

**SFE AUSTRACLEAR Bulletin No:** 01/04**From:** Austraclear Limited ABN 94 002 060 773**Date of Issue:** 11 March 2004**Effective Date:** 11 March 2004**AMENDMENT OF SFE AUSTRACLEAR SYSTEM REGULATIONS AND OPERATING MANUAL**

The SFE Austraclear System Regulations and Operating Manual (the "Operating Rules") have been updated to address specific requirements contained in the Financial Stability Standards issued by the Reserve Bank for licensed Clearing and Settlement Facilities. SFE Austraclear became a licensed Clearing and Settlement Facility on 11 March 2004 and the Financial Stability Standards apply to SFE Austraclear from 11 March 2004.

The most significant changes to the Operating Rules involve:

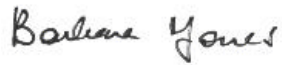
- (i) SFE Austraclear Participants having an obligation to advise SFE Austraclear and their Participating Bank if they have a "reasonable suspicion" of insolvency (as defined in the Operating Rules), whereas previously the obligation was only to advise of actual insolvency; and
- (ii) SFE Austraclear Participants having an obligation to have "operational capacity, financial standing and appropriate complementary business continuity arrangements" to enable them to meet their ongoing obligations in a timely manner. These elements must be in a form satisfactory to SFE Austraclear, in its discretion. It is envisaged that for the majority of current Participants there will be limited immediate impact, on the basis that they are able to meet their ongoing obligations in a timely manner. Nevertheless, SFE Austraclear will, over time, issue any guidance that it considers necessary taking into account the nature and extent of Participants' activity in SFE Austraclear. SFE Austraclear will shortly be surveying all Participants for details of their business continuity arrangements, to compare these with the requirements of the Financial Stability Standards.

The detailed amendments are set out in the **attachment**, for information.

Implementation of the change in paragraph (ii) above for new Participants is by way of amendment to the Operating Rules. Implementation in respect of existing Participants is by way of imposition of a condition on each Participant's membership pursuant to Austraclear's existing powers under the Operating Rules.

The full versions of the SFE Austraclear System Regulations and Operating Manual, updated to include the above amendments, are available on the SFE website at sfe.com.au (by selecting "Operating Rules" from the "Quick Links" feature).

For inquiries please contact Mr Andre Franco, Senior Manager Clearing Settlements & Depository on 9256 0689 or email afranco@sfe.com.au.

A handwritten signature in cursive script that reads "Barbara Jones".

Barbara Jones
Senior Legal Counsel

SFE takes no responsibility for any errors or omissions contained in this bulletin and will not be liable for any reason including without limitation negligence, for losses, consequential or otherwise, arising from or in connection with decisions made in reliance upon this information. This information does not substitute for the Business Rules and in the case of inconsistency the Business Rules prevail. Before acting on any matter contained in this bulletin readers should discuss the matter with their own professional advisers.

ATTACHMENT

[Deletions ruled through and additions underlined.]

AUSTRACLEAR REGULATIONS

1.1 Definitions

"Corporations Law" means the Corporations Act 1989 (Cth) or any legislation or co-operative scheme of legislation replacing it.

[Editorial note: this unusual definition of Corporations Law is because of particular references in the Austraclear Regulations to trusts created pursuant to early versions of the Corporations Law.]

3.9 Notice of Insolvency Events or Changes in Control

- (a) If a Member becomes subject to an Insolvency Event, or if there is a reasonable suspicion that it may become subject to an Insolvency Event, that Member must notify:
- (i) Austraclear; and
 - (ii) if the Member is not a Participating Bank, the Participating Bank at which the Member maintains its Nominated Account, as soon as practicable thereafter, specifying the Insolvency Event.

3.10 Right to Suspend or Terminate Membership

- (a) Subject to paragraph (b), where Austraclear receives a notice under paragraph (a), (b), (c) or (e) of Regulation 3.9 or otherwise becomes aware that a Member or a Participating Bank has become subject to an Insolvency Event, or that there is a reasonable suspicion that a Member or Participating Bank may become subject to an Insolvency Event, the Committee may suspend the Membership or terminate the Membership of the relevant Member or Participating Bank (as the case may be).

7.11 Delayed Lodgement

If and only if a Member satisfies the conditions set out below, Austraclear may consent to the Member lodging Paper Securities in the System without complying at the time of lodgement with the requirements of Regulations 7.1 and 7.3 if, and only if, it actually complies with those requirements by the Prescribed time on the following Business Day. The conditions which the Member must satisfy are:

- (a) the Member must provide Austraclear with an undertaking, in a form and to an effect satisfactory to Austraclear in its absolute discretion, in favour of Austraclear, its officers, agents and employees and every other Member warranting that the Paper Security the subject of the lodgement ~~complies at the time of the lodgement~~ will comply by the Prescribed time on the following Business Day with the requirements of Regulations 7.1 and 7.3 and that the Paper Security is from the time of lodgement held by the Member until it complies with Regulations 7.1 and 7.3 as bailee for the Owner and indemnifying each of them against any Loss or Claim of that person arising from any or all of:

AUSTRACLEAR OPERATING MANUAL

2.2.01 Eligibility for Membership

- (a) No Applicant will be eligible for Membership where:
- (i) in the case of an individual, the Applicant; or

- (ii) in the case of a firm, any of the partners; or
- (iii) in the case of a corporation, any director of the corporation,

has within a period of five years prior to the application being made been a person who is disqualified from managing a corporation under the Corporations Law or under any equivalent legislation in force during that period in any other country.

(b) An Applicant for admission to Membership must have, in a form satisfactory to Austraclear in its discretion:

- (i) operational capacity,
- (ii) financial standing, and
- (iii) appropriate complementary business continuity arrangements

to enable it to meet its ongoing obligations in a timely manner.

~~(b)~~ (c) In determining whether to approve an Applicant for admission to Membership, the ...

18.3 Auditor's Annual Report

For the purposes of Regulation 18.3:

- (a) the form is any form the Committee approves; and
- ~~(b)~~ (e) the time is 30 days.

18.4 Member's Report by Austraclear

For the purposes of Regulation 18.4 ~~3(b)~~, the form is either:

- (a) as follows:
"As requested by your client [name to be inserted]