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INTEGRATION OF NZFOE AND SFE

MIGRATION OF NZFOE CONTRACTS TO SFE

Attached to this Bulletin are the amendments to the Rules of NZFOE which have been made to support the migration of NZFOE contracts to Sydney Futures Exchange Limited on 11 March 2004. NZFOE Bulletin 03/03, published 17 December 2003 provided full details of the processes involved in the migration.

Amendments have also been made to the Operating Rules of Sydney Futures Exchange Limited (SFE) and SFE Clearing Corporation Pty Ltd (SFE Clearing) to support the migration.

The relevant amendments to SFE's rules appear in Rule 6.4 and those to the rules of SFE Clearing appear in Clearing Rule 36. These rules may be found in the Rules and Regulatory Issues section of SFE's website at <http://www.sfe.com.au>.

Should you have any queries please contact Barbara Jones on 9256-0560 or bjones@sfe.com.au.



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SFE Corporation Limited (SFE) and its subsidiaries operate fully electronic financial exchanges with 24-hour trading capability, providing investment and risk management products, trading market data, and centralised clearing, settlement and depository services for institutions globally. SFE's shares are listed on the Australian Stock Exchange.



A SUBSIDIARY OF SFE CORPORATION LIMITED

AMENDMENTS TO RULES OF NZFOE TO PROVIDE FOR INTEGRATION OF NZFOE WITH SYDNEY FUTURES EXCHANGE

(additions are underlined and deletions are struck through)

1. Add new definitions to Rule 2.1:

'Changeover Day' in respect of a class of Contract means the day on which a Rule 10.2A determination becomes effective.

'Exchange Contract' means a Contract to which these Rules apply.

'Full Participant of SFE' means a Full Participant within the meaning of the Operating Rules of SFE.

'Rule 10.2A determination' means a determination made by the Company pursuant to Rule 10.2A.

'SFE' means Sydney Futures Exchange Limited, a company incorporated in Australia and conducting a futures market in Australia.

'SFE Contract' means a Contract entered into on SFE.

2. Add a new Rule 6.1(e) to read:

6.1 Except as provided in this Rule, the Company will treat, and will take all reasonable steps to ensure that its officers, employees and agents and members of all committees and Appeal Boards appointed pursuant to these Rules will treat, all information concerning a Dealer's affairs or those of its officers, employees and clients which is acquired by them in the course of carrying out their functions or responsibilities pursuant to these Rules as confidential, except that any such information may be disclosed:

- (a) to the Securities Commission or any other Regulatory Authority or
- (b) pursuant to, or in accordance with, any arrangement to share informationor
- (c) for the purpose of enabling or assisting an auditor of a Dealer.....or
- (d) if the person from whom the information was obtained consents to disclosure....or
- (e) to the Clearing House or to SFE.

3. After Rule 10.2, add new Rule 10.2A to read as follows:

10.2A (a) Notwithstanding the provisions of Rule 10.2(b), where a class of Contract is listed or is to be listed on SFE and that contract has substantially the same Contract Specifications as does a class of Contract which has been listed for trading on the Exchange by the Company pursuant to Rule 10.2(a), the Company may determine that, on such day as it may determine, that class of Contract shall be deleted from those listed for trading on the Exchange, any existing Open Positions in that class of Contract shall cease to be Exchange Contracts and all trading on the Exchange of Contract in the relevant class shall cease. The day so determined shall be known as the Changeover Day. A determination by the Company under this Rule 10.2A shall be known as a Rule 10.2A determination.

(b) Where the Company makes a determination in respect of a class of Contract in accordance with Rule 10.2A(a), it shall also determine:

- (i) the time at which trading shall cease on the Changeover Day; and
- (ii) the time on the Changeover Day at which all remaining Open Contracts in the Class of Contract to be deleted shall cease to be Exchange Contracts.

4. Insert a new Rule 10A after Rule 10.10(f) to read:

10A DETERMINATION THAT RULES ARE INOPERATIVE

10A Where the Company makes a Rule 10.2A determination, it may determine that some or all of the provisions of these Rules shall be inoperative for such period or periods as it may determine, in respect of such entities (including itself) as it may determine and subject to such conditions as it may see fit. Any such determinations may come into effect on or after the Changeover Day. Where the Company makes a determination under this Rule 10A, Dealers shall comply with any conditions which it may impose, and a breach of a condition so imposed shall be deemed to be a breach of the Rules.

5. Add a new Rule 19.1(e) to read as follows:

19.1 A Dealer shall at all times:

.....

.....

(e) comply with any directions which may be given by the Company, by SFE or by the Clearing House to facilitate any Open Positions which are the subject of a Rule 10.2A determination being treated as though they had been executed on SFE

6 Amend Rules 28 and 31 to read as follows:

28.3 An Introducing Broker shall not introduce any client to a Public Broker unless the Introducing Broker has in force with that Public Broker an agreement which includes, as a minimum, the provisions contained in the form set out in Schedule 3 of these Rules, which may be varied in accordance with the provisions contained in Rule 31.4. An Introducing Broker may enter into such an agreement with any one or more Public Brokers.

31. CLIENT ACKNOWLEDGMENTS

31.1 Subject to Rule 31.3 and Rule 31.4, an Exchange Broker shall not provide any services to a client unless the client has completed a Client Acknowledgment, which, subject to the provisions of Rule 31.2, shall:

(a) in the case of a Public Broker, be in the form set out in Schedule 1 of these Rules or contain as a minimum the matters set out in that form, and in addition where applicable, contain as a minimum the matters set out in Schedule L of the Trading Rules;

(b) in the case of an Introducing Broker, be in the form set out in Schedule 2 of these Rules or contain as a minimum the matters set out in that form;

and a signed copy of the Client Acknowledgment is held by the Exchange Broker.

31.2 The Business Conduct Committee may in its discretion, on the application of an Exchange Broker, approve a form of Client Acknowledgment which does not comply strictly with the requirements of Rule 31.1, for use by that Exchange Broker in respect of all or any of its clients, provided that the Committee shall not, without prior consultation with the Securities Commission, approve any such form which departs in any material respect from the principles underlying these Rules.

31.3 Subject to Rule 31.4, where a client of an Exchange Broker is a Clearing Member, a Client Acknowledgment need not be completed in accordance with Rule 31.1(a) unless the Exchange Broker is to be authorised to trade on a discretionary basis for the client. Where by virtue of this Rule 31.3 a Client Acknowledgment is not required to be completed, the client shall in lieu thereof be deemed to have given an acknowledgment to the Exchange Broker in the form set out in Schedule 1 of these Rules with effect from the time the Exchange Broker accepts the first instruction from the client to trade in Contracts. The Exchange Broker shall forthwith give to the client written notice that the acknowledgment is deemed to have come into effect, together with a copy of the form of Client Acknowledgment set out in Schedule 1, and shall retain satisfactory evidence of the giving of such notice and copy.

31.4 Where the Company makes a Rule 10.2A determination in respect of any contract and the Dealer who executed the contract wishes it to be treated as though it had been executed on SFE, the Dealer may

vary Client Acknowledgments with its clients so as to remove any terms which would not apply after the Changeover Day and to insert any terms which would be applicable after the Changeover Day. Such variation may, without affecting the generality thereof, include terms stating that the contract will no longer be subject to the Rules of the Exchange and the laws of New Zealand, but subject to the Operating Rules of SFE and the laws of Australia, and stating that the Dealer will not continue to be regulated by the Company in the conduct of its futures and options business.

6. Amend Rule 55 to read as follows:

55.1 Subject to Rule 55.2, ¶these Rules, and all Contracts traded on the Exchange or otherwise traded pursuant to these Rules, shall be governed by and construed in accordance with the laws of New Zealand.

55.2 Where the Company has made a Rule 10.2A determination, any Open Contract which is treated as an SFE Contract as described in Rule 10.2C and which is treated as though it had been traded on SFE shall, with effect on and from the day immediately following the Changeover Day, cease to be governed by and construed with the laws of New Zealand.