



SFE NOTICE NO. 112/08

Date of Issue: 26 August 2008  
Effective Date: 1 September 2008

---

## Removal of SFE Local Participant category and Decommissioning of MFWS trading functionality.

Further to previous notifications, please take note that the relevant amendments to the SFE Rules and SFE Clearing Rules have been approved.

The decommissioning of the MFWS trading functionality took effect on 1 July 2008. The removal of the Local Participant category will take effect on 1 September 2008.

The amendments will be incorporated into the relevant Rulebooks, which are available on the ASX website at [www.asx.com.au](http://www.asx.com.au).

An extract of the relevant amendments is attached for information.

Contact Gareth Maiden, Manager Domestic Customer Acquisition at [gareth.maiden@asx.com.au](mailto:gareth.maiden@asx.com.au) for further information.

A handwritten signature in black ink, appearing to read 'Will Wilson', is positioned above the printed name and title.

**Will Wilson**  
General Manager  
Domestic Customer Management & Sales

ASX Limited  
20 Bridge Street  
Sydney NSW 2000  
Australia

---

This document provides general information only. This document is not investment or financial product advice. While the information contained in this publication has been prepared with all due care and skill by Sydney Futures Exchange Ltd ("SFE"), the users of the publication must obtain their own independent advice and conduct their own investigations and assessment regarding the information. SFE is a member of the ASX group of companies. This document is made available on the understanding that ASX Limited (ABN 98 008 624 691) and its related bodies corporate and their respective directors, employees, agents, servants and boards accept no responsibility for any person acting on or relying on any opinion, advice or information and disclaim all liability for any loss howsoever caused (including by reason of negligence) and for any errors, omissions, defects or misstatements (whether negligent or otherwise) contained in the publication. The information in this document is subject to change. This document is not a substitute for the relevant SFE Operating Rules and in the case of inconsistency, the SFE Operating Rules prevail.

---

**ANNEXURE "A"**

**EXTRACT - SYDNEY FUTURES EXCHANGE LTD OPERATING RULES**

*(Additions underlined and deletions ruled through)*

**OPERATING RULES**

**OF**

**SYDNEY FUTURES EXCHANGE LIMITED**

**(ACN 000 943 377)**

**Version 4.11**

**March 2008**

## **SECTION 2: THE PARTICIPANTS**

### **2.1 THE PARTICIPANTS**

#### **2.1.1 Classes of Participants**

There shall be the following classes of Participants:

(a) Full Participants.

~~(b) Local Participants.~~

#### **2.1.2 Admission**

Admission as a Participant and suspension and termination of rights as a Participant shall be determined as set out in these Operating Rules.

#### **2.1.3 Participants to be Bound by Operating Rules**

Every Participant agrees to be bound by the Operating Rules of the Exchange and by any amendment to the Operating Rules.

#### **2.1.4 Eligibility for Full Participant Status**

Only Firms and Corporations shall be eligible to be Full Participants of the Exchange.

#### **2.1.5 No Recognition of Participant Rights on Trust**

Except as required by Law, no Participant shall be recognised by the Exchange as holding its rights as a Participant upon any trust and the Exchange shall not be bound or compelled in any way to recognise (even where it has notice thereof) any equitable contingent future or partial interest in any rights or entitlements in respect of any Participant, except an absolute right to the entirety thereof.

#### **2.1.6 No Admission on Certain Grounds**

No individual, Firm or corporation shall be eligible for admission as a Participant where that individual, or where in the case of a Firm any of the partners, or where in the case of a corporation any Director of the corporation has within a period of five (5) years prior to an application for admission as a Participant, been declared bankrupt or has been convicted of an offence referred to in Section 206B of the Corporations Act.

#### **2.1.7 No Transfer of Status and Rights**

Participant status and rights are not transferable.

### 2.2.2 Actions on Approval

Following approval by the Exchange the applicant shall, within two (2) months of notification of approval from the Exchange, or such further period as the Exchange may otherwise allow:

- (a) pay to the Exchange the application fee and admission fee as determined by the Exchange, and such amount for payment into the Fidelity Fund as the Exchange may determine;
- (b) lodge with the Exchange a statement of its Net Tangible Assets, its Liquid Assets and Secured Creditors in such form as the Exchange shall from time to time prescribe; and
- (c) if the applicant has not been admitted as a Clearing Participant:
  - (i) provide a duly signed guarantee from a Clearing Participant (the Guarantor Clearing Participant) in the form prescribed by the Exchange to the effect that the Guarantor Clearing Participant:
    - (A) guarantees to each and every Full Participant of the Exchange Contracts entered into by the applicant on the Markets of the Exchange ~~or by a Local Participant to which an undertaking given by the Full Participant under Rule 2.3 is applicable~~; and
    - (B) agrees to accept for registration in its name with SFE Clearing all Contracts referred to in Rule 2.2.2(c)(i)(A), or unless such Contracts are accepted for registration by another Clearing Participant; or
  - (ii) there is in existence in relation to a Full Participant that arranges to have all or any of its trades registered with a Facility Participant by an entity that is a Participant, as that term is defined in the Corporations Act, of the Facility Participant, a duly signed satisfactory guarantee from a third party in a form that is acceptable to the Board to the effect that the third party guarantees to the Exchange and each and every Full Participant of the Exchange the performance by the Facility Participant of all its obligations under the Clearing Rules arising out of any Market Contract registered with it; or
- (iii) where a Market Contract is registered with a Facility Participant, any Clearing Participant that has provided a guarantee with respect to that Market Contract will be released from its obligations under such guarantee to the extent that there is in existence a guarantee from a third party with respect to the Facility Participant to the effect that the third party guarantees to the Exchange and each and every Full Participant of the Exchange to performance by the Facility Participant of all its obligations under the Clearing Rules.

#### Explanatory Note

Link to Prescribed Fees [Prescribed Fees Full Participants](#)

Link to Guarantee from Guarantor Clearing Participant [Guarantee by Guarantor Clearing Participant](#)

Link to NTA, Liquid Asset, Prescribed Form, Secured Creditor Procedures

[NTA Liquid Asset Secured Creditor Forms](#)

### 2.2.3 Guarantee to be Binding

A Full Participant shall be bound by a guarantee in relation to any other Participant provided pursuant to Rule 2.2.2 (c) and shall comply with such guarantee.

### 2.2.4 Lapse of Approval

If the applicant has not complied with Rule 2.2.2 within the time allowed its approval shall be deemed to have lapsed.

### 2.2.5 Formal Admission

(a) Full Participant status shall be effective when the applicant has complied with Rule 2.2.2 within the time allowed and the Market has been notified by the Exchange.

### **2.2.13 Prudent Risk Management**

#### **(a) Client Limits**

A Full Participant must demonstrate prudent risk management procedures, as determined by the Exchange, including, but not limited to:

- (i) set and document appropriate pre-determined order and/or position limits on each of its Client accounts, including a volume per order limit, an aggregate loss limit and an aggregate net session limit, based on the Full Participant's analysis of Clients' financial resources or other relevant factors;
- (ii) set and document maximum price change limits;
- (iii) the limits determined in Rules 2.2.13(a)(i) and (ii) must be input by a Full Participant's risk manager into Trading Platform account maintenance and will be established as preset accounts;
- (iv) limit setting capability must exist in the Participant's Order System which reflects prudent account risk management and the Order System must have order rejection capability where orders are in excess of limit parameters set by the Full Participant;
- (v) the Full Participant may in its absolute discretion amend the pre-determined order and/or position limit;
- (vi) orders in excess of the agreed pre-determined limits must be rejected by the Participant's Order System and may be rejected by the Trading Platform.

#### **(b) Client Connections**

- (i) Any Full Participant who has permitted its Client to connect to a Terminal shall be responsible for any orders entered through the Terminal by the Client.
- (ii) The entitlement of Full Participants to connect their Clients to the Terminal is a privilege and not a right.
- (iii) The Exchange may at any time by notice to the Full Participant and/or the Client terminate the entitlement of a Full Participant to provide such connection either generally or in relation to a particular individual, Client, system or device or class of system or device.
- (iv) A Full Participant or Client of a Full Participant shall have no recourse to any appeal, objection, hearing or re-hearing whatsoever in relation to any decision to terminate such entitlement and any such decision shall be final.
- (v) As soon as a Full Participant receives notice of termination of the connection entitlement pursuant to Rule 2.2.13, it shall promptly take all steps necessary to terminate such connection.

#### **(c) Obligations Prior to Client Connection**

Prior to permitting any Client to connect to a Terminal the Full Participant shall:

- (i) satisfy itself that the Client has the necessary skills, facilities and procedures to operate such a facility;
- (ii) satisfy itself that the Client understands the risks and obligations attached to the use of such a facility;
- (iii) ensure that each order so placed, and any Order System complies with the Operating Rules;
- (iv) provide appropriate controls on the connection of their Clients and their staff to such systems;
- (v) provide appropriate controls on the access to passwords of their Clients and their staff to such systems; and
- (vi) ensure appropriate controls are implemented for the security of their Clients' premises and physical access of their Clients and their staff to such systems.

#### **(d) Position Limits**

(i) A Full Participant must comply with any determination by the Exchange as to the maximum number of Open Positions which may be held by that Full Participant or by each Full Participant in respect of a nominated Class of Contract at the end of a nominated Trading Day.

(ii) A determination by the Exchange may express the permitted number of Open Positions which may be held by that Full Participant by reference to the number of Open Positions held as a result of instructions from Clients nominated by the Exchange or by reference to the number of Open Positions held on behalf of the Full Participant and some or all of its Related Bodies Corporate.

**Explanatory Note**

Link to Position Limits [Position Limits](#)

### 2.2.21 Registration of Trades

A Full Participant shall ensure that all transactions it enters into, on the Markets of the Exchange, ~~or to which it has given an undertaking as a Nominating Participant,~~ are registered in its name if the Full Participant is a Clearing Participant or in the name of its Guarantor Clearing Participant, if it is not a Clearing Participant.

### 2.2.22 Prohibited Employment

- (a) A Full Participant shall not employ any person who has been a Participant (or a Director, Partner, employee or representative of a Participant) if that person has to the knowledge of the Participant taken part or been concerned in any failure to comply with the Operating Rules which failure has been found to have occurred by the Board, BCC or MPC under Section 5, and where the Board, BCC or MPC has determined (at the time that action is taken under Section 5 or at some later time) that this provision shall apply in relation to the person.
- (b) For the purposes of Rule 2.2.22 the words “to employ” and cognate expressions shall include agreeing or arranging with a person for that person to act as the Participant’s Representative to advise or solicit instructions from other persons or to trade, on the Participant’s behalf in relation to dealings in Contracts.

### 2.2.23 Order Records and Accounting Records

#### (a) Client Orders

A Full Participant, other than a Proprietary Full Participant, must maintain internal records of instructions received from Clients and trades executed for Clients for a period of not less than five (5) years from the date of the trade, containing the following information, and any other information as determined by the Exchange:

- (i) the nature of the instructions received;
- (ii) the Client;
- (iii) the person who gave the instructions;
- (iv) the time and date of receipt of the instructions, and the person who received the instructions;
- (v) the time and date of transmission of the instructions, and the person who transmitted the instructions; and
- (vi) the time and date of execution of the instructions, and the person who executed the instructions.

## 2.2.27 Margins and Right of Close Out

A Full Participant, other than a Proprietary Full Participant, shall comply with the following margin obligations:

### (a) Calling Initial Margin

- (i) As soon as possible after the execution of the Client's instructions, a Full Participant shall Call the minimum Initial Margin that is determined from time to time by the Exchange in such manner as the Exchange sees fit.
- (ii) In calculating the amount of Initial Margin, a Full Participant shall not offset the Initial Margin on another Contract due by the Client to the Full Participant unless that other contract is for the opposite position in the same delivery month and in respect of the same commodity.

### (b) Calling Variation Margin

- (i) Subject to Rule 2.2.27(b)(ii), Full Participants must Call Variation Margin from the Client when the Client has a net debit Variation Margin Position, unless the Client is a Clearing Participant and the Contracts are registered with the SFE Clearing in the name of that Clearing Participant.
- (ii) Where the amount of a Call in Rule 2.2.27(b)(i) would be one thousand dollars (\$1,000) or less, the making of such a Call shall be at the discretion of the Full Participant.

### (c) Liability for Margins

- (i) Liability of the Client for the Initial Margin shall arise upon execution of the instructions given by the Client, irrespective of the time when the Call is made.
- (ii) ~~Where the Client is a Local Participant, the liability of the Local Participant for the Initial Margin shall arise when the Local Participant trades, irrespective of the time when the Call is made.~~
- ~~(iii)~~ Liability for Variation Margin shall arise at the same time as the Variation Margin comes into existence, irrespective of the time when any Call is made.

### (d) Satisfaction of Calls for Margin

- (i) Calls for Initial Margin and Variation Margin must be satisfied by payment unless the Full Participant agrees to accept and receives, in lieu of payment, Approved Securities as determined by the Exchange.
- (ii) If the Full Participant receives Approved Securities in accordance with Rule 2.2.27(d)(i), such Approved Securities shall be retained by the Full Participant until such time as the liability of the Client is extinguished either by the relevant contracts being Closed Out or payment being made by a Buyer or delivery in accordance with the Operating Rules being effected by a Seller. If the liability of the Client is not so extinguished then the Approved Securities may be realised by the Full Participant and the proceeds applied against that liability.
- (iii) Liability of the Client for Initial Margin must be covered at all times.

### (e) Time for Payment of Margins

- (i) Where a Call is made for Initial or Variation Margin the Full Participant shall stipulate the time for payment or lodgement of Approved Securities, which must not be greater than the time prescribed by the Exchange.
- (ii) Subject to Rule 2.2.27(e)(iv), no Full Participant shall provide credit for a Client beyond the periods specified in Rule 2.2.27(e).
- ~~(iii)~~ Time shall be of the essence in respect of payment or lodgement under Rule 2.2.27(e).
- (iv) A Full Participant will not be in breach of Rule 2.2.27(e)(ii) where the Full Participant exercises a reasonable discretion, as determined by the Exchange, to not Close Out in accordance with Rule 2.2.27(g)(iii).

## 2.3 DELETED

### LOCAL PARTICIPANTS

#### APPROVAL AND ADMISSION

##### 2.3.1 Eligibility for Admission

~~———— (a) ——— An individual, corporation or Firm may apply for Local Participant status on the basis that a nominated individual will be making all trading decisions on behalf of the Local Participant.~~

~~———— (b) ——— Where the application is made by a corporation, the nominated individual must be a Director of the corporation and be a person who:~~

~~———— (i) ——— controls the composition of the board of Directors of that corporation; or~~

~~———— (ii) ——— is in a position to cast, or control the casting of, more than one half of the maximum number of votes that might be cast at a general meeting of that corporation; or~~

~~———— (iii) ——— otherwise exercises effective control over the business conduct and affairs of that corporation.~~

~~———— (c) ——— Where the application is made by a Firm, the nominated individual must be a partner of the Firm and be a person who:~~

~~(i) ——— is in a position to cast, or control the casting of more than one half of the maximum number of votes that might be cast at any general meeting of the partners of that Firm; or~~

~~———— (ii) ——— otherwise exercise effective control over the business conduct and affairs of that Firm.~~

~~———— (d) ——— The Exchange may, in its absolute discretion and on such conditions as it sees fit, determine that a Local Participant admitted on the basis that a nominated individual would be making all trading decisions, permit the Local Participant to trade on the basis that two or more nominated individuals will make trading decisions provided that each decision to acquire or dispose of a Contract continues to be made on behalf of the individual, corporation or Firm that has been admitted as a Local Participant.~~

##### 2.3.2 Approval Process

~~The procedure for approval as a Local Participant is as follows:~~

~~(a) ——— an applicant shall lodge with the Exchange, an application in such form and providing such undertakings and information as the Exchange shall from time to time require together with any application fee as determined by the Exchange;~~

~~(b) ——— the Exchange shall consider the application and may call for such further information as it considers necessary;~~

~~(c) ——— the Exchange shall not be obliged to furnish any reason for its decision to approve or reject the applicant; and~~

~~(d) ——— in determining whether to approve an applicant the Exchange shall be entitled to consider the character, business integrity, financial probity and standard of training and experience of the applicant and its Representatives as well as such other matters as the Exchange regards as relevant from time to time.~~

#### **Explanatory Note**

~~Link to application form Local Participant Application Form  
and Nominating Participant Undertaking. Nominating Participant Undertaking~~

##### 2.3.3 Actions on Approval

~~Following upon approval by the Exchange the applicant shall within two (2) months of notification of approval from the Exchange or such further period as the Exchange may otherwise allow:~~

- (a) (i) lodge with the Exchange the application fee and admission fee as determined by the Exchange;  
(ii) the fee shall be applied against the cost of investigations into the suitability of the applicant and not be refundable to the applicant.
- (b) (i) an applicant for Local Participant status shall be nominated by a Full Participant known as the Nominating Participant of the Local Participant;  
(ii) the Nominating Participant shall provide the Exchange with a legally enforceable undertaking to the Exchange and to each other Full Participant in a form determined by the Exchange;  
(iii) the Nominating Participant shall comply with the undertaking until the undertaking is deemed to be released under Rule 2.3.8; and  
(iv) for the period during which the Nominating Participant is required to comply with its undertaking, the Nominating Participant shall be treated as the party entering into, acquiring, or disposing of each Contract traded on the Exchange by the Local Participant provided however that such treatment shall not affect the Nominating Participant's right to take any action or commence any proceedings against the Local Participant in respect of that Contract.

### **Explanatory Note**

[Link to Prescribed Fees. ~~Prescribed Fees Local Participants~~](#)

#### **2.3.4 Lapse of Approval**

If the applicant has not complied with Rule 2.3.3 within the time allowed its approval shall be deemed to have lapsed.

#### **2.3.5 Formal Admission**

- (a) Local Participant status shall be effective when the applicant has complied with Rule 2.3.3.
- (b) Prior to approval the Exchange shall use its best endeavours to ensure that the applicant is of high business integrity and, where the applicant is a corporation, that its Directors, those concerned in its management and those who have control or substantial control over the corporation are of high business integrity.

#### **2.3.6 Trading Rights**

~~A Local Participant shall:~~

- (a) be entitled to trade on the Markets of the Exchange only on its own behalf, and
- (b) be entitled to allow the entry of orders into the Trading Platform by means of Terminals:  
(i) in such number as shall be approved by the Exchange; and  
(ii) in such location as shall be approved by the Exchange; and
- (c) be entitled to use Exchange Software and Exchange Equipment pursuant to Rule 2.4.

#### **2.3.7 Suspension of Trading Rights and Participant Status**

##### **(a) Cessation of Trading Rights**

- (i) The trading rights shall cease entirely for the duration of any period of suspension of Local Participant status.
- (ii) No suspension or termination of Local Participant status shall affect a Local Participant's ability or obligation to comply with any direction given or condition imposed pursuant to the Operating Rules or affect the operation of the Operating Rules.
- (iii) On the lifting of any suspension the Board may also consider whether any action should be taken pursuant to Section 5.

##### **(b) Grounds for Immediate Suspension of Trading Rights**

~~———— A Local Participant's entitlement to trade on the Markets of the Exchange shall be immediately suspended without the necessity for a decision of the Exchange, if at any time:~~

- ~~(i) — there is not a current Nominating Participant Guarantee in existence;~~
- ~~(ii) — SFE Clearing refuses to register trades in the name of the Local Participant's Nominating Participant or in the name of the Guarantor Clearing Participant of its Nominating Participant;~~
- ~~(iii) — its Nominating Participant notifies the Exchange In Writing that it will no longer permit the trades of the Local Participant to be registered with SFE Clearing or a Facility Participant in the Nominating Participant's name provided that the Local Participant shall not be suspended in such case if it has proposed another Full Participant as its Nominating Participant and that Full Participant has lodged with the Exchange the undertaking referred to in Rule 2.3.3(b)(ii);~~
- ~~(iv) — its Nominating Participant notifies the Exchange In Writing that it will no longer permit the trades of the Local Participant to be registered with SFE Clearing or a Facility Participant in the Nominating Participant's name and that the permission has been withdrawn on grounds unrelated to the performance, integrity or financial position of the Local Participant;~~
- ~~(v) — a liquidator or receiver or receiver and manager is appointed in respect of the property of the Participant or if the Participant or a partner of the Participant becomes bankrupt;~~
- ~~(vi) — the Local Participant fails to lodge an undertaking referred to in Rule 2.3.15 within the time determined by the Exchange; and~~
- ~~(vii) — the Local Participant fails to pay the fees referred to in Rule 2.3.14 by the due date, unless the Exchange grants an extension of time for payment.~~

~~(c) — **Transfer of Open Positions**~~

- ~~(i) Subject to Rule 2.3.7(c)(ii), where a Local Participant's Participant status and rights are suspended that Local Participant, or receiver, liquidator, or external administrator as the case may be, may instruct a Full Participant to trade on its behalf.~~
- ~~(ii) — Where a Local Participant's Participant status and rights are suspended under Rule 2.3.7(b) the Board may direct the transfer of Open Positions in accordance with the procedures in Rule 5.10.~~

~~(d) — **Lifting of Suspension of Trading Rights**~~

- ~~(i) — Where a Local Participant's entitlement to trade has been suspended in accordance with Rule 2.3.7(b)(i) such suspension shall be lifted when the undertaking referred to in Rule 2.3.3(b)(ii) is obtained.~~
- ~~(ii) — Where a Local Participant's entitlement to trade has been suspended in accordance with Rules 2.3.7(b)(ii) and (iii) such suspension shall be lifted when the Local Participant satisfies the Exchange that there is a Full Participant who will permit the registration of the Local Participant's trades in that Full Participant's name and that the Full Participant has given the undertaking referred to in Rule 2.3.3(b)(ii). If these conditions of reinstatement are satisfied, the Full Participant referred to in this Rule 2.3.7(d)(ii) shall be deemed to be the Nominating Participant for the Local Participant.~~
- ~~(iii) — Where a Local Participant's entitlement to trade has been suspended in accordance with Rule 2.3.7(b)(iv) such suspension shall be lifted when the Local Participant satisfies the Exchange that there is a Full Participant who will permit the registration of the Local Participant's trades in that Full Participant's name and that the Full Participant has given the undertaking referred to in Rule 2.3.3(b)(ii) and the Board has considered the matter in terms of Section 5. If a resolution is made pursuant to Rule 5.6.3 the suspension will not be lifted until the Board has considered whether any action should be taken pursuant to Rule 5.6.1 unless the Exchange earlier determines to reinstate the entitlement to trade, subject to the Full Participant satisfying the provisions of Rule 2.3.3(b)(ii).~~
- ~~(iv) — Where a Local Participant's entitlement to trade has been suspended in accordance with Rule 2.3.7(b)(v) such suspension shall be lifted at the expiration of any liquidation, receivership, administration, bankruptcy or external management unless the Exchange in its absolute discretion determines otherwise.~~
- ~~(v) — Where a Local Participant's entitlement to trade has been suspended in accordance with Rule 2.3.7(b)(vi) such suspension shall be lifted when the signed undertaking is received.~~
- ~~(vi) — Where a Local Participant's entitlement to trade has been suspended in accordance with Rule 2.3.7(b)(vii) such suspension shall be lifted when the sum due is paid together with interest at 12 per cent (12%) per annum, or such other rate as determined by the Exchange.~~

~~(e) — **Termination of Participant Status**~~

~~———— Should the acts or omissions that gave rise to the suspension in Rule 2.3.7(b) not be remedied within one (1) month of the suspension date, or such other time as determined by the Exchange, the Exchange may without further notice terminate the Participant status and rights of the Local Participant.~~

~~(f) — **No Entitlement to Refund of Fees**~~

~~There shall be no entitlement to a refund of any portion of the fees paid to the Exchange by a Local Participant upon the suspension or termination of the Local Participant's Participant status and rights.~~

~~(g) Notification of Suspension/Termination~~

~~(i) Where the Participant status and rights of a Local Participant have been suspended or terminated or a Local Participant has given notice of resignation the Exchange shall cause a notice to that effect to be Published to Participants and may make any such other public announcements as it sees fit, and the Exchange may notify such other persons as it sees fit.~~

~~(ii) The Exchange shall advise ASIC of such action and all subsequent action taken by the Exchange in respect of that Participant.~~

~~(iii) The Exchange may, in any notice Published pursuant to this paragraph, indicate the grounds on which the decision was made.~~

**Explanatory Note**

~~The Board may also suspend and/or terminate Participant status for breaches of the Operating Rules as set out in Section 5.~~

~~2.3.8 Change of Nominating Participant~~

~~(a) A Local Participant may at any time appoint a new Nominating Participant to replace its existing Nominating Participant (who shall be referred to for Rule 2.3.8 as "the existing Nominating Participant"). Such appointment of a new Nominating Participant shall take effect upon receipt by the Exchange of:~~

~~(i) the existing Nominating Participant's written confirmation, in a form determined by the Exchange, that no monies are owing to it by that Local Participant in respect of trading on the Exchange; and~~

~~(ii) an undertaking by the new Nominating Participant in the terms prescribed by the Exchange.~~

~~(b) Upon the appointment of a new Nominating Participant taking effect the existing Nominating Participant shall be deemed to be released from its undertaking given pursuant to Rule 2.3.3(b).~~

**Explanatory Note**

~~Link to Nominating Participant Undertaking. [Change of Nominating Participant](#)~~

~~2.3.9 Resignation and/or Death of a Local Participant~~

~~(a) A Local Participant may resign by giving written notice of its intention to do so and, upon receipt by the Exchange of that notice or if such resignation expressed to become effective after a period of time then upon expiry of that time, the Participant status and rights of the Local Participant shall be deemed to have terminated and the Local Participant shall surrender its Certificate of Participant status.~~

~~(b) Where a Local Participant, being an individual dies then as at the date of his death his Participant status and rights shall be immediately suspended without the necessity for a decision of the Exchange.~~

~~(c) There shall be no entitlement to refund any portion of the fees paid to the Exchange by a Local Participant upon the resignation or death of the Local Participant.~~

~~(d) The resignation of a Local Participant or termination or suspension of a Local Participant's status and rights shall not in any way diminish any liability which that Participant may have to the Exchange or any other Participant arising out of its activities and obligations as a Participant and such liability shall continue to subsist until satisfied or discharged.~~

~~(e) The resignation of a Local Participant shall not be effective unless and until the Exchange consents In Writing.~~

**CONTINUOUS OBLIGATIONS**

~~2.3.10 Compliance with Operating Rules and Notification of Breaches~~

~~A Local Participant shall:~~

- ~~(a) at all times comply, and ensure that its Representatives comply with the Operating Rules, and any condition of an exemption granted from the Operating Rules, and the Clearing Rules, and the Corporations Act;~~
- ~~(b) notify the Exchange immediately upon becoming aware that it has breached any provision of the Operating Rules or any law relating to the regulation of markets operated by the Exchange; and~~
- ~~(c) notify the Exchange immediately upon becoming aware that ASIC or another regulatory body is investigating and/or instituting proceedings against it.~~

#### ~~2.3.11 Co-Operation with Exchange Committees and Officials and Provide Records~~

~~A Local Participant shall co-operate with the BCC and the MPC, the Contract Committee and Exchange Officials in the performance by those Committees and Exchange Officials of their respective duties and in particular make available to those Committees or Exchange Officials its accounting and other records.~~

#### ~~2.3.12 Communication with the Exchange~~

~~A Local Participant must not submit information to the Exchange or its agents which the Participant knows, or ought reasonably to know to be false or misleading.~~

#### ~~2.3.13 Prudent Risk Management~~

~~A Local Participant must demonstrate prudent risk management procedures, as determined by the Exchange, including but not limited to:~~

- ~~(a) comply with set maximum volume per order limits; and~~
- ~~(b) comply with set maximum price change limits.~~

#### ~~2.3.14 Payment of Fees~~

~~(a) A Local Participant shall pay, in addition to the application fee and any other admission fee imposed by the Exchange, an annual access fee of such amount as may be determined by the Exchange.~~

~~(b) Payment shall be due on 1 January each year or such other date as the Exchange may determine.~~

~~(c) Access fees shall be payable notwithstanding the suspension of a Local Participant's Participant Status and rights.~~

~~(d) If a Local Participant fails to pay an annual access fee, unless the Exchange grants an extension of time for payment, within one (1) month of the due date its Participant status and rights shall be thereupon suspended until the sum due is paid together with interest at twelve per cent (12%) per annum or at such other rate as may be determined by the Exchange.~~

~~(e) Should default not be remedied within a further month as extended, then the Exchange may without further notice terminate the Participant status and rights of the Local Participant.~~

~~(f) Notwithstanding the Exchange's decision, the Exchange may, by legal action, pursue payment of outstanding fees and interest or accept security thereof.~~

#### ~~2.3.15 Undertaking~~

~~A Local Participant shall lodge with the Exchange on request from time to time, an undertaking in the form determined by the Exchange and to the effect set out in Rule 2.1.3, duly signed by the Local Participant.~~

#### ~~2.3.16 Notification of External Administration~~

A Local Participant must notify the Exchange In Writing immediately upon the happening of any one or more of the following:

- (a) the appointment of a receiver or liquidator in respect of the property of the Local Participant; and
- (b) the bankruptcy of any partner or Director of the Local Participant.

#### 2.3.17 Prohibited Employment

(a) A Local Participant shall not employ any person who has been a Participant (or a Director, Partner, employee or representative of a Participant) if that person has to the knowledge of the Local Participant taken part or been concerned in any failure to comply with the Operating Rules which failure has been found to have occurred by the Board, BCC or MPC under Section 5, and where the Board, BCC or MPC has determined (at the time that action is taken under Section 5 or at some later time) that this provision shall apply in relation to the person.

(b) For the purposes of Rule 2.3.17 the words "to employ" and cognate expressions shall include agreeing or arranging with a person for that person to act as the Participant's Representative to advise or solicit instructions from other persons or to trade, on the Participant's behalf in relation to dealings in Contracts.

#### 2.3.18 Changes in Control and Notification of Changes in Directors or Shareholders

(a) A Local Participant must forthwith submit to the Exchange full particulars of proposed changes and an application for approval where there is proposed in relation to a Local Participant:

- (i) in the case of a Firm, a change in the Partners (including the admission of a new Partner whether or not consequent upon the death or resignation of a Partner); or
- (ii) in the case of a corporation:
  - (A) the transfer of twenty per cent (20%) or more of the issued capital; or
  - (B) the transfer of such lesser percentage of the issued capital whereby one party becomes the holder of twenty per cent (20%) or more of the issued capital; or
  - (C) the issue of any new shares (or option in relation thereto) whereby one party becomes the holder of twenty per cent (20%) or more of the issued capital; or
  - (D) the resignation of a Director or appointment of any new Director; or
- (iii) in the case of an individual, a Firm or a corporation the entering into of any agreement, arrangement or understanding whether formal or informal and whether express or implied,

as a direct or indirect result of which, either:

- (i) the person nominated to trade of that Participant could cease to be a person who is nominated to trade by that Participant; or
- (ii) the control of that Local Participant could become vested in persons other than those recorded with the Exchange.

(b) In determining whether to approve the application referred to in Rule 2.3.18(a) the Exchange shall be entitled to consider not only those matters which it considers in relation to an application for Local Participant status but also the behaviour of the Local Participant since election.

(c) Once approved by the Exchange the proposed changes shall be implemented within two (2) months of the date of approval, or such other time as the Exchange may allow, otherwise the approval shall be deemed to have lapsed.

(d) Should a Participant implement changes of the nature described in Rule 2.3.18(a) without prior approval of the Exchange or otherwise fail to comply with Rule 2.3.18(a) the Board shall be entitled without further notice or hearing and notwithstanding any other provision of the Operating Rules to terminate the Participant status and rights of the Participant or take any of the actions provided for in Section 5 on the basis that the Participant is guilty of a breach of the Operating Rules.

(e) A Local Participant must notify the Exchange In Writing of any change in its Directors or shareholders with twenty one (21) days of such occurring provided that in the case of a public company it shall be deemed sufficient compliance with this paragraph in relation to shareholders if the Participant provides to the Exchange copies of all notifications given by it to the home stock exchange on which the Participant is listed, or if it is not

~~listed then copies of notices served upon it pursuant to any law requiring shareholders to disclose a shareholding in excess of five per cent (5%) of the issued capital of the Participant.~~

#### ~~2.3.19—Registration of Trades~~

~~A Local Participant shall ensure that all its trades are registered with either:~~

~~(a) SFE Clearing in the name of the Nominating Participant where the Nominating Participant is a Clearing Participant; or~~

~~(b) where the Nominating Participant is not a Clearing Participant in the name of the Nominating Participant's Guarantor Clearing Participant.~~

#### ~~2.3.20—Licence Obligations~~

~~A Local Participant shall:~~

~~(a) provide to the Exchange a copy of any licence issued to the Local Participant pursuant to the Corporations Act;~~

~~(b) where relevant to the Exchange's Markets, notify the Exchange In Writing within twenty one (21) days, or such other time as determined by the Exchange, of the occurrence of any variation to the conditions of such licence, including changes to Responsible Officers or of the suspension or cancellation of such licence;~~

~~(c) the Exchange may reassess the applicant status of a Local Participant where there has been a variation to the conditions of such licence issued.~~

#### ~~2.3.21—Order Records and Accounting Records~~

##### ~~(a) Order Records~~

~~— A Local Participant must maintain records of its trading for a period of not less than five (5) years from the date of a trade, containing the following information, and any other information as determined by the Exchange:~~

~~— (i) the time and date of receipt of instructions of its own order;~~

~~— (ii) the nature of the instructions received of the orders;~~

~~— (iii) the person who received the instructions the source of funds used for that trading;~~

~~— (iv) the time and date of transmission of those instructions, and the person who transmitted the instructions; and~~

~~(v) the time and date of execution of those instructions and the person who executed the instructions.~~

##### ~~(b) Accounting Records~~

~~(i) A Local Participant must maintain such accounting records as correctly record and explain the transactions of the Local Participant and the financial position of the Local Participant and in addition will enable compliance with these Operating Rules to be conveniently ascertained by the Exchange.~~

~~(ii) Such records are to be maintained in a form that will enable them to be conveniently and properly audited.~~

~~Explanatory Note~~

~~Link to Procedures. [Order and Accounting Records Locals](#)~~

#### ~~2.3.22—BCC Power to Dispense with Participant Obligations~~

~~The BCC may dispense with or temporarily postpone compliance by the Local Participant with any of the provisions of Rule 2.3 upon such conditions, if any, as the Committee sees fit.~~

### 3.5.6 Submission of all Contracts for Registration

Except as otherwise provided by the Operating Rules, a Full Participant shall:

~~(a) submit all Contracts which it trades; and~~

~~(b) submit or ensure the submission of all Contracts traded by a Local Participant to which an undertaking given by the Full Participant under Rule 2.3.3 is applicable.~~

~~\_\_\_\_\_~~ to the Exchange, for registration with SFE Clearing in accordance with the Clearing Rules.

### 3.5.7 Open Positions

A Participant shall ensure that any Open Positions not given up to another Participant, created by trading on the instructions of a Client including discretionary trading on behalf of a Client, is either:

(a) carried in the Participant's name as an Open Position with SFE Clearing; or

(b) carried in the Participant's name as an Open Position with another Participant.

### 3.5.8 Direct Transactions with SFE Clearing

Where, in accordance with the Clearing Rules, SFE Clearing wishes to protect its position by entering into transactions with Full Participants, Full Participants may, with the approval of the Exchange, agree to buy or sell Contracts as traded in the Exchange's Markets directly with SFE Clearing and without trading on the Exchange's Markets. Such transactions may be registered by SFE Clearing in the same way as contracts traded on the Exchange's Markets.

### 3.5.9 Evidence of Physical Transaction

(a) It is the Participant's responsibility to ensure that where either the Participant or its Client is a party to an Exchange for Physical transaction, appropriate evidence of the physical transaction is obtained and kept on record with the Participant.

(b) Where either before or during a particular month a Full Participant has entered into a Contract in accordance with this Rule 3.5 on behalf of a Clearing Participant and the Contract has not been disposed of, and as at the end of that month, the Participant's Contract is registered in the name of the Clearing Participant, the Participant shall, after the end of the month, send or cause to be sent by SFE Clearing, a document setting out the information determined by the Exchange.

### 3.5.10 Cancellation on the Day of Registration

(a) An Exchange For Physical transaction may be submitted for cancellation at any time up to the end of the Business Day on which registration and acceptance of the transaction took place.

(b) An Exchange For Physical transaction may only be cancelled under this Rule 3.5.10 where both parties to the transaction have approved of the cancellation.

(c) The Exchange may refuse to cancel an Exchange for Physical transaction in its own discretion even if both parties to the transaction have approved of the cancellation.

#### **4.2.11 Deleted Where Executing Participant is a Local Participant**

~~Where the Participant which executed the Trade is a Local Participant and its Nominating Participant is not a Clearing Participant:~~

- ~~————— (a) confirmation of the Trade by the Full Participant which is responsible for the Trade as the Nominating Participant shall also be deemed to be a confirmation by any Guarantor Clearing Participant of the Nominating Participant.~~
- ~~————— (b) The Trade shall be deemed to be immediately Allocated to the Full Participant which is responsible for the Trade as the Nominating Participant and shall be deemed to be further Allocated to the Guarantor Clearing Participant of that Nominating Participant.~~
- ~~————— (c) An Allocation deemed to be made under Rule 4.2.11(b) to the Guarantor Clearing Participant of the Nominating Participant shall cease to apply upon the Allocation, subject to the Operating Rules, of the Trade by such Nominating Participant to another Participant and such Allocation being confirmed by that other Participant.~~

#### **4.2.12 Time to Designate and Allocate**

- (a) All Designations and Allocations shall be effected by the time determined by the Exchange.
- (b) The Exchange Official may grant an extension of time to Allocate or Designate but is under no obligation to grant such an extension.

#### **Explanatory Note**

Link to Procedures. [Time to Designate and Allocate](#)

#### **4.2.13 Exchange may Correct Entries in SFE Allocation & Clearing System**

The Exchange may correct an entry into the SFE Allocation & Clearing System with the consent of the holder of both sides of the Trade.

#### **5.6.4 Board Powers Regarding Interim Suspension of a Participant Pending Conduct of Proceedings**

- (a) The Board may, notwithstanding any other provision of this Section 5, by unanimous resolution of those present at a meeting and entitled to vote and on the basis that it reasonably believes it is necessary to do so in the interests of the public, or the Exchange, or its Markets, suspend a Participant, pending the conduct of proceedings in accordance with this Section 5.
- (b) Such suspension shall not be for more than twenty-one (21) days but may be extended from time to time by a unanimous resolution of those present and entitled to vote at a subsequent meeting.
- (c) Where a suspension is made pursuant to this Rule 5.6.4, disciplinary proceedings shall commence within twenty-one (21) days or within the period of any extension.

#### **Explanatory Note**

| The Board has additional powers of suspension and termination set out in Rules 2.2.7, ~~and 2.3.7~~

Amended 31/03/08

### 5.13.2 Definitions

For the purposes of this Rule 5.13 the following definitions apply:

“**Commence**” means:

- (a) in relation to disciplinary proceedings prior to the Effective Time, the referral of any breach of the Operating Rules to the BCC, MPC or Board pursuant to Rule 5.5.3(f) of the Old Operating Rules,
- (b) in relation to appeal proceedings prior to the Effective Time, the provision of a notice by a Regulated Person to the Exchange indicating that it wishes to appeal pursuant to Rules 5.8.1 or 5.9.1 of the Old Operating Rules;
- (c) in relation to disciplinary proceedings following the Effective Time, the provision of a notice by the Exchange to a Regulated Person pursuant to Rule 2.1 of the Australian Securities Exchange Disciplinary Processes and Appeals Rulebook; and
- (d) in relation to appeal proceedings following the Effective Time, the provision of a notice of appeal by the relevant person pursuant to Rule 3.1 of the Australian Securities Exchange Disciplinary Processes and Appeals Rulebook.

“**Effective Time**” means the date set out in the Procedures to the Australian Securities Exchange Disciplinary Processes and Appeals Rulebook;

“**Old Operating Rules**” means the SFE Operating Rules which were in force immediately before the Effective Time; and

“**Old Tribunal**” means the Contract Committee, BCC, MPC, Board or Appeal Tribunal (as the context requires) in existence immediately before the Effective Time.

“**Regulated Person**” means a Participant or a person applying to the Exchange for admission as a Participant pursuant to Rules 2.2 ~~or 2.3~~ of the Operating Rules.

Introduced 31/03/08

## SECTION 7: DEFINITIONS AND INTERPRETATION

<del>Local Participant</del>	<del>Any person who is admitted and remains recognised as a Participant under Rule 2.3.</del>
<del>Nominating Participant</del>	<del>In relation to a Local Participant, the Full Participant who has given the undertaking required by Rule 2.3 in respect of Trading</del>
Participant	A Full Participant <del>or a Local Participant.</del>
Procedures, Determinations and Practice Notes	The document set out at <a href="http://www.sfeasx.com.au">www.sfeasx.com.au</a> containing: <ul style="list-style-type: none"><li>(a) procedures which, if adopted by Participants or the Exchange as the case may be, will facilitate trading on the Exchange;</li><li>(b) decisions made by the Exchange pursuant to these Operating Rules; and</li><li>(c) practice notes issued by the Exchange as to how the Operating Rules are interpreted and enforced.</li></ul>
Sponsoring Full Participant	A Full Participant of which a Trader is an Officer or Representative <del>or the Nominating Participant of a Local Participant.</del>
Terminal	<del>(a) An automated order entry interface through which an Order System routes orders to the trading platform; or</del> <del>(b) a workstation used for trading on the Trading Platform.</del>

## ANNEXURE 'B'

### EXTRACT - SFE CLEARING COPROPORATION PTY LTD OPERATING RULES

*(Additions underlined & deletions ruled through)*

#### Rule 1.1 Definitions

Buyer

(a) In relation to a Market Contract, the Trading Participant who enters into the Market Contract as buyer ~~(including a Trading Participant who is treated by the Exchange Operating Rules as the party to a contract traded by a Local Participant as buyer)~~ or if such Trading Participant is a Non-Clearing Trading Participant, its Guarantor Clearing Participant, or if prior to Registration that Market Contract is Allocated or deemed to be Allocated to another Exchange Participant as buyer in accordance with the Exchange Operating Rules and that Allocation is accepted or confirmed or deemed to be accepted or confirmed by that Exchange Participant, that Exchange Participant, or if that Exchange Participant is a Non-Clearing Trading Participant its Guarantor Clearing Participant.

(b) In relation to an Open Contract the Clearing Participant in the buying position with respect to such Open Contract.

(c) In relation to a Bond the Clearing Participant in the buying position.

(d) In relation to a Repurchase Agreement the Clearing Participant in the buying position.

Local Participant

A Local Participant of the SFE pursuant to the Exchange Operating Rules.

Seller

- (a) In relation to a Market Contract the Trading Participant who enters into the contract as seller (~~including a Trading Participant who is treated by the Exchange Operating Rules as the party to a contract traded by a Local Participant~~) or if such Trading Participant is a Non-Clearing Trading Participant, its Guarantor Clearing Participant, or if prior to Registration that Market Contract is Allocated or deemed to be Allocated to another Exchange Participant as seller in accordance with the Exchange Operating Rules and that Allocation is accepted or confirmed or deemed to be accepted or confirmed by that Participant, that Exchange Participant or if that Exchange Participant is a Non-Clearing Trading Participant, its Guarantor Clearing Participant.
- (b) In relation to an Open Contract the Clearing Participant in the selling position with respect to such Open Contract.
- (c) In relation to a Bond the Clearing Participant in the selling position.
- (d) In relation to a Repurchase Agreement the Clearing Participant in the selling position.