

SFE NOTICE NO.

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

As market users will be aware, the June 2006 expiry of the SFE SPI 200™ Index Futures contract takes place on Thursday 15 June, 2006 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 in 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 market awareness of the following factors. As a result, Participants may wish to advise their clients, particularly retail clients, of the issues involved.

As part of its market operator licence which imposes front-line market supervisory authority and obligations to ensure that its markets are fair, orderly and transparent, Exchange Surveillance personnel monitor trading activity and 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 the Exchange's 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 recognises, however, that in light of prevailing market sentiment (including current pricing uncertainty regarding the September 2006 contract), conventional risk-management strategies may oblige certain traders to be unusually active in the physical equities market during the ASX opening price auction on the morning of expiry. **As a result, the Exchange wishes to advise traders that the aforementioned market activities have the potential to lead to a larger level of liquidity being provided in physical equity transactions during Thursday's ASX opening price auction than has been observed at recent expiries.**

The Exchange also 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, Senior Market Analyst, Compliance & Surveillance, on (02) 9256-0414 or at ngaut@sfe.com.au.



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