

SFE NOTICE NO.

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SFE SPI 200™ Index Futures Contract Expiry – Market Information Update

The December 2005 expiry of the SFE SPI 200™ Index Futures contract takes place on Thursday 15 December, 2005 at 12:00 noon. The settlement price for this contract is drawn from the Special Opening Quotation of the underlying S&P/ASX 200 Index, which in turn is derived from the first traded price of each component stock in this Index on the contract's Last Trading Day.

In light of current futures holdings and potential strategies surrounding expiry, the Exchange wishes to ensure that its Participants are aware of the potential for increased price volatility at expiry due to increased liquidity in physical equity transactions during the ASX opening price auction on 15 December. As a result, Participants may wish to advise their clients, particularly retail clients, of the issues involved.

As part of its market operator licence obligations, Exchange Surveillance personnel monitor trading activity and position holdings approaching expiry, and initiate contact with relevant parties to gain adequate assurance as to traders' intentions and understanding of their obligation to trade in a manner consistent with the fair, orderly and transparent operation of Exchange markets. As a result of a number of such discussions in recent days, the Exchange has gained the necessary assurances regarding traders' intentions and strategies in meeting these obligations.

The Exchange also recognises, however, that risk-management strategies may drive certain traders, in particular arbitrageurs, to be particularly active in the physical equities market during the ASX opening price auction on 15 December. As a result, physical prices may reflect this arbitrage activity rather than simply market fundamentals.

Finally, the Exchange wishes to remind SPI 200™ Index Futures traders who are also active in other markets that they should comply with all rules and relevant guidance regarding trading on those markets, especially through the expiry process.

Should you have any queries in relation to the above, please contact Nick Gaut, Market Analyst, Compliance & Surveillance, on (02) 9256-0414 or at ngaut@sfe.com.au.



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