

CIRCULAR



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191/98

No:

Amendments to the Business Rules SYCOM.1.1 and SYCOM.4.2A

Members are advised of amendments which have been made to the Business Rules of Sydney Futures Exchange Limited. The amendments are subject to regulatory disallowance, but come into effect immediately. They comprise an amendment to the definition of 'SYCOM Trader' in SYCOM.1.1 and a new SYCOM.4.2A.

The purpose of the amendments is to facilitate a situation where a Floor Member wishes to locate a SYCOM® screen offshore in the premises of an affiliate. The amendments allow the screen to be operated by employees of the affiliate, who nevertheless are required to be approved as SYCOM Traders (and be fully subject to the Business Rules). For all Exchange purposes, all trades will be deemed to be trades of the Floor Member. Details of all orders and trades entered into SYCOM® by the trader will of course be available in the normal way.

In effect, the arrangement allows the overseas affiliate to directly input orders into SYCOM® without the need for them to be transmitted by phone through one or more of the member's employees in Sydney. In this sense the new facility will create a better audit trail and provide more direct access to the market.

The amendment contains a definition designed to ensure a close relationship between the Floor Member and the affiliate.

The amendment also assists in clarifying the regulatory and taxation status of the activity as being that of the affiliate and clearly subject to the regulatory requirements of the overseas jurisdiction particularly in so far as clients are concerned.

The most immediate impact of the amendments will be in the United Kingdom where the Exchange has been approved to locate screens for some years and where members have expressed interest in locating screens.

AMENDMENTS

The definition of **SYCOM Trader** in SYCOM.1.1 has been amended so that it reads as follows (additions underlined):

A Director, partner or employee of a Floor Member (or a director, partner or employee of an Affiliate of a Floor Member in relation to a location outside Australia), a Local Member or the Market Representative of a Local Member who in each case shall have been approved by the Screen Dealing Committee as a SYCOM Trader, to enter and release bids and offers to the

SYCOM system, accept bids and offers and cancel orders released to the system.

2. A new SYCOM.4.2A has been added to read as follows:

- (a) A Floor Member shall, subject to the Business Rules, be entitled to access SYCOM through a screen located outside Australia in the office of an Affiliate, operated by a director, partner or employee of that Affiliate, provided:
 - (i) Such Affiliate and such director, partner and employee have been authorised by the Floor Member for that purpose.
 - (ii) Such director, partner or employee is approved by the Screen Dealing Committee as a SYCOM Trader for that purpose.
- (b) A SYCOM Trader approved for the purpose of SYCOM.4.2A(a) shall for the purposes of the Business Rules be deemed to be acting on behalf of the relevant Floor Member and the Floor Member shall be treated as the party to any trades entered into by such SYCOM Trader.
- (c) For the purposes of SYCOM.4.2A, the following definition of 'affiliate' applies:

'Affiliate' means any entity (affiliate) which is related to the Member in one of the following ways:

 - (i) the affiliate and the Member are each wholly owned subsidiaries of the same holding company (as these terms are defined in the Corporations Law); or
 - (ii) the affiliate is a subsidiary or a related body corporate of the Member, as those terms are defined in the Corporations Law; or
 - (iii) any other relationship between the Member and the affiliate as may be approved by the Board.

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