



ASX Futures Wool Delivery Process

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ASX Codes

- 19.5 Micron, Type 54 Wool: 54W
- 21.0 Micron, Type 55 Wool: 55W
- 22.6 Micron, Type 56 Wool: 56W

Definitions

Admission Documents:	<ol style="list-style-type: none">1. AWTA Test Certificates2. AWEX Appraisal Certificate3. ASXF Wool Warehouse Receipt4. ASXF Stock Confirmation Form (SCF)
Admission of Deliverable Wool	The Selling broker gives Admission Documents describing the deliverable wool to the Clearing House and requests they are accepted and held in safekeeping. This request is mandatory if the wool is to be tendered. If the Clearing House accepts the documents, they will sign/stamp the SCF and add the Clearing House Document Management System (DMS) Reference Number. A copy of the SCF will be returned to the Selling broker. This will provide evidence that the Clearing House is holding the documentation for the broker in safekeeping.
Buyer:	A Clearing broker holding a bought futures position.
Buyer's Delivery Advice:	At 4:30 pm or as soon as practical thereafter each Notice Day, the Clearing House will issue a Provisional Buyer's Delivery Advice to each "Buying broker" to which it has randomly allocated a tender. This Advice provides notification to the broker that a tender has been allocated to and an approximate Settlement Amount. Once the Settlement Price for that Business Day has been officially determined, the Clearing House issues a Revised Buyer's Delivery Advice notifying the actual Settlement Amount. The Settlement Amount is due for payment on the following Business Day. The revised Advice is issued no later than the start of End of Day Processing on the Business Day the tender is allocated.
Delivery Month:	The futures contract month in which the contract will mature.
Deliverable Grade:	As per contract specifications

Delivery Period:	Commencing on the second Thursday of the Delivery Month and concluding at 3:00 pm, or such other time, as the Clearing House shall determine, on the Final Trading Day. If the second Thursday is not a Trading Day, the Delivery Period will commence on the preceding Trading Day.
Document Management System (DMS):	The information recording system operated by the Clearing House. DMS records the details of the wool contained on the Admission Documents held by the Clearing House in safekeeping.
End of Day Processing:	The processing performed on the Derivatives Clearing System (DCS) each night after trading closes. DCS is normally shut down at 7:00 pm each Business Day, after which End Of Day processing is run. As part of this process, margins are calculated, reports are generated and each broker's daily settlement amounts are calculated.
Futures Deliverable Stock:	Wool held in an approved Wool Warehouse and designated as suitable for ASXF futures delivery, against which the warehouse has issued an ASXF Wool Warehouse Receipt.
Final Trading Day:	Unless otherwise notified by ASXF, the fourth Thursday of the Delivery Month or if this is not a Trading Day, the immediately preceding Trading Day. Also known as the Maturity Date.
Notice Day:	Any Trading Day during the Delivery Period, on which a Seller can provide Tender Documents to the Clearing House to notify of their intention to deliver wool.
Seller:	A Clearing broker holding a sold futures position.
Settlement Amount:	The amount required to be paid by the Buyer to the Clearing House and by the Clearing House to the Seller on the Settlement Day. The Settlement Amount will include any location and GST adjustments.
Settlement Day:	The Trading Day following the Notice Day.
Tender:	The process by which a deliverable futures contract is settled by physical delivery of the specified underlying product in exchange for payment. The holder of a sold futures contract may initiate the tender process on any Notice Day. Holders of bought futures contracts are randomly assigned to accept delivery.
Tender Documents:	A Stock Confirmation Form with a Clearing House signature/stamp aged at least 2 Business Days. The SCF is to be lodged with the Clearing House by 12 noon on a Notice Day or by 3:00 pm where the Notice Day is the Maturity Date. The Clearing House has the right to review lodgment deadlines where determined necessary.

Trading Day:	Means a trading day as defined in the ASXF Rules
Wool Warehouse:	Wool Warehouse entities with whom the Clearing House has an agreement in place for storing and handling wool.
Wool Warehouse Receipt:	Means a document issued by a Wool Warehouse which permits the holder to <i>make</i> delivery of the specified wool.
Wool Reference Number (WRN):	A number issued by the DMS, referencing the wool documentation held in safe keeping on behalf of the broker by the Clearing House. The WRN connects the physical documentation to the Clearing House's record of the documentation officially lodged.

Admission Documents

1. Description of Admission documents

Before wool can be admitted as **Futures Deliverable Stock**, the Clearing House must first accept the Admission Documents relating to that wool. The required Admission Documents for a single wool lot are:

- Australia Wool Testing Authority Ltd (AWTA) IWTO Grower Test Certificate (P Certificate);
- AWTA IWTO Staple Test Certificate (L Certificate);
- Australian Wool Exchange Limited (AWEX) Appraisal Certificate;
- ASXF Wool Warehouse Receipt; and
- ASXF Stock Confirmation Form.

The required Admission Documents for a combined wool lot are:

- AWTA IWTO Grower Test Certificates (P Certificates) for each sub-lot;
- AWTA IWTO Staple Test Certificates (L Certificates) for each sub-lot;
- AWTA IWTO Combined Test Certificate and AWTA IWTO Combined Staple Test Certificate (J Certificates);
- AWEX Appraisal Certificate for each sub-lot;
- ASXF Wool Warehouse Receipt; and
- ASXF Stock Confirmation Form.

Combined lots must be located in no more than 4 approved Wool Warehouses within the one state of Australia. All Admission Documents lodged with the Clearing House need to be originals, containing original signatures where appropriate. The Clearing House has the right to review this requirement as decided necessary

2. Admission conditions

The Admission Documents must be lodged and accepted by the Clearing House before wool can be accepted as **Futures Deliverable Stock**. The wool must have been tested and appraised no more than 1 year prior to admission. Furthermore, the wool will be deemed too old to be **Deliverable Stock** if 2 years have elapsed since the initial testing date. This is exclusive of the month in which the wool was initially sampled. Therefore, if the 2 year period lapses during a Delivery Period, the wool will be accepted as Deliverable Stock for that Delivery Period but will be too old for any future Delivery Periods.

Brokers must request the removal of documentation relating to 'out of date' wool from the Clearing House DMS. The wool may then be re-tested and, provided its characteristics still comply with the minimum contract specification, the broker can once again request the wool to be admitted as deliverable stock. In this case, the documentation is "re-lodged" with the Clearing House. If the Clearing House accepts the documentation, the underlying wool will again be classed as Deliverable Futures Stock. The Clearing House will routinely notify Clearing brokers as stock approaches its age limit.

3. How to lodge admission documents at ASX

Admission Documents are lodged with the Clearing House in the following manner:

- i) The Selling broker completes the relevant section of the Stock Confirmation Form (SCF) and sends this form along with the other required Admission Documents to the Clearing House.
- ii) If the lodgement is accepted and wool is admitted into Deliverable Futures Stock, the Clearing House will enter the required details into the Document Management System (DMS). A Wool Lodgement Reference Number (WRN) will be created and added to the SCF. The Clearing House will sign/stamp the form, date it and return a copy to the Clearing broker. The Clearing House will retain the original form in safekeeping.

4. Stock Confirmation Form

The copy of the SCF held by the Clearing broker will provide confirmation of the following:

- the Admission Documentation has been successfully lodged with the Clearing House and is being held in safe keeping;
- details of the wool have been entered into the DMS; and
- the underlying wool is deliverable two Business Days after the date the Clearing House signed/stamped on the Form.

Storage Fees

During the period the Clearing House is holding the Admission Documents, the Wool Warehouses will bill storage fees directly to the broker or to their client. The Clearing House will notify the Wool Warehouse when and what brokers are involved in a change in ownership after a tender is successfully completed. It is then the broker's responsibility to inform the Wool Warehouse of the new client (where applicable) on whose behalf they hold the wool, and whom the Wool Warehouse should bill for the storage. In practice, the Wool Warehouse will often contact the broker directly requesting to know who the new owner is.

Effective Delivery

Once a tender notice is received, the Clearing House will randomly select a Buyer with a position in the delivery month to take delivery of the specified wool. The Clearing House is authorised by the broker (in accordance with the Derivatives Clearing Rules), to do whatever is necessary to ensure correct assignment of the wool, including endorsing the Buyer as the new owner of the wool on the Wool Warehouse Receipt (there is an explanation of the Warehouse Receipt in the following section).

The Wool Warehouse Receipt provides evidence of legal and beneficial interest in the wool. Following payment of the Settlement Amount by the Buyer, the Clearing House will endorse the Warehouse Receipt from the Seller to the Clearing House. The Clearing House will then immediately endorse the receipt from the Clearing House to the new Buyer. During the intervening period between endorsements, the Clearing House will be both the legal and beneficial owner of the wool. The transfer of title via the Clearing House ensures the Clearing House retains ownership of the wool, if required, in a default situation.

The Clearing House will also adjust the records of the DMS in accordance with this change in title. This adjustment is for record keeping purposes only and does not reflect the legal title transfer process. DMS records are up-dated to correspond to the paper records on the Wool Warehouse Receipt. Thus, the WRN will accurately connect the Clearing House DMS records to the legal title as evidenced on the Wool Warehouse Receipt

Documents Used in Delivery Process

1. AWTA Test Certificates (paper)

These certificates are to confirm the wool is of Deliverable Grade as specified in the contract specifications. The deliverable wool can be made up of a single wool lot or combined wool lots.

For a single wool lot (e.g. one lot of 2,500 kg Type 54 19.5 micron wool), the two required AWTA certificates are:

- i) AWTA Grower Certificate (P Certificate); and
- ii) AWTA Staple Test Certificate (L Certificate).

For combined wool lots (e.g. one lot of 1,200 kg Type 54 19.0 micron wool & one lot of 1,300 kg Type 54 19.5 micron wool), the relevant AWTA certificates are:

- i) AWTA Combined Test Certificates + AWTA Combined Staple Certificate (J Certificates); and
- ii) P and L Certificates for each lot.

Combined lots must be located in the one state in no more than 4 approved Wool Warehouses.

2. AWEX Appraisal Certificate (paper)

This certificate is to confirm the wool is of appropriate style and colour for delivery. AWEX will issue one Appraisal Certificate per sub lot. Thus, if two sub-lots comprise a deliverable lot, two AWEX Appraisal Certificates will be required.

When a delivery of wool is comprised of a number of sub lots, the buyer who takes the delivery can separate the sub-lots for subsequent deliveries and use the existing Appraisal Certificates. The only new documentation that would be required is AWTA combined certificates.

3. ASXF Wool Warehouse Receipt (paper)

The Wool Warehouse Receipt provides proof that wool is being held at a particular Wool Warehouse. The original Seller endorses the receipt for the benefit of the Clearing House (who is effectively the buyer through the process of novation) by signing the back of the receipt. A Warehouse Receipt is required for each Warehouse where the wool is stored and must be in a form approved by ASXF and OCH. Thus, if a deliverable lot is made up of sub-lots located in different Warehouses, a separate Warehouse Receipt is required for each Warehouse.

For the period the wool documentation is held in safe keeping by the Clearing House, the broker who was the last Buyer, as evidenced on the Warehouse Receipt, will hold legal and beneficial ownership of the wool.

The Clearing House and ASXF have entered into an arrangement with each approved Wool Warehouse. These agreements acknowledge the use of the ASXF Wool Warehouse Receipt to designate ownership and to effect the physical release of futures deliverable stock from the warehouse.

Blank Wool Warehouse Receipts are provided to the approved Wool Warehouses and are individually numbered to maintain an audit trail. Wool Warehouses are required to account for each receipt at all times. If any are 'lost' or cannot be accounted for they will be canceled. The market will be advised of any Wool Warehouse Receipts that have been canceled.

The Clearing House maintains the audit trail of all issued and cancelled Wool Warehouse Receipts.

4. ASX Stock Confirmation Form (paper)

The Stock Confirmation Form (SCF) is used for a number of functions as follows.

When wool is lodged as Futures Deliverable Stock for the first time, the broker lodging the wool will add the details of the wool to the SCF. This includes the type, grade, location and warehouse in which the wool is stored. An authorised signatory of the broker must sign and stamp the SCF. The form will stipulate the broker is requesting the Clearing House to hold the wool documentation in safekeeping. A separate form is required for each lot (sub-lots will be listed on the one form to form a combined lot).

At its discretion, the Clearing House will accept or reject requests to admit wool as Futures Deliverable Stock. If rejected, the Admission documents will be returned to the broker.

If accepted, the Clearing House will:

- enter the required details from the Admission Documents into the Clearing House DMS; and
- generate a Wool Reference Number (WRN) and add this to the SCF. The Clearing House will sign, date and stamp the Stock Confirmation Form and return a copy of it to the broker.

The copy will be held by the broker and will provide confirmation of the following:

- the wool documentation has been successfully lodged with the Clearing House and is held in safe keeping.
- details of the wool have been entered into the Clearing House DMS System; and
- the underlying wool is deliverable once two Business Days have elapsed from the date the Clearing House signs/stamps the form.

Notification of Tender

When a broker, either on behalf of their client or as principal, wishes to tender against a sold futures position, the appropriate Tender Notice section of the SCF needs to be completed and signed by two (2) authorised signatories. To allow time to ensure all records are in order, when wool is tendered for the first time, the date the Clearing House signed the SCF needs to be at least two Business Days before the date the broker wishes to lodge the tender.

Redeeming Admission Documents

The SCF will also contain a document Redemption Notice section. The broker signs this section when they wish to have Admission Documents held in safe keeping by the Clearing House returned. Upon receipt of the Redemption Notice, the Clearing House will confirm the broker holds title to the relevant wool.

If the Redemption Notice matches the Clearing House records, the Clearing House will process the request and return the SCF along with the wool documentation to the broker. The form will then provide a receipt and confirmation of the following:

1. the wool documentation has been returned to the broker and is no longer held in safe keeping by the Clearing House;
 2. details of the wool have been archived in the Clearing House DMS;
 3. the WRN has been canceled;
 4. the SCF can no longer be used for ASXF futures delivery; and
 5. the underlying wool is no longer deliverable under the Rules.
- a. **Provisional Buyer's Delivery Advice (electronic)**

This is the initial Clearing House notification to a Buyer holding an open position in the Delivery Month that they will need to take delivery of wool. Some basic information such as WRN, the wool type and characteristics, location and an approximate Settlement Amount (based on the previous Business Day's settlement price) are contained on the Provisional Buyer's Delivery Advice (see Definitions for further details). This will provide the buying broker with an indication of the amount they will need to pay on the following Trading Day (i.e. the Settlement Day).

b. **Revised Buyer's Delivery Advice (electronic)**

The Clearing House issues the Revised Buyer's Delivery Advice to the Buyer once the official settlement price (i.e. invoice price) becomes available on the Notice Day. The Revised Buyer's Delivery Advice contains the actual Settlement Amount payable by the broker on the Business Day following the Notice Day (i.e. the Settlement Day).

c. Provisional Seller's Advice (electronic)

A Provisional Seller's Advice will be distributed at the same time as the Provisional Buyer's Delivery Advice, containing an indicative Settlement Amount again based upon the previous Business Day's settlement price. This provisional advice confirms to the Selling broker that their tender has been accepted and will provide an indication of the payment they will receive on the following Trading Day (i.e. the Settlement Day).

d. Revised Seller's Advice (electronic)

The Clearing House issues the Revised Seller's Advice to the Selling broker once the official settlement price (i.e. invoice price) becomes available on the Notice Day. The Revised Seller's Advice contains the actual Settlement Amount to be received by the broker on the Business Day following the Notice Day (i.e. the Settlement Day).

Questions regarding ASX Wool Futures delivery should be addressed to your ASX Futures broker or check www.asx.com.au/woolfutures.

Brokers may call ASX's Clearing House:
Options Clearing House Limited
(02) 9227 0411

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