

SFE NOTICE NO.

101/05

Date of Issue:

25 July 2005

Effective Date:

1 August 2005

AMENDMENT TO SELF REPORTING REQUIREMENTS FOR WASH TRADES

The Exchange recently conducted a review of wash trades self reported in accordance with Operating Rules 2.2.10 (in the case of Full Participants) and 2.3.10 (in the case of Local Participants). As a result of this review, it is apparent that the vast majority of the wash trades reported to the Exchange under these requirements were inadvertent or unintentional with no impact upon the fair, orderly and transparent nature of the market.

In light of these findings, and with consideration given to feedback from the Exchange's related consultation with Participants, the Exchange has undertaken to grant to Full and Local Participants a partial exemption from Operating Rules 2.2.10 and 2.3.10 with regard to the requirement to self report certain wash trades, with effect from 1 August 2005.

The granting of this partial exemption is conditional upon the maintenance by Full Participants of a register in respect of any trade executed under their mnemonic (i.e. including those of Local Participants for whom they act as the Nominating Participant), recording the details of relevant wash trades executed that would otherwise have been self reported to the Exchange.

The exemption from self reporting will **not** apply (and accordingly, such trades should still be self reported) in the following cases:

- where a wash trade is of 50 lots or more in volume;
- for wash trades that are not, or otherwise appear not to be inadvertent – e.g. those that are intentional; and
- for all wash trades other than those relating to the following Exchange contracts:
 - 30 Day Interbank Cash Rate futures
 - 90 Day Bank Accepted Bills futures
 - 3 Year Commonwealth Treasury Bond futures
 - 10 Year Commonwealth Treasury Bond futures
 - SFE SPI 200™ Index futures.

Information to be maintained in the wash trade register includes:

- time and date of trade execution;
- Deal Number and full order details;
- an explanation as to why/how the trade occurred; and
- details of any subsequent action taken by the Participant.

The Exchange requires the above information to be appropriately maintained and made available for review by Exchange staff upon request. To assist Participants in implementation, an example of an appropriate format for the register is contained in Annexure 1.

Participants are required to continue to investigate wash trades upon becoming aware of their occurrence and, pending the outcome of these enquiries, to self report any activity found to fall outside the exemption criteria. Where a Participant is unsure regarding the need to self report a wash trade or any other potential breach of the Operating Rules, it should contact the Exchange's Compliance and Surveillance department for guidance.

For the purposes of Operating Rules 2.2.10 and 2.2.13, Participants are reminded that they may lodge a self report by the following means:

- via an e-mail to surveillance@sfe.com.au ;
- using the Trading Investigation Request form located on the SFE website (under *Quick Links*); or
- in writing to the Exchange's Compliance & Surveillance Department.

Should you have any queries in relation to this matter, please do not hesitate to contact either Andrew Farquhar on 9256 0498 or afarquhar@sfe.com.au and Tony Dimovski on 9256 0537 or tdimovski@sfe.com.au .



ANNE T. BROWN
GENERAL MANAGER, RISK & COMPLIANCE

SFE Corporation Limited
30 Grosvenor Street
Sydney Australia
+612 9256 0555
www.sfe.com.au
ABN 74 000 299 392

