

CIRCULAR TO:

ALL MEMBERS

NO. 27/2000

AMENDMENTS TO THE BUSINESS RULES OF THE EXCHANGE

Members are advised of amendments which have recently been made to the Trading Rules (and which, subject to regulatory disallowance, come into effect immediately) and of amendments to the Market By-Laws relating to the All Ordinaries Share Price Index, which (subject also to regulatory disallowance) will come into effect on 3 April 2000.

AMENDMENTS TO THE TRADING RULES

Amendments have been made to:

1. TR.7.2 to increase the maximum number of SYCOM Traders on the Contract Committee Panel from 21 to 30.
2. TR.16 and Schedule F and a new TR.17(c)(x), relating to the custom market; and
3. TR.21 relating to the daily settlement price.

1. Amendment to TR.7.2

The Contract Committee Panel is a group of 21 SYCOM Traders from which members of Contract Committees are drawn from time to time. Following the transition to screen trading, it has become necessary for specialist traders to be appointed to the Committees, so the number of persons on the Panel from has been increased to 30, and TR.7.2 has been amended accordingly, as set out below.

TR.7.2 The Contract Committee Panel shall consist of a maximum of ~~twenty one (21)~~ thirty (30) SYCOM Traders. A Contract Committee shall not be a standing committee but rather be constituted from time to time by the SYCOM? Manager selecting a minimum of five (5) SYCOM Traders to form a Contract Committee as required from time to time. The SYCOM Manager shall select SYCOM Traders according to their experience and expertise generally as well as their relevant experience in trading a particular contract.

2. Amendments to TR.16, Schedule F and new TR.17(c)(x)

These amendments aim to increase the efficiency of the Custom Market, to provide clear boundaries of acceptable trading behaviour for SYCOM® Traders and to help maintain a fair and orderly trading environment. Significant points are:

- Once a strategy has been established in the Custom Market, changes to the delta or basis require the user to create a new strategy. The amendments recognise the fact that delta and basis changes result in a change in the outright price. They also discourage traders from making minor changes to maximise crossing opportunities and thus maintain the efficiency of a queue based system.

An amendment has been made to Schedule F, point 6 to address this issue.

- Alterations to leg prices of an established strategy which creates an identical strategy and net price to an existing strategy will be disallowed.

A new point 7 in Schedule F addresses this issue.

- Crossing custom market orders in the final 60 seconds of trading is only allowed where at least one side of the crossed strategy has been established prior to the final 60 seconds. This maintains the current crossing mechanism of allowing the market access to 50% of a cross and removes the ability of securing a 100% cross by crossing in the final seconds of trading.

A new section, TR.17(c) (x), has been added to address this issue.

- The execution of a trade at a price through the established Custom Market will be cancelled.

A new point 8 to Schedule F has been added to address this issue.

- A ratio of 50 may be exceeded in the larger leg of a ratio call or put spread if the strategy is basis futures. Without this amendment, available deltas are severely restricted.

TR 16.2 and Schedule F, point 3 have been amended to address this issue.

The amended rules are set out below with amendments highlighted.

TR.16 CUSTOM MARKET

- TR.16.2 (i) Subject to TR.16.2(ii), All orders traded on the Custom Market must be traded at the lowest common denominator, however the maximum volume that can be used in the volume ratio field is fifty lots.*
- (ii) Where the Custom Market Order is for an option strategy which includes 2 or more option legs in a ratio and is basis futures, then the volume that can be used in the volume ratio field, in relation to the option leg with the larger ratio denomination only, may exceed fifty lots.*

SCHEDULE F CUSTOM MARKET - SYCOM? TRADING PROCEDURES

- 3) *All Custom Market Orders must be traded at the lowest common denominator however, the maximum volume that may be used in the volume ratio field is 50 lots. for example, trading an IR straddle:*

*+ 100 IRZ9 95000P @ price
+ 100 IRZ9 95000C @ price*

In the Custom Market for the above example, the Custom Market Order should be entered with 100 lots in the volume field and the ratio field should be 1 - 1 for the two legs.

However in relation to an option ratio strategy the volume entered into the volume ratio field may exceed 50 lots for the leg representing the larger ratio denomination only; the volume entered into the volume ratio field for the leg with the least volume must remain at 50 lots or less.

- 6 *If there is no market for a particular strategy in the Custom Market a trader must ask for a market via the message facility broadcast to 'all users' before inputting the order. Similarly, should a SYCOMØ Trader wish to enter an order with a different basis or delta to a strategy already in SYCOMØ, it must be treated as a new strategy, and therefore the SYCOMØ Trader*

must broadcast a message, via the message facility, advising of the exact changes prior to inputting the order.

- 7 Where there is an existing Custom Market Order bid and/or offer, a SYCOM Ò Trader may not in relation to that order, enter (a) subsequent order(s) utilising different leg prices which achieves the same net price as the existing bid or offer in the Custom Market. Orders that are subsequently entered and trades resulting from such orders shall be cancelled by the Exchange.
- 8 Where a bid and offer has been established in the Custom Market, a trade may only be executed between that bid and offer. In the event of only a bid or only an offer, a trade may not be executed were it is lower than the bid, or where it is higher than the offer. Orders that are subsequently entered and trades resulting from such orders shall be cancelled by the Exchange.

TR.17 CROSS TRADES

TR.17.1c) No Member or SYCOM Ò Trader may attempt to execute a cross in the Custom Market in the final 60 seconds of a SYCOM Ò Trading Date unless the net premium of one Custom Market Order included in the cross has been entered into SYCOM Ò prior to the final 60 seconds of that SYCOM Ò Trading Date.

3. Amendments to TR.21

Following consultation with options market participants regarding option settlement price procedures, an amendment has been made to TR.21,2(a) which has the effect of setting a time limit for orders which are taken into account for settlement price calculations. This limit has been agreed to by the participants. The rule as amended states:

Options Daily Settlement Price Procedures

TR.21.2(a) Following the establishment of the Underlying Futures Contract Daily Settlement Price, an Interim Daily Settlement Price shall be calculated by the Exchange for Option Contracts (having regard to implied volatilities, the Underlying Futures Contract Daily Settlement Price, and other relevant factors), and shall be displayed on SYCOM Ò. Option orders that may be included in the calculation of the Interim Daily Settlement Price must be entered into SYCOM Ò for a ten (10) minute period immediately prior to the Close.

AMENDMENTS TO THE MARKET BY-LAWS FOR THE ALL ORDINARIES SHARE PRICE INDEX FUTURES CONTRACT

SFE's All Ordinaries Share Price Index futures contract is priced on the numerical value of ASX's All Ordinaries Index (AOI).

ASX has recently reviewed all its indices and is in the process of making significant changes to them. From 3 April 2000 ASX proposes to assign the All Ordinaries brand name to a new 500 stock index, and simultaneously to introduce ASX 200 and ASX 300 indices to complement the existing 100, 50 and 20 Leaders.

SFE and ASX have entered into an agreement whereby ASX will continue to calculate the existing All Ordinaries Share Price Index under the new name of "Share Price Index" for a period of eighteen months. Accordingly the name of SFE's contract is to be changed to "Share Price Index futures contract".

The changes to SFE's By-Laws are to come into effect on 3 April 2000 and will continue until the expiration of the eighteen months referred to above - ie to September 2001.

In addition to the name change, the opportunity has been taken to:

- amend AOI.5 (to become SPI.5) to enable the hours of trading to be approved by the Chief Executive as well as by the Board; and
- to amend the schedule of quoted months to correct an error and to expressly identify all future contract months until the contract is delisted in September 2001.

The amendments are as follows:

1. Delete all references in the Market By-Laws to "All Ordinaries Share Price Index" All Ordinaries Share Price Index Futures contract" and the like and replace them with "Share Price Index", "Share Price Index Futures contract" or as appropriate.
2. Delete all references in the Market By-Laws to "AOI" (including those in section numbers) and replace them with "SPI".
3. Amend the second sentence in AOI.2(c) (to be SPI.2(c)) to read as follows:
Such value shall be the same as the closing quotation for the ~~Australian Stock Exchange's All Ordinaries~~ Share Price Index on the last day of trading and shall be calculated to one decimal place.
4. Deleted AOI.6 (which merely states that the provision was deleted in 23.7.99) and renumber the remaining section.
5. Amend AOI.5 (to be SPI.5) by adding the words "or by the Chief Executive" before the full stop.
6. Delete references to overnight options in AOI.209 and 210 (which are now obsolete) and renumber remaining sections.
7. Correct typographical errors in the Schedules to the Market By-Laws in the row relating to January in both cases, as highlighted, and extend the Schedules to the end of the life of the contract (September 2001). The Schedules are set out on the next two pages.

BARBARA JONES
COMPANY SECRETARY

7 FEBRUARY 2000

Schedule of Months Quoted Referred to in By-Law A0ISPL.67

During the month of	Current Year												Following Year												Succeeding Year				
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M
JAN			<u>x</u>			<u>x</u>			<u>x</u>			<u>X</u>						<u>x</u>											
FEB			x			x			x			X			x			x											
MAR			x			x			x			X			x			x			(x)								
APRIL						x			x			X			x			x			x								
MAY						x			x			X			x			x			x								
JUNE						x			x			X			x			x			x			(x)					
JULY									x			X			x			x			x			x					
AUG									x			X			x			x			x			x					
SEPT									x			X			x			x			x			x			(x)		
OCT												X			x			x			x			x			x		
NOV												X			x			x			x			x			x		
DEC												X			x			x			x			x			x		(x)

NOTE: In each month shown in the left hand vertical column of this chart, the officially quoted forward months are those marked “x” in the other columns reading horizontally to the right. From the day following the last day of trading in spot month, those marked “(x)” will commence trading. For example: in June, the officially quoted forward months will be: in the current year, June, September and December - in the following year, March, June, September and from the day following the last day of trading in spot month, December.

Schedule of Months Quoted Referred to in By-Law AOISPI.101

During the month of	Current Year												Following Year												Succeeding Year					
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J
JAN			<u>x</u>			<u>x</u>			<u>x</u>			<u>X</u>						<u>(x)</u>												
FEB			x			x			x			X						x												
MAR			x			x			x			X			(x)			x			(x)									
APRIL						x			x			X			x			x			x									
MAY						x			x			X			x			x			x									
JUNE						x			x			X			x			x			x			(x)						
JULY									x			X			x			x			x			x						
AUG									x			X			x			x			x			x						
SEPT									x			X			x			x			x			x			(x)			
OCT												X			x			x			x			x			x			
NOV												X			x			x			x			x			x			
DEC												X			x			x			x			x			x			(x)

NOTE: In each month shown in the left hand vertical column of this chart, the officially quoted forward months are those marked "X" in the other columns reading horizontally to the right. From the day following the last day of trading in spot month, those marked "(X)" will commence trading. For example: in June, the officially quoted forward months will be: in the current year, June, September and December - in the following year, March, June, September and from the day following the last day of trading in spot month, December.