

SFE NOTICE NO.

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SFE EXCHANGE FEES AND CHARGES

Following an annual review, SFE Corporation announced today a number of changes to fees and charges in respect of the services of the Sydney Futures Exchange (SFE), SFE Clearing Corporation and SFE Austraclear. A summary of the changes is outlined below.

1. **Exchange Traded Products (SFE and SFE Clearing)**

SFE has determined that, other than the annual adjustment to the Large Volume Rebate hurdles, and some further changes to Clearing Participants' charges, Exchange Traded fees and charges will remain substantially the same in 2006 as in 2005:

- Headline SFE \$A exchange fees remain unchanged (since 2000) at \$0.90 (exclusive of GST) per transaction. However many customers will continue to pay significantly less as a result of various rebate schemes – detail below.
- Headline SFE \$NZ exchange fees remain unchanged at NZ\$2.00 (excluding GST) per transaction.
- The proprietary trading scheme and the SFE local rebate scheme parameters remain unchanged. Eligible participants may continue to receive significantly lower average exchange fees under these schemes. However, participants have already been advised that SFE intends to review the proprietary trading scheme and implement changes in the 2nd half of 2006 to coincide with the permanent implementation of a reduction in the minimum price movement (from one to a half basis point tick) to the Exchange's most heavily traded contract, the 3 year Bond futures contract.
- Interest paid to clearing participants on initial margins lodged on their house account has been increased by 15 basis points p.a. Therefore clearing participants will be paid the SFE cash rate (usually the 11am rate) less 10 basis points on house account initial margin balances, equivalent to 40 basis points more than the rate paid on client balances.
- The rate paid to clearing participants on their clearing guarantee commitments has been reduced from 2% per annum to a more market oriented 1% per annum, in keeping with the reduced risk associated with these commitments as a result of the smooth operation of the Additional Initial Margin regime since its 2003 introduction.
- The large volume rebate scheme (LVR) parameters have been adjusted taking into account the 21% increase in exchange volumes to the end of October 2005 over the same period in 2004. SFE expects again to pay out a record amount of approximately \$14m in the combined LVR/Proprietary Trading schemes in respect of record 2005 trading activity levels.

In order to re-align the LVR scheme parameters and provide incentives for further volume growth the requirements for the 2006 scheme are as follows;

- Minimum eligibility for inclusion in the scheme remains unchanged at 1.5 million transactions per annum for each participant's house or individual client's transactions.
- Once eligible exchange volumes have reached 58.5 million contracts a total annual rebate pool will be made available for distribution to eligible customers.
- Between 58.5 million and 68.75 million contracts, customers will be rebated approximately 80% of incremental exchange fees and above 68.75 million the rebate will be 50%. The total possible rebate pool remains uncapped subject to the average fee not reducing below 45 cents per contract side (excluding GST).

- Eligible volumes include SFE annual aggregate volumes excluding NZ denominated products, commodity products, and contracts traded by market makers which are eligible for specific market maker rebates. Eligible volumes will continue to include volumes transacted by local participants.
- The aggregate LVR pool will continue to fund the proprietary rebate scheme before distribution of the balance to eligible large volume customers.

Depending on the mix of volumes contributed by participants, SFE estimates that in order to pay similar total rebates in 2006 as it expects to pay in 2005 (based on volumes to date), exchange traded volumes need to increase approximately 10%. This is significantly lower than the growth experienced to date in 2005 (21%) and in 2004 (20%) over the prior year and provides participants with the very real prospect of again increasing their rebate receipts. Should volumes in 2006 grow by 20% over 2005 then the LVR pool will increase by approximately 35-40% to approximately \$18-20m and average transaction fees would fall by approximately 3-6 cents per contract.

2. Non-exchange traded products – SFE Austraclear

While SFE Austraclear transactions volumes have increased 1%, some categories have exhibited declines (cash, fixed interest securities). In many cases the decline has been associated with an increase in the average value of the transactions, and as a result the average cost of transacting on SFE Austraclear, expressed as a percentage of the value, continues to decline.

SFE Austraclear has determined to make some changes to major fee categories to encourage customers to increase their transaction volumes while leaving the majority of fee categories unchanged. The specific changes are:

- Cash transfer fees increase from \$3.50 to \$3.75 (excluding GST). However a new rebate scheme will apply which will refund to each qualifying participant the entire cash transfer fee for any transactions above their full year 2005 levels. (Only participants effecting more than 2,000 transactions in 2005 will qualify). Participants will be able to group transactions under legal entities for the purposes of calculating cash transfer transactions. By making additional transactions at a much lower fee, participants are encouraged to expand their usage of this facility. The rebate will be applicable for a 3 month trial period to 31 March 2006, and if successful in growing volumes, will be extended beyond that date.
- Fixed income securities settlement fees reduce from \$14.00 to \$11.00 (excluding GST).
- Discount Securities settlement fees will remain unchanged at \$11.00 (excluding GST).
- Reserve Bank Repo settlement fees will increase from \$2.95 to \$3.00 (excluding GST).
- Depository portfolio holding fees have been increased with the new tiers/fees as follows

Depository holding	Tier	\$ Fee per million per month
Physical paper portfolio holding (Fixed and Discount)	Up to \$500m	\$5.00
	\$500m - \$1.5bn	\$2.50
	\$1.5bn - \$2.5bn	\$1.50
	> \$2.5bn	\$1.00
Electronic portfolio holdings (Fixed and Discount)	\$1 - \$3 bn	\$0.60
	\$3 bn - \$10 bn	\$0.15
	\$10 bn and over	\$0.08
Global Fixed		\$17.00

- Having remained unchanged since 2000, SFE Austraclear Services fees for registry and issuing and paying agency services have also been revised upwards.
- Infrastructure charges for the SFE Austraclear network will remain at current levels for the first half of 2006 but will be revised from 1 July 2006. The revision is required to recover the increased costs associated with the additional bandwidth and disaster recovery provisioning that SFE Austraclear has agreed with the payments system regulator. The changes to the network will be introduced progressively from the beginning of 2006 up until the SFE Austraclear replacement system goes live, expected to be in the second quarter of 2006.

The full schedule of fees and charges is available on SFE's website at www.sfe.com.au.

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