

SFE NOTICE NO. 122/06

Date of Issue: 12 October 2006
Effective Date: 12 October 2006

Increase to SFE Clearing Guarantee Fund

The Board of SFE Clearing Corporation (SFECC) recently completed one of its periodic reviews of the suite of complementary risk control mechanisms employed by SFECC to underpin its obligations as a central clearing counterparty and ensure the continued financial integrity of the market. As a result of this review, a number of enhancements to risk control measures were approved and are currently in the process of being implemented.

This Notice is intended to formally advise Clearing Participants of completion of the first of these Board-approved enhancements, being an increase to the Clearing Guarantee Fund of \$50M. The increase was achieved by way of a capital contribution from SFE Corporation and this process was formally completed on 29 September.

The Clearing Guarantee Fund now totals \$200M (previously \$150m) and is constituted as follows (listed in order and priority of application in the event of a Participant default):

	\$M
Available SFE Clearing capital	80
Participant Commitments	60
Insurance	60
	<hr/>
Total CGF	\$200M

Clearing Participants are therefore significantly advantaged by the enhanced protection afforded by SFE Clearing's enlarged capital. However, no change to the fee payable to Participants in respect of their Commitments (the "Accommodation Fee", set at 1% p.a. in addition to the interest earned on cash deposited) is currently being considered.

Meetings with relevant Clearing Participant personnel have already commenced regarding implementation timeframes and impacts of the next major enhancement - being the introduction of an extended and more contemporary suite of stress test scenarios. Further information on the implementation of these changes will be provided by way of dedicated Notice in due course.

Should you have any queries in relation to the Clearing Guarantee Fund, please contact Martin Davey, Chief Financial Officer, on (02) 9256-0576 or at mdavey@sfe.com.au .



Anne T. Brown
General Manager, Risk and Compliance

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