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**From:** SFE Clearing Corporation Pty Ltd ABN 91 050 615 864

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#### **CLOSING OUT OF OPEN POSITIONS – IMPLEMENTATION OF CLEARING RULE CHANGES**

As foreshadowed by SFE Clearing Bulletin No.42/03 and corresponding Practice Note 39, a new By-Law 46.5 is now in effect, which will grant SFE Clearing the ability to direct Clearing Participants to exclude back-to-back Open Positions from being submitted to OM SECUR. Attached as Annexure A are the marked amendments to By-Law 46 and Schedule 6, which incorporate By-Law 46.5 as well as other minor drafting changes.

Should you have any queries please contact Bronwyn Hill, Manager Compliance and Surveillance on 9256-0699 or at [bhill@sfe.com.au](mailto:bhill@sfe.com.au), or Nick Gaut, Market Analyst, Compliance & Surveillance on 9256-0414 or at [ngaut@sfe.com.au](mailto:ngaut@sfe.com.au)

A handwritten signature in black ink, appearing to read 'Anne T. Brown', with a horizontal line drawn underneath the name.

**Anne T. Brown**  
**General Manager, Business Risk**

**46            Daily Close-Out of Matched Positions**

- 46.1            At the prescribed time on a Business Day of the SFE, or of 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.
- ~~46.5            SFE Clearing may give directions to Clearing Participants to exclude from its advice pursuant to By-Law 46.1 certain Open Positions which do not, in the opinion of SFE Clearing, contribute to market liquidity. A Clearing Participant must comply with any such direction given by SFE Clearing.~~

## **SCHEDULE 6**

### **CLOSE OUT, SETTLEMENT AND DELIVERY**

#### **1 Daily Close Out of Matched Positions**

- 1.1 For the purposes of Clearing Rule 46.1 advice to SFE Clearing of net position close-outs shall be effected by the delivery to SFE Clearing by no later than 7 pm (Sydney time) or other Prescribed time on a Business Day of the Relevant Exchange or such later time as may be authorised by SFE Clearing of a form of advice required by SFE Clearing from time to time stating the total number of bought or sold positions to ~~net down~~ Close Out in respect of each of the Client Clearing Accounts and House Clearing Accounts of the Clearing Participant. Participants should calculate the ~~net down amount~~ number of positions to Close Out according to ~~such~~ instructions notified by ~~the Exchange and~~ SFE Clearing from time to time and should make the details available by such electronic method(s) as may be approved from time to time by SFE Clearing (or any other procedure which may be agreed by SFE Clearing). (~~Amended 10/12/01~~)
- 1.2 Such advice will be given effect either by the Participant submitting position close outs directly into the SFE Allocation & Clearing System via the OMnet API using a third party system or the OM SECUR BOPC or by such other means as SFE Clearing may determine from time to time. (~~Amended 10/12/01~~)
- 1.3 Advice provided in accordance with clause 1.2 must be consistent with the Open Position of the Clearing Participant following the previous advice and Open Positions to which the Clearing Participant has become entitled since that advice. In the event of such inconsistency SFE Clearing shall only Close Out such Open Contracts as will not result in such an inconsistency. (~~Amended 10/12/01~~)