

SFE NOTICE NO.

91/06

Date of Issue:

16<sup>th</sup> August 2006

Effective Date:

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## Telecom Corporation of New Zealand - Corporate Action

To initiate the process for the Corporate Action resulting from the announcement of a 5 cent Special Dividend on Telecom Corporation of New Zealand shares the March 2007 and June 2007 contract expiry months of the NZFOX Equity Option on Telecom Corporation of New Zealand (ZT) will be de-listed effective from trade date 17<sup>th</sup> August 2006.

For ease of reference, as per SFE Bulletin 21/05, the contract size and option strikes of NZFOX Equity Options on Telecom Corporation of New Zealand with Open Interest will be adjusted for trading commencing the first trading date ex-dividend using the following formulae:

Contracts Size:             $\text{New Size} = \text{Old Size} + \text{value of return for each old contract size} / (\text{VWAP on the last cum-dividend date}^* - \text{return per share})$

New Strike:                 $\text{Old Strike} \times (\text{Old Contract Size} / \text{New Contract Size})$

\* 10am to 12pm New Zealand Time only.

Participants are reminded that adjustments to share quantity and exercise prices of NZFOX Equity Option on Telecom Corporation of New Zealand will be effective for expiry months of September 2006 and December 2006 from the start of trading on 28 August 2006 when the underlying security trades on an ex-dividend basis.

### ZP Account and Limit Maintenance

A new NZFOX Equity Option in Telecom Corporation of New Zealand (ZP) will be listed effective for trade date 17<sup>th</sup> August 2006 (Contract Specifications attached). SFE will **not** adjust this new contract for the Special Dividend. Initially, the March 2007 and June 2007 contracts will be made available with the standard four contracts being made available with the subsequent expiry of the Equity Option in Telecom Corporation of New Zealand (ZT) contract.

SYCOM Managers are advised that Account Maintenance associated with the ZP contract will be available from 3.25pm 15<sup>th</sup> August 2006.

Below is the new product code and steps that outline necessary maintenance to be performed for each Account, Sycom Interface and Sycom Workstation. This will ensure order entry is available for the day session on the 17<sup>th</sup> August 2006, pre-open at 7.35am to open at 7.45am.

Please be aware of the following new code,

### ZP- Telecom Corp New Zealand Ltd

#### Step 1- Editing accounts

1. Log onto any Workstation as the Generic Firm ID
2. Go to [Account Administration Activities] then [Account Maintenance]. This will list all accounts available for maintenance to be performed.
3. Highlight the necessary account and select [Edit]

4. Scroll down until you find the ZP code
5. Click in "Volume per Order" column and enter required volume
6. Tab to the next column and enter the "Aggregate Net Session" limit
7. Tab to the "Loss" column and enter the amount. This will bring up default values in the next column
8. Select [Apply Changes] then [Exit]

Repeat the above steps for all additional accounts required then exit the Account Maintenance window. This maintenance only needs to be performed on one machine.

## Step 2-Adding Limits

Limit maintenance is machine specific and will need to be performed on all necessary Interfaces and Workstations.

1. Log onto all interfaces and/or Workstations as the Generic Firm ID
2. Once in Sycom go to [Tools]-> [Options]->[Limits]->[Add]
3. Highlight the ZP code
4. Tick Option
5. Select 'OK' in the [Add Limit] window
6. Once the ZP has been added select [Apply] and [OK]

### PLEASE NOTE:

**Step 1** needs only to be done on one workstation

**Step 2** will need to be performed on each workstation that will trade the new ZP product.

Should you have any queries please contact SFE Service Desk on 9256 0677 or [servicedesk@sfe.com.au](mailto:servicedesk@sfe.com.au).



David Raper  
**General Manager – Business Operations**

**Attachment**
**Telecom Corporation of New Zealand Ltd Share Options (ZP)**

Underlying Security:	Telecom Corporation of New Zealand ordinary shares (TEL)
Contract Unit:	1,000 Telecom Corporation of New Zealand Shares
Expiry Months:	March, June, September, December, four quarters ahead
Commodity Code:	ZP
Exercise Prices:	Exercise prices are set at NZ\$0.25 intervals. New option exercise prices are created as the underlying price moves.
Premium:	Quotes in NZ cents per share, with a minimum fluctuation of 1 cent.
Settlement Price:	The final settlement price is the last traded price of the Underlying Security.
Final Trading Day:	The Thursday before the last Friday of the Settlement Month or the first business day prior. Trading will cease at the close of trading on the Final Trading Day (4.55pm).
Settlement Date:	The third business day following the date of exercise of an option.
Exercise of Options:	Options may be exercised on any business day up to and including the Last Trading Day. In-the-money options are exercised at expiry, unless manually abandoned. At-the-money options and out-of-the-money options are abandoned at expiry unless manually exercised.
Trading Hours:	9.45am – 4.55pm <sup>1</sup>
Adjustment Methodology:	No contract adjustments will be made for scheduled dividends. Adjustments will occur for all other capital reconstructions that are pro-rata events, eg share splits, bonus & rights issues etc
Listing Date:	16 August 2006

<sup>1</sup>Unless indicated, all times are New Zealand Times.