

CIRCULAR TO:

ALL MEMBERS

NO 105/00

VOLUNTARY CONVERSION SCHEME
FOR SPI® AND SPI 200™ FUTURES CONTRACTS
(INCLUDING RULE AMENDMENTS)

1. Executive Summary

Members are aware that SPI 200™ Index (“SPI 200™”) contracts were made available for trading on 2 May 2000. SFE expects market participants in the Share Price Index (“SPI®”) to utilise the June roll to establish positions in SPI 200™ contracts going forward.

SFE has developed a Voluntary Conversion Scheme (“VCS” or “Scheme”), which is not intended to be a substitute for normal rolling activity, but is a mechanism to assist all investors with outstanding SPI® positions to migrate those positions into the SPI 200™ on a date to be determined.

As some market participants will be unable to invest directly in the SPI 200™ until that contract has been approved by the Commodity Futures Trading Commission (CFTC), it is proposed that the date the VCS will be made available will not be determined until the SPI™ 200 contract has received such approval. An application for ‘no-action’ relief in respect of the SPI 200™ has been lodged by SFE with the CFTC; preliminary indications are that it may be some months before relief is granted.

2. What is the VCS?

The VCS is a mechanism by which a Member with a SPI® open position can submit a request to SFECH to convert each position, on a 1 for 1 basis, into a SPI 200™ position. **No exchange fee will be charged for participation in the Scheme.** The VCS therefore removes the necessity for a market participant to close out a SPI® position and open a SPI 200™ position in order to roll exposure into a SPI 200™ futures contract. The Board of both the SFE and SFECH have recently approved the By-Laws for the Scheme.

3. Overview of the Process

The conversion process will be effected by the lodgment of a standardised notice to SFECH by Members that hold a SPI® position. The Member will indicate in the notice the positions they wish to convert. SFECH will then match the maximum number of positions possible for each expiry. It is important to note that all positions converted from the SPI® into the SPI 200™ will be between like expiry months, e.g. September 2000 SPI® to September 2000 SPI 200™.

Following the lodgment and receipt of all SPI® positions for conversion, a proportional allocation process will be applied by the SFECH to determine which and how many of those positions are to be converted into SPI 200™ futures contracts.

4. Important Information

The Scheme will only be available to existing Members of the Exchange and applies exclusively to SPI® futures contracts. In addition, the Scheme will be available for one day only. The Exchange would expect Members to facilitate participation in the Scheme on behalf of their clients. The Scheme will be applicable to all SPI® positions held on the date the Scheme is implemented. These positions will have been nominated by Members and accepted by the Exchange for the conversion.

The VCS will be made available to Members as soon as is practicable upon receipt of CFTC regulatory clearance with respect to the SPI 200™ contract. Members will then be advised of the exact date of the Scheme's implementation. Detailed procedures relating to participation in the Scheme will be released to Members in due course.

5. New Rules

Amendments for the Scheme have been made to the By-Laws for the SPI and SPI 200™ contracts, and also to the SFECH Clearing By-Laws. The amendments are set out in the Annexure.

6. Further Information

Should a Member require further information with regard to the VCS, enquiries should be directed to:

Nick Cluney, Manager, Clearing Services – Direct Line (02) 9256 0636 or

Martyn Wild, Manager, Equities & Structured Products – Direct Line (02) 9256 0178.

MARTYN WILD
MANAGER, EQUITIES & STRUCTURED PRODUCTS

29 MAY 2000

ANNEXURE**New By-Laws for the Voluntary Conversion Scheme, for the SPI Contract**

- SPI.15 The Board may determine a voluntary conversion scheme consistent with these By-Laws and those of the SPI 200 Index Contract By-Laws to enable the holder of an Open Position in the Share Price Index Contract in months as determined by the Board to convert it to an Open Position in the SPI 200 Index Contract of the same month.
- SPI.16 Each position nominated by a Member in the Share Price Index Contract will, subject to the procedures referred to in SPI.18, be converted to one position in the SPI 200 Index Contract.
- SPI.17 Where conversion occurs from an Share Price Index Contract Open Position to a SPI 200 Index Contract Open Position as referred to in By-Laws SPI.15 and SPI 200.15, and pursuant to Clearing By-Law 39A, such conversion shall apply to each Open Position held on a Member's own account and those held on behalf of its Clients. A Client's rights and obligations with respect to an Open Position held on its behalf by a Member shall be deemed to be varied in the same manner as provided for in Clearing By-Law 39A with respect to an Open Position held with the Clearing House.
- SPI.18 The Exchange may issue procedures to give effect to By-Law SPI.16 and Members shall comply with such procedures with respect to each Share Price Index Contract nominated by a Member to be converted to a SPI 200 Index Contract.

New By-Laws for the Voluntary Conversion Scheme, for the SPI 200 Contract

- SPI 200.15 The Board may determine a voluntary conversion scheme consistent with these By-Laws and those of the Share Price Index Contract By-Laws to enable the holder of an existing Open Position in the Share Price Index Contract in months as determined by the Board to convert them it to an Open Position in the SPI 200 Index Contract of the same month.
- SPI 200.16 Each position nominated by a Member in the Share Price Index Contract By-Laws will, subject to the procedures referred to in SPI 200.18, be converted to one position in the SPI 200 Index Contract.
- SPI 200.17 Where conversion occurs from the a Share Price Index Contract Open Position to a SPI 200 Index Contract Open Position as referred to in By-Laws SPI 200.15 and SPI.15, and pursuant to Clearing By-Law 39A, such conversion shall apply to each Open Position held on a Member's own account and those held on behalf of its Clients. A Client's rights and obligations with respect to an Open Position held on its behalf by a Member shall be deemed to be varied in the same manner as provided for in Clearing By-Law 39A with respect to an Open Position held with the Clearing House.
- SPI 200.18 The Exchange may issue procedures to give effect to By-Law SPI 200.16 and Members shall comply with such procedures with respect to each Share Price Index Contract nominated by a Member to be converted to a SPI 200 Index Contract.

New SFECH By-Law– SPI 200 Index Contract Conversion

- 39A.1 Where the Exchange By-Laws provide for the voluntary conversion of an Open Position in the Share Price Index Contract to an Open Position in the SPI 200 Index Contract, the holder of one existing Open Position in the Share Price Index Contract will, if the Open Position is nominated and accepted for conversion (Relevant Open Position) be deemed to be the holder of one SPI 200 Index Contract Open Position.
- 39A.2 Where the Exchange By-Laws provide for each Share Price Index Contract to be voluntarily converted to an SPI 200 Index Contract then the provisions of By-Law 39A.3 shall apply to the Relevant Open Position held by the Member at the time prescribed by the Board of the Exchange (the Relevant Time).
- 39A.3 At the Relevant Time:-
- (a) each Relevant Open Position of the Share Price Index Contract held upon the previous Daily Settlement or at such other time as is prescribed by the Board shall be deemed to be a SPI 200 Index Contract Open Position.
 - (b) with respect to such Relevant Open Position there shall be one Open SPI 200 Index Contract registered for each Share Price Index Contract previously held.
 - (c) immediately upon conversion of a Relevant Open Position in the manner referred to in By-Law 39A.1, the By-Laws with respect to the SPI 200 Index Contract shall apply.
- 39A.4 A subsequent Open Position created in the SPI 200 Index contract shall be subject to the Clearing By-Laws and Exchange By-Laws as they relate to the SPI 200 Index Contract as amended from time to time.