



SFE NOTICE NO.

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Mid-Year Adjustments to Fees & Rebates

Based upon continuing robust trading volumes, and consistent with finding an appropriate balance between shareholders and exchange users sharing in the synergy benefits of the ASX/SFE merger and traded volume growth, ASX is announcing some mid-year adjustments to fees and rebates¹ in both ASX and SFE traded markets. This new round of fee reductions coincides with what ASX expects to be a record level of fee rebates and trading activity levels for the six month period ending 31 December 2006.

In addition, post-merger, ASX management is in the process of identifying areas where ASX's value proposition can be more closely aligned to the fees and rebates regime, with the intention of introducing further fee and rebate revisions from 1 July 2007. This is consistent with certain SFE exchange fee reductions announced on 16 August 2006, following a similar review of SFE's value proposition that resulted in lower fees for Exchange for Physical transactions, options and NZ interest rate derivatives.

ASX Exchange Fees and Rebates

- In recognition of the different reporting cycles of ASX Participants, an interim six month payment on the existing Volume Incentive Program (VIP) and Supplementary Volume Incentive Program (SVIP) will be paid in early January 2007 for the period July – December 2006 inclusive.
- Following the end of the current VIP and SVIP on 30 June 2007, a new rebate structure will commence effective 1 July 2007 until 30 June 2008 and will continue to be paid on a six monthly basis. The qualifying thresholds will be set to take into account trading activity in the previous year and, unlike previous years, will include all crossings. The rebate structure will also be modified to adopt the same gain-sharing arrangements that feature in the SFE market Large Volume Rebate scheme.
- Whilst ASX will continue to review the relationship between trade volume and trade value, based on the first six months of operation of the revised pricing structure, ASX has formed the preliminary view that the relationship between trade volume and trade value is one (albeit important element) of a number of complex variables that need to be considered when formulating any case for modifying the fee regime that was introduced on 1 July 2006. For example, the market micro-structure provided by ASX and the value placed upon this by customers with differing trading styles needs to be considered. Having further considered these pricing issues, any refinements deemed necessary will be announced to coincide with the implementation of the modified rebate structure to apply from 1 July 2007.
- To further develop liquidity in the exchange traded options (ETO) market, ASX will implement a range of new revenue sharing incentives to complement the existing significant fee reductions² that are made available to market makers. Further details will be announced in due course.
- Effective 1 November 2006, the warrant market Research and Education Program (REP) fee was reduced from \$500 to \$250 per new warrant for a 12 month (or longer) warrant with the minimum fee for shorter dated warrants being reduced from \$200 to \$100.

¹ All fees and rebates are effective 1 January 2007 (unless otherwise stated) and are quoted exclusive of GST.

² Currently fees for market makers are reduced from \$1.02 down to \$0.19 per side



SFE Market Fees and Rebates

The average SFE exchange fee (post Proprietary Trading, Local and Large Volume Rebate (LVR) Schemes) continues to be substantially lower than the headline SFE exchange fee of \$0.90 per contract side and continues to reduce as trading volumes increase. Taking into account the increase in exchange volumes in 2006, and consistent with previous years, the 2007 LVR scheme (including qualification threshold parameters) will be adjusted as follows:

- As previously advised, the Large Volume Rebate (LVR) qualification period in 2007/2008 will consist of one six month period (1 January 2007 to 30 June 2007) followed by a full year period (1 July 2007 to 30 June 2008) in order to align with the financial reporting cycle of the ASX group of companies. The requirements for the six month period to 30 June 2007 are as follows:
 - To enable broader participation in exchange fee reductions, the minimum eligibility for inclusion has been decreased from 750,000 (1.5million annual) contracts to 0.5million (1million annual) contracts during the period for each participant's house or individual client's transactions.
 - Once eligible exchange volumes have reached 64.8 million contracts, a total LVR rebate pool will be made available for distribution to eligible customers.
 - The LVR rebate pool will be allocated to customers in the following way: during the six month period, LVR participants whose volumes are between 0.5 million and 1.75 million will receive a weighting of 1 unit per contract; those LVR participants whose volumes are between 1.75 million and 3.75 million will receive a weighting of 1.5 units per contract; those LVR participants volumes above 3.75 million will receive a weighting of 2 units per contract. The pool will be divided proportionately based on each qualifying LVR Participant's adjusted weighting in the pool.
 - Between 39.1 million contracts (i.e. approximately the expected 2006 volumes pro-rated for six months) and 42.5 million contracts approximately 50% of incremental exchange revenue will be rebated, increasing to approximately 75% on all volumes above this level³.
 - Eligible volumes (for the purposes of comparison to the total volume hurdles above) 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.
 - 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, ASX estimates that in order to pay similar pro-rata total rebates in the first six months of 2007 as it expects to pay in 2006 (based on volumes to date), exchange traded volumes need to increase approximately 6%. This is significantly lower than the growth experienced to date in the calendar year 2006, (24%), 2005 (18%) and in 2004 (20%) over the prior year, and provides high trading volume Participants with the likely prospect of larger rebates and progressively reducing average transaction fees.
- As previously advised, the headline SFE "Exchange for Physicals" fee (on A\$ denominated futures contracts) will be progressively reduced from \$0.90 to \$0.60 per side (a one third reduction) with the fee set at \$0.75 per side on 1 January 2007 and \$0.60 from 1 July 2007 (one year earlier than previously announced.)

³ A rebate will be payable once eligible volumes reach 32.4 million contracts. Above 32.4 million the rebate will grow until it is approximately \$9 million at 39.1 million contracts. Between 39.1 million contracts and 42.5 million contracts, the rebate will be approximately 50% of incremental exchange revenue. Once eligible volumes reach 42.5 million contracts, Participants will be rebated approximately 75% of incremental exchange revenue. The total rebate pool remains uncapped subject to the average fee per user not reducing below 35 cents per contract side.



- Headline SFE exchange fees for quarterly and serial options (A\$ denominated interest rate products and on SPI 200 contracts) will be progressively reduced from \$0.90 to \$0.60 per side with the fee set at \$0.75 per side on 1 January 2007 and \$0.60 from 1 July 2008.
- Headline SFE exchange fees for NZ\$ denominated interest rate contracts were reduced from NZ\$2.00 per side to NZ\$1.50 per side effective on 1 September 2006 coinciding with the introduction of the NZ 30 Day Official Cash Rate Futures Contract.
- In addition to these NZ\$ denominated interest rate contract fee reductions, and consistent with the gain-sharing principles described earlier and recent robust growth in trading volumes, a Large Volume Rebate Scheme will be introduced on 1 July 2007 for all NZ\$ denominated interest rate contracts that will enable customers to access even lower fees. Eligibility criteria will be provided towards the end of the current financial year along with the eligibility criteria for the other large volume incentive schemes described earlier.
- The SFE Proprietary Trading Rebate Scheme and the SFE Local Rebate Scheme parameters have been changed to include a new tiered structure. Local Participants will no longer be eligible for inclusion in the LVR. This structure will enhance the value offered to SFE Locals and proprietary trading firms by reducing transaction fees at higher volumes and its implementation coincides with the previously announced SFE intention to permanently reduce the minimum price movement (from one to a half basis point) in the Exchange's most heavily traded contract, the 3 year Bond Futures Contract, following the December 2006 futures expiry.

ASX Austraclear Fees

The average value of ASX Austraclear transactions has continued to rise in many categories. As a result, the average cost of transacting on ASX Austraclear, expressed as a percentage of value, continues to decline. In addition, the successful implementation of the EXIGO system, at a cost exceeding \$20million, provides a contemporary Austraclear platform with enhanced functionality and improved usability.

ASX Austraclear fees (including infrastructure fees) are unchanged for the coming six month period with the following exceptions:

- The rebate facility in place since January 2006 for cash transfers will be discontinued.
- Austraclear Services fees for Registry, and Issuing and Paying Agency services have been revised (and are available through enquiry to ASX Austraclear).
- Portfolio holding fees for physical paper have been revised upwards to reflect the costs of managing a paper-based process and to encourage transitioning away from using this facility. Electronic portfolio holdings have been adjusted with the new tiers/fees in the following table. Portfolio holding fees will remain at these levels until the end of FY08.

Depository holding	Tier	\$ Fee per million per month
Electronic portfolio holdings (Fixed and Discount)	\$1 - \$3 bn	\$0.65
	\$3 bn - \$10 bn	\$0.17
	\$10 bn and over	\$0.10
Global Fixed		\$17.50



The full schedules of fees and charges are available at www.asxonline.com (ASX) or www.sfe.com.au (SFE).

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