing"
Select "SFE Clearing" again from menu at top of screen to activate the drop down menu
Select "Rules, Fees & Info"
Select "SFE Clearing Corp"
Scroll down to "Rules"
Select the relevant document and follow the prompts to download it as a Word or pdf file.

Should you have any queries please contact Paul Baranov on 9256 0597 or pbaranov@sfe.com.au

A handwritten signature in black ink, appearing to read 'PBaranov', with a small mark below it.

Paul Baranov
Senior Legal Counsel

Summary List of amendments to the SFE Clearing By-Laws for BRC Phase 2

By-law 1.1 Definitions

"BRC Daily Settlement"	Delete definition. The wording in By-Law 44A (Daily Settlement) is being amended to better reflect the actual practice for BRC margining.
"BRC Variation Margin"	Insert definition because this term is now used in the amended 44A and 48.
"Daily Settlement"	Delete the cross-reference "or 44A". This is because 44A is being amended to better reflect the actual practice for BRC margining, and it does not relate to the "Daily Settlement" provisions.
"Margin"	"Margin" is used on its own in a generic sense in a number of places throughout the Clearing By-laws and the present definition includes all the different types of margin. It needs to be updated to include "Variation Margin" which is now also being defined.
"Open Contract", para (v)	Delete the cross-reference "or 44A" in relation to Daily Settlement. By-Law 44A is being amended to better reflect the actual practice for BRC margining and it does not relate to the "Daily Settlement" provisions.
"Open Position"	Delete the cross-reference "or 44A" in relation to Daily Settlement. Same reason as above.
"Variation Margin"	Insert definition. The expression has always been present in some By-laws having wide application (eg 9.1(b)(i) position limits, and 71.3(c) events of default), but it was never formally defined. With the introduction of BRC the notion of Variation Margin, as such, has become more prominent so inclusion of a definition is desirable.
By-law 41.3	Insert reference to "Variation Margins" (because of the introduction of a definition of Variation Margin).
By-Law 43A heading	In heading, change "Bond and Repurchase" to the defined term "BRC", insert "Initial" before Margin and change "Margins" to "Margin". This makes the heading more accurate and the language more consistent.
By-Law 44A heading	Change heading to "BRC Variation Margin" (to reflect revised content).
By-Law 44A	Various changes to: (i) Remove reference to "daily closing values" and "settlement to market" and insert reference to "BRC Variation Margin". This refinement to the wording is to avoid confusion as it better reflects the actual practice with BRC margining and removes language which is reminiscent of the futures provisions. (ii) Remove references to SFE Clearing "paying" BRC Variation Margin amounts.
By-Law 45A	Change heading to "BRC Intra Day and Extra Margins". Remove reference to variation margin because this By-law does not relate to variation margins.
By-Law 47	Change heading to "Offset - Daily Settlement Amounts". (This clause relates to futures. The change distinguishes it from BRC Offsets in 48).
By-Law 48	Change heading to "BRC Offset" (to distinguish from futures offset in 47). Text amended to reflect the simple offset arrangement that applies to BRC Variation Margin. Amendment is to avoid confusion arising from the former wording which used language similar to the futures offset provisions.
By-law 93.3	Insert reference to "Variation Margin", because this category of margin has now

been defined.

Schedule 3 Prescribed
times

Item 43A.1

Delete reference to "Daily Settlement Amounts" as this reference is an error.

Add Item 44A.3

Adding a payment time for BRC Variation Margin. Prescribed time will be the same time as Initial Margins and Daily Settlement Amounts for futures.

Schedule 9, Item 4

Move the preamble so it appears immediately under the heading.

Update the list of reports to be produced in BRC.

Schedule 11A, Item 6A

Correct the By-law cross-references to match the amended version of By-law 44A.

end of summary list

Extracts from the SFE Clearing By-Laws - BRC Phase 2 amendments marked

Arbitrator	A person appointed as an arbitrator in relation to a dispute under the By-Laws relating to arbitration of disputes.
Arbitration Administrator	An employee of or other person appointed by SFE Clearing as Arbitration Administrator to carry out duties in relation to Arbitrable Disputes and any Assistant Arbitration Administrators who are employees of or other persons appointed by SFE Clearing to assist the Arbitration Administrator.
Articles or Articles of Association	The Articles of Association contained in the Constitution of SFE Clearing Corporation Pty Ltd.
Associate Participant	An Associate Participant of the SFE pursuant to SFE Rules.
Australian Bank	Australian Bank within the meaning of the Corporations Law.
Board	Board of SFE Clearing Corporation Pty Ltd and except in relation to any power to expel a Clearing Participant, a delegate of the Board duly approved pursuant to the Articles.
Bond	Bonds issued by the Commonwealth of Australia or the Government of a State or Territory.
Bond Position	The net result of Bond purchases and sales.
Bond Transaction	Purchase or sale of a Bond.
Bond and Repurchase Clearing	The clearing of Bond Transactions and/or Repurchase Agreements.
BOS	Back Office Server which connects to the OM SECUR BOC. (Added 10/12/01)
BRC	Bond and Repurchase Clearing
BRC Business Day	Day on which SFE Clearing is open for the conduct of BRC transactions.
BRC Daily Settlement	Daily settlement pursuant to By Law 44A.

BRC House Account	An account established under By-law 441A.1.
BRC Participant	A Clearing Participant who notifies SFE Clearing of its intention to undertake Bond and Repurchase Clearing and who complies with these By-Laws and the SFE Clearing procedures regarding Bond and Repurchase Clearing.
<u>BRC Variation Margin</u>	<u>The adjustment amount calculated by SFE Clearing in the mark to market process under By-Law 44A.</u>
Business Conduct Committee	The Business Conduct Committee appointed under By-Law 9A.2
Business Day	Day on which the office of the SFE Clearing is open for business.
Business Day of the Relevant Exchange	Day on which the office of the relevant exchange is open for business.
Business Rules	The rules, regulations and By-Laws made by SFE Clearing or contained in its Constitution that deal with the activities and conduct of SFE Clearing and its Participants.
Buyer	<p>In relation to a Market Contract, the Trading Participant who enters into the Market Contract as buyer (including a Trading Participant who is treated by the Exchange Rules as the party to a contract traded by a Local Participant as buyer) or if such Trading Participant is a Non-Clearing Trading Participant, its Guarantor Clearing Participant, or if prior to Registration that Market Contract is Allocated or deemed to be Allocated to another Exchange Participant as buyer in accordance with the Exchange Rules and that Allocation is accepted or confirmed or deemed to be accepted or confirmed by that Exchange Participant, that Exchange Participant, or if that Exchange Participant is a Non-Clearing Trading Participant its Guarantor Clearing Participant.</p> <p>(b) In relation to an Open Contract the Clearing Participant in the buying position with respect to such Open Contract.</p> <p>(c) In relation to a Bond the Clearing Participant in the buying position.</p> <p>(d) In relation to a Repurchase Agreement the Clearing Participant in the buying position.</p>
By-Laws	The same meaning as Clearing By-Laws.
Cash Settlement Contract	A Futures Contract which is to be performed by cash settlement only without delivery of a Commodity.
Clearing Account	A Client Clearing Account or a House Clearing Account.

Corporation	Any body corporate.
Corporations Law or Corporations Law of Australia	The Corporations Act 2001 (Cwlth) as in force in each State and Territory of Australia. (Amended 2/1/02)
Daily Closing Value	The closing value of a Bond Transaction or Repurchase Agreement determined by SFE Clearing under By-Law 44A.
Daily Settlement	Daily Settlement pursuant to By-Law 44 or 44.A
Daily Settlement Amount	The Amount payable by or to a Clearing Participant pursuant to By-Law 44 calculated as the difference between the value of an Open Contract at the last Daily Settlement Price (or in the case of an Open Contract arising subsequent to the last Daily Settlement Price, the contract price) and the value of that Open Contract at the current Daily Settlement Price.
Daily Settlement Price	The Daily Settlement Price determined under Exchange Rules or if no such price is available a price determined by SFE Clearing having regard to prevailing market prices and/or such other factors as SFE Clearing considers relevant.
Dealer	Dealer as defined by NZFOE Rules.
Default	The existence of a Default with respect to a Clearing Participant as provided in By-Law 71 as declared by the Board or Managing Director following an event of Default or as deemed to exist by virtue of By-Law 71.2. Similar meanings shall apply to “in Default” and “to have Defaulted” as referred to in that By-Law.
Deliverable Contract	A Futures Contract to be performed by Delivery of a Commodity.
Delivery	Delivery in accordance with Exchange Rules and Part 6 of the By-Laws.
Deny Automatic Exercise Request	The notice which may be lodged in the SFE Allocation & Clearing System by Participants holding a bought option position in the SFE Allocation & Clearing System pursuant to which the automatic exercise on the Declaration Date of an option in the money is denied. (Added 10/12/01)

House Positions	Open Positions held other than Client Positions.
In Writing	Written, typed, printed or lithographed, or partly one and partly another and includes any other mode of representing or reproducing words in a visible form, including electronically produced, displayed and recorded matter.
Initial Margin	A deposit with SFE Clearing in accordance with By-Law 43 or 43A.
Intra-Day Margin	A deposit with SFE Clearing pursuant to By-Law 45.1 or 45A.1.
Local Participant	A Local Participant of the SFE pursuant to the SFE Rules.
Managing Director	The Managing Director of SFE Clearing or where there is no Managing Director the principal executive officer of SFE Clearing, or in the absence of the Managing Director (or where there is no Managing Director the principal executive officer) a person delegated by the Managing Director or that officer to perform some or all of the powers and functions of the Managing Director conferred by the By-Laws. <u>(Amended 19/7/96)</u>
Mandatory Cash Settlement	Cash settlement pursuant to the Exchange Rules and Part 6 of the By-Laws.
Margin	Initial Margin, <u>Variation Margin</u> , Daily Settlement Amounts , Intra Day Margin or Extra Margin.
Market Contract	<p>(a) A contract traded on a market of the Exchange which market is listed in accordance with the Exchange Rules, or otherwise executed in accordance with the Exchange Rules (and, in the case of a Related Exchange, is prescribed in the schedules or has been accepted in writing by the Managing Director for clearing by SFE Clearing), provided that where a transaction is for more than one lot there shall be nevertheless deemed to be a separate contract with respect to each lot; or</p> <p>(b) A Bond Transaction; or</p> <p>(c) A Repurchase Agreement.</p>
Participant (in relation to SFE or a Related Exchange)	Includes a person which is not a member or shareholder of SFE or of a corporation which constitutes a Related Exchange but which under Exchange Rules is entitled to directly access the market of that Exchange or has otherwise bound itself to comply with those rules other than as a client in accordance with the rules and includes a Participant of SFE or Dealer of NZFOE.

Open Contract	A contract of a Clearing Participant with SFE Clearing deemed to arise from: <ul style="list-style-type: none"> (i) the registration of a Market Contract; (ii) an Allocation; (iii) a Transfer; (iv) the Exercise of an Option Contract; or (v) a daily settlement in accordance with By-Law 44 or 44.A.
Option Contract	A Futures Option Contract as defined by the Corporations Law of Australia or a Physical Options Contract.
Open Position	The entitlement of a Clearing Participant under Open Contracts (including Open Contracts replacing previous Open Contracts by Daily Settlement in accordance with By-Law 44 or 44.A) which has not been closed out or completed by Delivery or Mandatory Cash Settlement. <p>In the case of BRC transactions, the entitlement of a BRC Participant under an Open Contract which has not been completed or closed out.</p>
Person	Includes an individual and a body corporate.
Physical Option Contract	An option over a Commodity or index (as opposed to an option over a futures contract), including an Eligible Exchange Traded Option as defined by the Corporations Law of Australia.
Position	The position of a Buyer or Seller under an Open Position.
Prescribed	Prescribed by the Board.
Prescribed in the Schedules	Prescribed by the Board and set out in the Schedules.
Premium	The amount payable by the Buyer of an Option Contract to the Seller as consideration for the Option Contract.
Publish or Published	Make information available to the public and/or to Participants by any means including electronic means.
Recorded by the Exchange	In relation to a Market Contract, recorded by the Relevant Exchange as Prescribed in the Schedules, on the day on which the Contract is traded or in the case of trades effected after the Close of Trading, on the next Business Day of the Relevant Exchange.
Registered Contract	A Market Contract which has been registered under By-Law 31.
Related Body Corporate	Has the same meaning as in the Corporations Act 2001 (Cwlth). (Added 21/1/02)

- (f) Any change in the partners of a Clearing Participant being a firm.
- (g) The entering into any agreement the completion of which will result in the application of paragraphs (a) to (e) above.
- (h) Any other event, agreement or act which in the reasonable opinion of the Board results in a substantial change in the control of the Clearing Participant.

And for the purposes of By-Law 11.2 means the occurrence of one of the events referred to in paragraphs (a) to (f) since the admission of a Clearing Participant as a Clearing Participant or since the last approval of an event specified in the paragraph, given under By-Law 11.2.

SYCOM®	The computerised trading facility operated by the SFE and known as "Sydney Computerised Market".
Trading Participant	A Full Participant of SFE, or a Dealer which is a Trading Permit Holder of NZFOE.
Warehouse Receipt	That term as defined in the Exchange Rules. <u>(Added 26/3/96)</u>
Variable Commitment	The Commitment provided pursuant to By-Law 5.6(a)(ii).
<u>Variation Margin</u>	<u>An amount determined by SFE Clearing in its mark to market procedures, being BRC Variation Margin or Daily Settlement Amount.</u>

PART 4 - ACCOUNTS AND DAILY SETTLEMENT

40 Introduction

This Part of the Clearing By-Laws contains provisions whereby Open Positions are settled on a daily basis by SFE Clearing by a procedure known as settlement to market and new contracts opened on the same terms other than that they are at the Daily Settlement Price.

41 Accounts

- 41.1 An account shall be established at SFE Clearing with respect to each Clearing Participant and (unless otherwise Prescribed) in respect of such Relevant Exchanges at which the Market Contracts from the Clearing Participants' House Positions were originally traded, each such account to be known as a House Clearing Account. Each House Clearing Account shall be the account to which all monies or property owing to or from SFE Clearing in relation to relevant House Positions of a Clearing Participant shall be referable.
- 41.2 In addition to each House Clearing Account Participant which is an Exchange Dealing Participant a Client Clearing Account shall be established at SFE Clearing and (unless otherwise Prescribed) in respect of each Relevant Exchange at which the Market Contracts which Clearing Participants' Client Positions arose were originally traded, each such account to be known as a Client Clearing Account. Each Client Clearing Account shall be the account to which all monies or property owing to or from a Clearing Participant with respect to relevant Client Positions shall be referable and to which all liabilities relating to such Client Positions shall attach.
- 41.3 Initial Margin, ~~Daily Settlement Amounts~~, Variation Margin, Intra Day Margin or Extra Margin shall be calculable separately and (unless otherwise Prescribed) in respect of each Relevant Exchange for each House Clearing Account and Client Clearing Account of each Clearing Participant. Any Margin deposited with SFE Clearing by a Clearing Participant with respect to an Open Position shall be designated to the Account of that Clearing Participant to which the Open Position is designated.
- 41.4 A Clearing Participant shall, with respect to all Positions held in its name with SFE Clearing, designate in accordance with Exchange Rules whether such Positions are Client Positions or House Positions. A Clearing Participant may with the approval of the Relevant Exchange and SFE Clearing alter such designation where the previous designation was made in error or is otherwise required in order to comply with the Exchange Rules. Any such change in designation may be made subject to any condition imposed by SFE Clearing including a requirement that the Clearing Participant deposits further Initial Margins in relation to any Account of the Clearing Participant with SFE Clearing.

- 43.3 Initial Margins applicable to Open Positions held by Clearing Participants may be changed from time to time and relate to both existing and new Open Positions.
- 43.4 The Board may Prescribe the amount of Initial Margin which a Clearing Participant shall deposit in relation to Open Contracts in the absence of any other determination requiring a greater Initial Margin pursuant to By-Law 43. Such prescription may include provision for reduced amounts in circumstances Prescribed in the Schedules for example in relation to spread positions or where there are offsetting positions (whether registered or not). The Board may not reduce the amount of Initial Margin applicable pursuant to this By-Law 43.4 relating to products executed on SFE or a Related Exchange without the consent of the SFE, and where the Exchange Contract is that of a Related Exchange, the consent of the Related Exchange.

43A ~~BOND AND REPURCHASE~~ BRC Initial Margin and Other Deposits

- 43A.1 A BRC Participant shall deposit with respect to each Open Position with SFE Clearing an amount determined by SFE Clearing in its absolute discretion from time to time (whether before or after the opening of such Open Position) upon demand or by such time as is Prescribed in the Schedules or is required by the Board or the Managing Director or his delegate. Such amount shall be held by SFE Clearing which shall be entitled to apply it in satisfaction of performance by the BRC Participant of its obligations pursuant to these Clearing By-Laws. The BRC Participant shall not be entitled to a refund or repayment of any amount so deposited except in accordance with these By-Laws and until the Bond Transaction or Repurchase Agreement is Closed Out or completed. In this regard SFE Clearing shall without limitation of any other rights of SFE Clearing under the By-Laws have the rights of set-off referred to in By-Law 48.

SFE Clearing may in its absolute discretion accept the provision of securities or other collateral or property as a deposit instead of cash and may determine the valuation of any such property or securities for that purpose. SFE Clearing may from time to time require the provision of a deposit by way of further cash, securities, collateral or property to be deposited to ensure that the valuation of such securities or property and any cash is at least equal to the Initial Margin Liability of the BRC Participant or may require that any securities or property be replaced with cash. The obligation upon a BRC Participant to make a deposit pursuant to this By-Law shall be in addition to any other obligation of the BRC Participant to make deposits of cash, securities, collateral or property as otherwise provided in accordance with the By-Laws.

- 43A.2 SFE Clearing may in appropriate circumstances or for particular transactions or class of transactions, waive the requirement to pay Margins or determine a higher or lower rate of Initial Margin for a particular BRC Participant.

- 43A.3 Initial Margins applicable to Open Positions held by BRC Participants may be changed from time to time and relate to both existing and new Open Positions.

- 44.6 Amounts paid to a Clearing Participant with respect to Open Positions which have been designated as House Open Positions or Client Open Positions shall be paid from the relevant House Clearing Account or Client Clearing Account held with respect to that Clearing Participant, respectively.
- 44.7 Amounts paid by SFE Clearing from a Client Clearing Account held with respect to a Clearing Participant shall be paid to a Clients' Segregated Account of the Clearing Participant.
- 44.8 Amounts payable under this By-Law 44 shall be paid by the Prescribed time.

44A ~~BOND AND REPURCHASE~~ BRC Variation Margin ~~DAILY SETTLEMENT~~

- 44A.1 By-law 44 shall not apply to Bond Transactions and Repurchase Agreements. SFE Clearing will specify the method of calculation for, or directly determine, the Daily Closing Values and BRC Variation Margins applicable to ~~of~~ Bond Transactions and Repurchase Agreements.
- 44A.2 SFE Clearing shall on each BRC Business Day ~~day~~ after the determination of the Daily Closing Values for Bond Transactions and Repurchase Agreements and at any other Prescribed time calculate BRC Variation Margins by marking to market effect settlement to market of all Open Contracts arising from Market Contracts for Bond Transactions and Repurchase Agreements notified to and accepted by SFE Clearing prior to the Prescribed time, ~~at the Daily Closing Value.~~
- 44A.3 Subject to By-Law 48:
- (a) ~~On the BRC Business Day~~ following the determination by SFE Clearing of the relevant Daily Closing Value and BRC Variation Margin in relation to ~~an each BRC Open Position,~~ Each BRC Participant shall by the Prescribed time or on demand, ~~pay to SFE Clearing any BRC Variation Margin Daily Closing Values~~ owing with respect to each BRC Open Position held by it.
 - (b) BRC Variation Margin paid to SFE Clearing shall ~~SFE Clearing shall pay any Daily Closing Values owing to the BRC Participant holding the Open Position to the respective BRC Participant~~ be retained by SFE Clearing until SFE Clearing returns the BRC Variation Margin to the BRC Participant who paid it, either on settlement of the relevant Bond Transaction or Repurchase Agreement or prior to settlement in accordance with SFE Clearing's margining policy.
- 44A.4 SFE Clearing will pay interest to the BRC Participant, at a rate determined by SFE Clearing, during the period that a BRC Variation Margin is retained by SFE Clearing under By-law 44A.3(b).
- 44A.45 Amounts paid to SFE Clearing by a BRC Participant with respect to Open Positions which have been designated as BRC House Open Positions shall be paid to the relevant BRC House Account held with respect to that BRC Participant.
- 44A.56 Amounts paid to a BRC Participant with respect to Open Positions which have been designated as House Open Positions shall be paid from the relevant BRC House Account held with respect to that BRC Participant.
- 44A.67 Amounts payable under this By-Law 44A shall be paid by the Prescribed time.

45 Intra Day and Extra Margins

- 45.1 A Clearing Participant shall by no later than the Prescribed time on each Business day of the Relevant Exchange deposit with SFE Clearing by way of Intra Day Margin amounts owing as a result of the revaluation in the prescribed manner of Open Contracts held by it.
- 45.2 In addition to or instead of the Intra Day Margins provided by By-Law 45.1 SFE Clearing may at any time require at its absolute discretion a Clearing Participant or all or any Clearing Participants by a time determined by the Board or Managing Director to deposit as Extra Margin further cash, securities, margin or cover for Open Contracts or Market Contracts eligible to be registered having regard to movements in the price of Market Contracts traded in any market of the Exchange.
- 45.3 In the absence of any other determination by the Board or Managing Director either generally or in a particular case the time for deposit of Extra Margin called pursuant to By-Law 45.2 shall be one hour.

45A BOND AND REPURCHASE BRC Intra Day, ~~VARIATION~~ and Extra Margins

- 45A.1 A BRC Participant shall by no later than the Prescribed time on each business day deposit with SFE Clearing by way of Intra Day Margin amounts owing as a result of the revaluation in the prescribed manner of Open Contracts held by it.
- 45A.2 In addition to or instead of the Intra Day Margins SFE Clearing may at any time require at its absolute discretion a BRC Participant or all or any BRC Participants by a time determined by the Board or Managing Director to deposit as Extra Margin further cash, securities, margin or cover for Open Contracts or Market Contracts eligible to be registered having regard to movements in the price of Market Contracts.
- 45A.3 In the absence of any other determination by the Board or Managing Director either generally or in a particular case the time for deposit of Extra Margin called pursuant to By-Law 45A.2 shall be one hour.

46 Close-Out of Matched Positions

- 46.1 At the prescribed time on a Business Day of the SFE, or any Related Exchange in relation to Open Positions arising from SFE and a Related Exchange if prescribed by the Board each Clearing Participant shall advise SFE Clearing, in the manner Prescribed in the Schedules of the number of Open Positions which it wishes to remain open and SFE Clearing shall Close Out any excess opposite Open Positions. Contracts so Closed Out and the resulting settlement amount shall be payable by or to SFE Clearing as the case may be.

- 46.2 Any advice provided to SFE Clearing pursuant to By-Law 46.1 shall be made in compliance with any applicable provisions of the Exchange Rules relating to the maintenance of Open Positions at SFE Clearing.
- 46.3 Where a Clearing Participant advises that a request made pursuant to By-Law 46.1 was made in error and requests that Open Contracts extinguished in accordance with By-Law 46.2 be reinstated SFE Clearing may subject to the approval of the Relevant Exchange reinstate such Open Contracts and such Open Contracts shall be deemed never to have been Closed Out. Such reinstatement may only occur subject to any conditions imposed by SFE Clearing including the payment of Margin.
- 46.4 Where By-Law 46.1 does not apply to a Related Exchange a Clearing Participant may request SFE Clearing to Close Out any opposite Open Positions and SFE Clearing may give effect to such request.

47 Offset - Daily Settlement Amounts

- 47.1 Each Business Day of the Relevant Exchange SFE Clearing shall in relation to each Clearing Participant calculate separately with respect to its relevant Client Clearing Accounts and House Clearing Accounts:
- (a) The sum of all Daily Settlement Amounts payable by the Clearing Participant in respect of the Daily Settlements of the previous Business Day of the Relevant Exchange and all amounts payable by the Clearing Participant to SFE Clearing in respect of Open Contracts which were Closed Out prior to that Daily Settlement and after the previous Daily Settlement.
 - (b) The sum of all Daily Settlement Amounts payable by SFE Clearing to the Clearing Participant in respect of Daily Settlements of the previous Business Day of the Relevant Exchange and all amounts payable by SFE Clearing to the Clearing Participant in respect of Open Contracts which were Closed Out prior to that Daily Settlement and after the previous Daily Settlement.

If the amount payable by the Clearing Participant under paragraph (~~a~~**A**) is greater than the amount payable by SFE Clearing under paragraph (~~b~~**B**) then the Clearing Participant shall pay the difference to SFE Clearing.

If the amount payable by SFE Clearing under paragraph (~~b~~**B**) is greater than the amount payable by the Clearing Participant under paragraph (~~a~~**A**) then, subject to this By-Law 47, and the deduction of any amounts otherwise owing by the Clearing Participant or to the Clearing Participant including amounts with respect to Mandatory Settlements, Deliveries or otherwise, SFE Clearing shall pay the difference to the Clearing Participant.

- 47.2 SFE Clearing may, at any time:

- (a) combine or consolidate the balances (whether arising from Settlements, Margin payments or otherwise) in respect of all or any of the Open Contracts relating to Open Positions designated to a Clearing Participant's House Clearing Accounts; and/or
- (b) set-off any amount or amounts standing from time to time to the credit of any of the Clearing Participants House Clearing Accounts, in or towards payment or satisfaction of all or any of that Clearing Participant's liabilities to SFE Clearing in respect of:
 - (ie) Open Contracts relating to Open Positions designated to any of that Participant's House Clearing Accounts; or
 - (ii) Open Contracts relating to Open Positions designated to any of the Clearing Participant's Client Clearing Accounts, to the extent of any shortfall where proceeds of a Client Clearing Account are insufficient to meet its liabilities to SFE Clearing in respect of Open Contracts designated to that Account.

47.3 SFE Clearing may combine or consolidate the balances (whether arising from Settlements, Margin payments or otherwise) in respect of all or any of the Open Contracts designated to a Clearing Participant's Client Clearing Accounts and to set-off any amount or amounts standing from time to time to the credit of any of a Clearing Participant's Client Clearing Accounts in or towards payment or satisfaction of all or any of the Clearing Participant's liabilities to SFE Clearing in respect of Open Contracts designated to the Clearing Participant's Client Clearing Accounts.

47.4 Debit balances due to SFE Clearing on the Clearing Participant's House Clearing Accounts or Client Clearing Accounts are to be paid by the Clearing Participant to SFE Clearing on demand.

48 ~~BOND AND REPURCHASE CLEARING BRC~~Offset

48.1 BRC Variation Margin payable to a BRC Participant may be offset against any BRC Variation Margin payable by that BRC Participant.

~~Each BRC Business Day SFE Clearing shall in relation to each BRC Participant calculate with respect to its BRC House Accounts:~~

~~(a) The sum of all Daily Closing Values payable by the BRC Participant in respect of the Daily Closing Value calculations of the previous day and all amounts payable by the BRC Participant to SFE Clearing in respect of Open Contracts which were completed prior to that Daily Closing Value calculation and after the previous BRC Daily Settlement.~~

~~(b) The sum of all BRC Daily Settlement Amounts payable by SFE Clearing to the BRC Participant in respect of BRC Daily Settlements of the previous BRC Business Day and all amounts payable by SFE Clearing to the BRC Participant in respect of Open Contracts which were completed prior to that BRC Daily Settlement and after the previous BRC Daily Settlement.~~

~~If the amount payable by the BRC Participant under paragraph (A) is greater than the amount payable by SFE Clearing under paragraph (B) then the BRC Participant shall pay the difference to SFE Clearing.~~

~~If the amount payable by SFE Clearing under paragraph (B) is greater than the amount payable by the BRC Participant under paragraph (A) then, subject to this By Law 48, and the deduction of any amounts otherwise owing by the BRC Participant or to the BRC Participant, SFE Clearing shall pay the difference to the BRC Participant.~~

48.2 SFE Clearing may, at any time:

~~(a) combine or consolidate the balances (whether arising from Settlements, Margin payments or otherwise) in respect of all or any of the Open Contracts relating to Open Positions designated to a BRC Participant's BRC House Accounts; and/or~~

~~—— (b) set off any amount or amounts standing from time to time to the credit of any of the BRC Participants' BRC House Accounts, in or towards payment or satisfaction of all or any of that BRC Participant's liabilities to SFE Clearing in respect of:~~

~~—— (i) Open Contracts relating to Open Positions designated to any of that BRC Participant's BRC House Accounts; or~~

~~—— (ii) Move funds between a BRC Participant's BRC House Accounts and its House Clearing Accounts.~~

48.23 Debit balances due to SFE Clearing on the BRC Participant's BRC House Accounts are to be paid by the BRC Participant to SFE Clearing on demand.

49 Not in use.

92 Submission to Jurisdiction

92.2 SFE Clearing and each Clearing Participant:

- (a) irrevocably submit to the exclusive jurisdiction of the courts exercising jurisdiction in New South Wales;
- (b) irrevocably waive any immunity from or any objection to any action in the courts exercising any jurisdiction in New South Wales; and
- (c) irrevocably waive any claim that they may have that any action brought in New South Wales has been brought in an inconvenient forum or that the courts of New South Wales do not have jurisdiction.

92.3 Notwithstanding By-Laws 92.1 and 92.2 the law of an Open Contract arising from a Market Contract traded on SFE shall be the law of New South Wales and Australia and the Courts having exclusive jurisdiction will be those of NSW, Australia and the law of an Open Contract arising from a Market Contract traded on NZFOE shall be the law of New Zealand and the Courts having exclusive jurisdiction will be those of New Zealand.

93 Rights, Obligations and Powers of SFE Clearing

- 93.1 Any right, entitlement, relief, obligation or power of SFE Clearing arising pursuant to the Clearing By-Laws shall be a right, entitlement, relief, obligation or power as the case may be of SFE Clearing Corporation Pty Ltd.
- 93.2 Any power or function which under these By-Laws may be exercised or performed by SFE Clearing may be exercised or performed by the Board, Managing Director or other duly authorised officer or delegate of SFE Clearing.
- 93.3 No power conferred on SFE Clearing by these By-Laws including without limitation any power to Close Out, Transfer or call Initial Margin, Daily Settlement Amounts, Variation Margins, Intra Day Margins or Extra Margins, Exercise or Abandon any Option Contract, or realise any security shall impose any duty on the Board or SFE Clearing to exercise such powers or to exercise such powers in a particular way, and no person shall have any claim against SFE Clearing in relation to any decision made bona fide to exercise or refrain from exercising such powers.
- 93.4 Where SFE Clearing is under the terms of an Open Contract obliged to perform an obligation by a particular time it shall be sufficient performance by SFE Clearing if it performs that obligation promptly after that time.
- 93.5 Any reference in the Exchange Rules to the obligations of the Buyer and Seller of a Market Contract shall in relation to an Open Contract arising upon the registration of a Market Contract:
- (a) be read as a reference to SFE Clearing as a party to an Open Contract where appropriate;

SCHEDULE 3

PRESCRIBED TIMES

(Amended 25/11/97)

The time or date prescribed for the purposes of the Clearing By-Law shown in the first column as described briefly in the second column is that shown in the third column.

By-Law	Description	Time
43.1	Time for payment of Initial Margins and Daily Settlement Amounts	10.30 am (Sydney time) in the case of SFE or 12.30 pm (Auckland time) in the case of NZFOE on the Business Day of the Relevant Exchange following day of trade (or as otherwise demanded by SFE Clearing)
43A.1	Time for payment of Initial Margins and Daily Settlement Amounts	10.30 am (Sydney time) in the case of SFE or 12.30 pm (Auckland time) in the case of NZFOE on the Business Day of the Relevant Exchange following day of trade (or as otherwise demanded by SFE Clearing)
<u>44A.3</u>	<u>Time for payment of BRC Variation Margins</u>	<u>10:30 am (Sydney time) on the BRC Business Day following day of trade (or as otherwise demanded by SFE Clearing)</u>
46.1	Time for advice to SFE Clearing of Open Positions (the reported Long and Short Positions) (otherwise referred to as the reported position file)	8.00 pm (Sydney time) on each business day of the Relevant Exchange, or in the case of serial options or other specified contract, any time specified by Exchange rules for the submission of a reported position file or such other time as may be determined by SFE Clearing
32.1	Confirmation of Allocation	Time permitted by Exchange Rules or time within which Recording by Exchange may occur as defined in By-Law 1.1 whichever is the earlier

SCHEDULE 9

MISCELLANEOUS PRESCRIPTIONS BY BOARD

1 Financial Requirements

- 1.1 No additional requirements are prescribed for the purpose of the definitions of Net Tangible Assets or Net Liquid Assets as for the purposes of By-Law 8.1.

With effect from 30 September 1995 the Financial Requirements are net tangible assets of not less than five million dollars (\$5,000,000).

- 1.2 No circumstances are prescribed for the purposes of By-Law 8.5(d).
- 1.3 The Board has prescribed pursuant to By-Law 95.1 that an Audit Certificate in the form set out in Form 1 must be provided by Clearing Participants to SFE Clearing or the Exchange within three months of their year end.

2 Acceptance of Transfers

- 2.1 For the purposes of By-Law 33.5 transfers shall be accepted by written advice to SFE Clearing to that effect signed by the Transferee Clearing Participant or by such other means as SFE Clearing may allow.

- 3 No prescriptions are made for the purposes of By-Law 98.1.

4 SFE Clearing Reports

In accordance with By-Law 97 SFE Clearing will provide Clearing Participants in relation to Open Positions held in relation to SFE with the following Reports:

4.1 SFE

~~In accordance with By Law 97 SFE Clearing will provide Clearing Participants in relation to Open Positions held in relation to SFE with the following Reports:~~

DAILY

- Daily Registration Statement in the form attached hereto
- Position Summary
- Daily Margin Summary
- Financial Status Advice
- Daily Commission Statement
- Exchange Fees Daily Statement

MONTHLY

- Fees Interest and Commissions Statements

All these documents will be issued separately in respect of a Participants House Clearing Account and Client Clearing Account.

4.2 Bond and Repurchase Clearing

- DAILY
- Daily Net Settlement Report
 - Interest Earned Statement
 - Margin Summary
 - Financial Status Advice
 - Open Positions Report
 - ~~Daily Trade Confirmations~~ Novated Trades Report
 - ~~Daily Settlements~~
 - Daily Fees Statement
 - Coupon Report
 - Same Day Novated Trades Report
 - Same Day Net Settlement Report
 - Margin Detail Report
 - BRC Variation Margin Reconciliation Report
 - Repo Volume Reconciliation Report

MONTHLY - Fees Interest and Commissions Statements

4.3 NZFOE

In accordance with By-Law 97 SFE Clearing will provide Clearing Participants in relation to Open Positions held in relation to NZFOE with the following Reports:

- DAILY
- Registration Statement
 - Trade Instructions Listing
 - Liquidation Advice
 - Final Settlement Report
 - Financial Status Advice
 - Option Exercise/Abandon Summary
 - Original Trade Listing
 - Participants Option Position & Daily Margin Summary Statement
 - Participants Margin Summary

MONTHLY

- Statement of Account
- Monthly Commission Analysis Report

All these documents will be issued separately in respect of a Participants House Clearing Account and Client Clearing Account other than the Trade Instructions Listing and Monthly Commission Analysis Report.

SCHEDULE 11A

ADDITIONAL PRESCRIPTIONS

(Amended 2/12/99)

- A1 For the purposes of By-Law 6.1 the commitment to be provided by a Clearing Participant is prescribed to be for that period of not less than eighteen months and not more than 30 months and 14 days which will result in the date for making the election not to renew under By-Law 6.2(a) falling on 1 December in each year.
- 1 For the purposes of By-Law 6.2(a) the prescribed form of notice of election is as set out in Form 1 attached.
- 2 For the purposes of By-Law 8.4 the prescribed date for lodgement of the statement of financial position is no later than one calendar month after the end of each month.
- 3 For the purposes of By-Law 9.1(b) (Position Limits) the prescribed limit is a limit of Initial Margin liability of no more than 200% of the Net Tangible Assets of a Clearing Participant.
- 4 For the purposes of By-Law 31.1(d) the manner of presentation shall be the lodgement with the Relevant Exchange for presentation to SFE Clearing of a form (signed by the relevant parties) as determined by the Relevant Exchange and SFE Clearing from time to time.
- 5 For the purposes of By-Law 44.1 the Prescribed time prior to which the relevant market contracts are traded is the close of Tading on a Business Day of the Relevant Exchange. No additional time for Daily Settlements is Prescribed.
- 5A For the purposes of By-law 44A.2 the Prescribed time is 6:00 pm on each BRC Business Day.
- 6 For the purposes of By-Law 44.4 and 44.8 the prescribed time is 10.30 am on a Business Day of the Relevant Exchange or as otherwise demanded by SFE Clearing.
- 6A For the purposes of By-law ~~44A.4~~ 44A.3 and ~~44A.8~~ 44A.7 the prescribed time is 10:30 am on a BRC Business Day.
- 7 No prescriptions are made for the purposes of By-Law 45.1 or 45A.1 (intra-day margins).
- 8 No prescriptions are made for the purposes of By-Law 52.2 and 54.1 (Physical Option Contracts).
- 9 For the purposes of By-Law 52.2(b) the prescribed circumstances are those circumstances specified in the Exchange Rules.
- 10 For the purposes of By-Law 52.3 the Prescribed Form of Exercise is by electronic lodgment in the SFE Allocation & Clearing System or such other form as determined by SFE Clearing from time to time including, without limitation, as set out in Form 2 attached. (Amended 10/12/01)