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## **AMENDMENTS TO THE BUSINESS RULES OF SYDNEY FUTURES EXCHANGE LIMITED AND OF SFE CORPORATION LIMITED**

Sydney Futures Exchange Limited and SFE Corporation Limited advise that two sets of amendments to their Business Rules have been made and will come into effect on Wednesday 13 February 2002. The amendments are identical for each company.

### **1. Amendment to Trading Rule 11.6 to provide an audit trail for client identification.**

Recent changes to Trading Rule TR.11.6 have inadvertently altered its original intent. Prior to these changes the rule required a Client Identifier to be entered not more than 10 minutes after **the entry of a bid or offer**. The recent changes have resulted in the requirement that a Client Identifier be entered up to 10 minutes after **a trade**.

The entry of a Client ID at or near the time of order entry is an important aspect of the audit trail because it allows a link to be established between the order entered into SYCOM and a particular client. Once a client has been identified with an order it allows an audit to determine whether that original client did in fact receive any resulting trades or whether any trades were allocated to another client. This increases an audit's ability to monitor compliance with the requirement that trades must be allocated in sequence of receipt, and also to detect instances of post allocation. This may also improve an audit's ability to determine whether personal account trading or dual trading has occurred.

For example, a trade allocated to a client other than the one identified by the Client ID may indicate that the trade has been post allocated or misallocated in some way. Also, it is important that the Client ID be recorded as early as possible in the process to reduce the opportunity to profit inappropriately by subsequently misallocating a trade.

The opening words of the rule have now been amended so that they read (changes marked up):

## S F E B U L L E T I N C O N T I N U E D

**TR.11.6** *The Client Identifier referred to in TR.11.5(i) or account number in TR.11.5(f) ~~can~~ must be entered in SYCOM up to no later than ten (10) minutes after a matched trade is passed the entering of a bid or offer from SYCOM® to the SFE Allocation & Clearing System and may only be entered after this time when the Participant can demonstrate to the satisfaction of the Exchange that extenuating circumstances existed.*

### **2. Amendments to address the introduction of the forthcoming Financial Services Reform Act 2001 (FSR) on 11 March 2002**

The introduction of the FSR on 11 March 2002 will require futures brokers with current futures brokers licences to transition to a new licence called an Australian Financial Services Licence (AFSL) over a two year period. Upon transitioning to the new AFSL the broker becomes subject entirely to the new FSR regulatory regime.

During the two year transition period transitioning by brokers will inevitably be staggered. The situation will arise where collectively SFE Participants will comprise of a combination of brokers holding old futures brokers licences under the old regime (subject to current Law) and brokers holding the new AFSL.

The amendments accommodate the application of SFE Business Rules to those SFE Participants who hold an AFSL or who have chosen to opt-up to the product disclosure requirements under the FSR regulatory regime. They also provide that where an inconsistency may exist between the FSR legislative regime and the SFE business rules, that the provisions of the FSR legislative regime prevails. The Business Rules in their current form will continue to apply to those Participants who hold the old futures brokers licence.

The amendments are:

In G.1.1:

(i) **a new definition has been added to read:**

***“Australian Financial Services Licence” – means a licence granted by the Commission that authorises a person who carries on a financial services business to provide financial services”.***

(ii) **the current definition of “Futures Law” has been replaced with the following:  
“Futures Law” means:**

**(a) *where a Participant holds a futures brokers licence, Chapter 8 entitled “The Futures Industry” of the Corporations Act 2001(Cwlth) or the Corporations Regulations 1990, and references to a part or to a section of the Futures Law shall be read as references to a part or a section of Chapter 8 of the Corporations Act 2001 (Cwlth) or of the Corporations Regulations of 1990, as the case may be;***

**(b) *where a Participant holds an Australian Financial Services Licence, Chapter 7 of the Corporations Act 2001 (Cwlth) or the Corporations Amendment Regulations 2001 (No. 4), and references to a part or to a section of the Futures Law shall be read as reference to a part or a section of Chapter 7 of the Corporations Act 2001 (Cwlth) or of the Corporations Amendment Regulations 2001 (No. 4), as the case may be.***

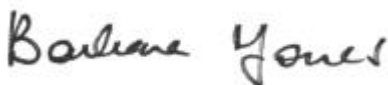
# S F E B U L L E T I N C O N T I N U E D

New General by-Laws G.16.7-16.11 have been added to read:

***Transitional Provisions relating to Futures Law:***

- G16.7** ***A Participant who holds an Australian financial services licence shall:***  
**(a) *provide a copy of that licence to the Exchange;***  
**(b) *advise the Exchange of any variation to the conditions of the licence or of the supervision or cancellation of the licence; and***  
**(c) *comply in all respects with the Futures Law.***
- G16.8** ***If a Participant holds an Australian Financial Services Licence, then where a provision of these Business Rules is inconsistent with a provision of the Futures Law, the provisions of the Futures Law shall prevail.***
- G16.9** ***A Participant who provides an opt-up Product Disclosure notification to ASIC pursuant to the Futures Law will comply in all respects with Part 7.9 of the Futures Law.***
- G16.10** ***If a Participant has transitioned to the product disclosure requirements of Part 7.9 of the Futures Law then where a provision of these business rules is inconsistent with that part, the provisions of that part shall prevail.***
- G16.11** ***For the purpose of G16.9 and G16.10, Futures Law shall mean that law which would apply as if the Participant holds an Australian Financial Services Licence.***

Should you have any queries please contact Mr Mark Floyd, on 9256-0477 or [mfloyd@sfe.com.au](mailto:mfloyd@sfe.com.au) in relation to the Trading Rule amendment, or Ms Patricia Gilligan on 9256 0661 or [pgilligan@sfe.com.au](mailto:pgilligan@sfe.com.au) in relation to the FSR amendment.



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