

**SFE Bulletin No:** 70/02

**From:** SFE Corporation Limited ABN 74 000 299 392

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## **INTRODUCTION OF A SPONSORED MLA/ SFE CATTLE FUTURES CONTRACT**

SFE is pleased to announce its first Sponsored Product with Meat & Livestock Australia (MLA), the MLA/ SFE Cattle Futures contract. The scheduled commencement of trading the contract is 10:00am on Tuesday, 13<sup>th</sup> August 2002.

The listing of a MLA/SFE Cattle Futures contract in Australia will provide a valuable and effective hedging mechanism for users across all segments of the beef industry, from beef producers, processors and wholesalers to buyers, in assisting with management of price uncertainty and exposure to risk. The introduction of the contract will allow beef industry participants to lock in prices for long periods of time and will assist in improving budgeting and investment planning.

The SFE service allows MLA to perform the pivotal role as Sponsor of the contract. The partnership combines MLA's market position and reputation within the industry with the trading, clearing, surveillance and the exchange management services provided by SFE. MLA bring with them market support through industry sponsors including Elders, Wesfarmers Landmark, Rabobank and Mort & Co. MLA will also be conducting, through an independent agency, a series of price risk management forums across Australia to raise awareness of the contract.

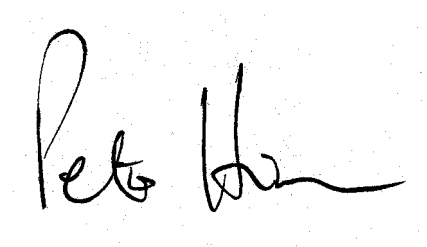
The MLA/ SFE Cattle Futures contract will be cash settled against the Eastern Young Cattle Indicator (EYCI) which will be provided by the National Livestock Reporting Service (NLRS) a division of the MLA. The EYCI is based on a seven day rolling and weighted average of 16 categories of young cattle in 26 major cattle auction centres over Queensland, New South Wales and Victoria. The contract will be based on 5,000 kilograms dressed weight equivalent of young cattle as represented by the EYCI. Trading will be available in the contract during both day and overnight trading sessions in contract months out 18 months. The last day of trading will be the business day following the third Tuesday of the contract month, with the cash settlement day occurring two business days following the third Tuesday. The cash settlement price used on the settlement day will be the EYCI for the third Tuesday of the contract month.

For full details on the specification of the MLA/ SFE Cattle Futures contract and the By-Laws, please refer to the attached contract specifications and By-Laws, (which are currently subject to regulatory disallowance).

For further information on the MLA/SFE Cattle Futures contract please contact Jenianne Hall at MLA on 61 2 9463 9367. Alternatively, to view marketing materials including the contract specifications, a guide to using the

contract, explanation of the EYCI and access to both futures and EYCI prices please visit the website [www.cattlefutures.com.au](http://www.cattlefutures.com.au).

For further details regarding the SFE Sponsored Products Service please contact Anthony Collins, (Senior Manager, New Business) on 61 2 9256 0664.

A handwritten signature in black ink, appearing to read "Peter Hiom". The signature is written in a cursive style with a large initial "P" and a long, sweeping underline.

**Peter Hiom**  
General Manager, Strategy & Business Development

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## CONTRACT SPECIFICATIONS

### MLA/ SFE CATTLE FUTURES CONTRACT

|                          |   |
|--------------------------|---|
| Contract Unit:           | 5,000 kilograms dressed weight equivalent of young cattle as represented by the Eastern Young Cattle Indicator.   |
| Price Quotation:         | Prices quoted in Australian dollars per kilogram of dressed weight.   |
| Contract Months:         | January, March, May, July, September, November up to 18 months ahead.   |
| Commodity Code:          | CT  |
| Listing Date:            | 13 August, 2002   |
| Minimum Price Movement:  | The minimum fluctuation of ¼ cent per kilogram is equal to A\$12.50 per contract.   |
| Last Trading Day:        | The last day of trading shall be the Business Day following the third Tuesday of the Contract Month. Trading ceases at 4:00pm.  |
| Trading Hours:           | 5:10pm – 7:00am and 10:00am – 4:00pm <sup>1</sup> (during US daylight saving time) <sup>2</sup><br>5:10pm – 7:30am and 10:00am – 4:00pm <sup>1</sup> (during US non-daylight saving time) <sup>2</sup>  |
| Cash Settlement Price:   | The Cash Settlement Price will be the Eastern Young Cattle Indicator for the third Tuesday of the Contract Month.   |
| Cash Settlement Day:     | Two Business Days following the third Tuesday of the Contract Month.  |
| Cash Settlement Process: | On the first Business Day following the third Tuesday of the Contract Month Sydney Futures Exchange Ltd shall publish by 2.00pm the Cash Settlement Price rounded to the nearest ¼ cent per kilogram, as adjusted and provided in writing by the National Livestock Reporting Service (NLRs). All bought and sold contracts in existence as at the close of trading in the Contract Month shall be settled by the Clearing House at the Cash Settlement Price on the second Business Day following the third Tuesday of the Contract Month. |
| Cash Settlement Value:   | The Cash Settlement Value is the Cash Settlement Price multiplied by 5,000.   |

<sup>1</sup> Unless otherwise indicated, all times are Sydney times.

<sup>2</sup> US daylight saving begins first Sunday in April and ends last Sunday in October.

**BY-LAWS OF THE MLA/ SFE  
CATTLE FUTURES CONTRACT**

**Contract Unit**

- MLA.1
- (a) The subject of each MLA/ SFE Cattle Futures contract shall be five thousand (5,000) kilograms of dressed weight equivalent of young cattle as represented by the National Livestock Reporting Service ("NLRS") Eastern Young Cattle Indicator (the "Indicator").
  - (b) The effect of a MLA/ SFE Cattle Futures contract ("the Contract") is that the parties will make an adjustment between them at a specified future time (hereinafter referred to as "the Cash Settlement Day") according to whether a Cash Settlement Price is greater or less than the price at the time of the making of the Contract, the difference being determined in accordance with these By-Laws.

**Contract Value**

- MLA.2
- (a) The value or worth of a Contract at the time of making that contract (hereinafter referred to as "the Contract Value") shall be the price agreed to by the parties at that time and multiplied by five thousand (5,000) or as determined by the Exchange and expressed as Australian dollars.
  - (b) The value or worth of a Contract on the Cash Settlement Day thereunder ("the Cash Settlement Value") shall be the value of the Indicator expressed as Australian dollars quoted by SFE Clearing for that Cash Settlement Day (to the nearest quarter of a cent per kilogram) multiplied by five thousand (5,000) and expressed as Australian dollars.

**Cash Settlement Price**

- MLA.3
- (a) For each Cash Settlement Day SFE Clearing shall declare the numerical value of the Indicator, which shall be the Cash Settlement Price. This Cash Settlement Price shall be accepted as final.
  - (b) The Cash Settlement Price referred to in By-Law MLA.3(a) shall be the closing quotation of the Indicator on the third Tuesday in the Contract Settlement Month and shall be calculated to the nearest quarter of a cent. For this purpose the closing quotation on the last day of trading shall be the official quotation provided by NLRS by notice In Writing to the Exchange (with, unless otherwise agreed by all parties, a copy of the notice being forwarded to SFE Clearing) by 12.00 noon on the Business Day following the third Tuesday in the Cash Settlement Month.
  - (c) Without prejudice to General By-Law G.33 the Exchange and SFE Clearing shall be entitled to regard the figure received from MLA so provided as being conclusive evidence of the adjusted quotation. In the event of a failure by the Exchange, or SFE Clearing, or MLA or any entity on behalf of those parties, to provide or obtain the relevant information necessary for calculating the Cash Settlement Price or any inaccuracies created before or during the calculation or in the transmission thereof shall not lead to a party having any claim whatsoever against MLA, the Exchange or SFE Clearing, and the provisions of By-Law MLA.10 and MLA.14 shall apply. For the purposes of this paragraph, MLA.3(c), MLA shall mean Meat & Livestock Australia Limited or its duly authorised agent.
  - (d) If in the opinion of the Board of the Exchange or SFE Clearing a situation is developing or has developed which is capable of preventing SFE Clearing from declaring a Cash Settlement Price in accordance with By-Laws MLA.3(a) and MLA.3(b), SFE Clearing in consultation with the Board may take any steps as it deems necessary in the circumstances to correct such a situation so as to enable it to declare a Cash Settlement Price and may give direction to Participants accordingly. Any provision of these By-Laws which cannot be complied with until the price has been declared shall be complied with as soon as possible after it has been declared.

Any decisions taken by SFE Clearing under MLA.3 shall subject to MLA.14, be final.

- (e) Subject to the operation of General By-Law G.33, the numerical value of the Indicator as declared by SFE Clearing on the Business Day following the last day of trading or as otherwise declared pursuant to MLA.9, shall be accepted as final.

### **Cash Settlement Day**

- MLA.4
  - (a) The "Cash Settlement Day" of the Contract shall be the second Business Day following the third Tuesday in a Cash Settlement Month (as defined in MLA.7) or such other day as determined by the Exchange.
  - (b) On the Cash Settlement Day, the obligations of the parties to each Contract are as follows:
    - (i) If the Contract Value is less than the Cash Settlement Value the Seller shall be liable to pay the difference between that Contract Value and the Cash Settlement Value.
    - (ii) If the Contract Value is greater than the Cash Settlement Value the Buyer shall be liable to pay the difference between that Contract Value and the Cash Settlement Value.
  - (c) On the Cash Settlement Day of a Contract, the rights of the parties to each Contract are as follows:
    - (i) If the Contract Value is less than the Cash Settlement Value the Buyer shall be entitled to receive the difference between that Contract Value and the Cash Settlement Value.
    - (ii) If the Contract Value is greater than the Cash Settlement Value the Seller shall be entitled to receive the difference between that Contract Value and the Cash Settlement Value.

- MLA.5
  - On the Cash Settlement Day of a Contract, the obligations of the parties to the Contract shall be satisfied by cash settlement in the following way:
    - (a) Sellers shall, by no later than the time stipulated by SFE Clearing on that day, pay to or receive from SFE Clearing (whichever is applicable) the amount representing the difference between Contract Value and the Cash Settlement Value.
    - (b) Buyers shall, by no later than the time stipulated on that day, pay to or receive from SFE Clearing (whichever is applicable) the amount representing the difference between Contract Value and the Cash Settlement Value.

### **Hours of Trading**

- MLA.6
  - The hours for trading in the MLA/ SFE Cattle Futures Contracts shall be determined by the Exchange.

### **Cash Settlement Months**

- MLA.7
  - Trading shall be conducted for cash settlement in any eighteen (18) month period as set out in the attached schedule and the term "Cash Settlement Month" shall refer to the calendar month in which cash settlement is to take place or takes place.

### **Price Quotations**

- MLA.8
  - Prices shall be quoted in multiples of Australian dollars per kilogram of dressed weight equivalent of young cattle in any number, or fraction of a number, of the Indicator, as determined by the Exchange from time to time.

### **Final Trading Day**

- MLA.9 The last permitted day for trading in a Cash Settlement Month shall be the Business Day following the third Tuesday of the contract month or such other day as the Exchange may determine prior to the listing of that Cash Settlement Month.

### **Default**

- MLA.10 A Buyer or Seller who does not settle with SFE Clearing as provided in these By-Laws shall be considered to have defaulted.
- MLA.11 In the event of default at cash settlement on the part of a Client to a Participant, such Full Participant or Associate Participant shall, unless the Participant is in default under MLA.4, have the right of closing out any transaction entered into in any Market by such Full Participant or Associate Participant on behalf of the Client without further notice and without in any way prejudicing any other legal action for recovery which the Full Participant or Associate Participant may take or have taken.

### **Documents**

- MLA.12 Documents must be taken up and given by Clearing Participants without prejudice to and regardless of any question in Dispute and such questions shall be referred to arbitration. All differences, interest and all other charges are for prompt settlement.

### **Undesirable Situations or Practices**

- MLA.13 In the event that an undesirable situation within the meaning of General By-Law G.33 is developing or has developed in relation to Futures Contracts, the provisions set out in that By-Law shall apply.

### **Interpretation**

- MLA.14 In order to give effect to the provisions of these By-Laws and the provisions of the General By-Laws of the Exchange when these By-Laws are read in conjunction with the General By-Laws of the Exchange, the words "cash settlement", where appearing in these By-Laws shall be deemed to be delivery for the purposes of the General By-Laws, and the words "cash settlement month" where appearing in these By-Laws shall be deemed to be a delivery month for the purposes of the General By-Laws.

**Schedule of Months Quoted Referred to in By-Law MLA.7**

| During the Month of | 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                 | x |   | x |   | x |   | x |   | x |   | x |   | x |   | X |   | x |   | (x) |   |     |   |     |   |     |   |     |   |     |
| FEB                 |   |   | x |   | x |   | x |   | x |   | x |   | x |   | X |   | x |   | x   |   |     |   |     |   |     |   |     |   |     |
| MAR                 |   |   | x |   | x |   | x |   | x |   | x |   | x |   | X |   | x |   | x   |   | (x) |   |     |   |     |   |     |   |     |
| APRIL               |   |   |   |   | x |   | x |   | x |   | x |   | x |   | X |   | x |   | x   |   | x   |   |     |   |     |   |     |   |     |
| MAY                 |   |   |   |   | x |   | x |   | x |   | x |   | x |   | X |   | x |   | x   |   | x   |   | (x) |   |     |   |     |   |     |
| JUNE                |   |   |   |   |   |   | x |   | x |   | x |   | x |   | X |   | x |   | x   |   | x   |   | x   |   |     |   |     |   |     |
| JULY                |   |   |   |   |   |   | x |   | x |   | x |   | x |   | X |   | x |   | x   |   | x   |   | x   |   | (x) |   |     |   |     |
| AUG                 |   |   |   |   |   |   |   |   | x |   | x |   | x |   | X |   | x |   | x   |   | x   |   | x   |   | x   |   |     |   |     |
| SEPT                |   |   |   |   |   |   |   |   | x |   | x |   | x |   | X |   | x |   | x   |   | x   |   | x   |   | x   |   | (x) |   |     |
| OCT                 |   |   |   |   |   |   |   |   |   |   | x |   | x |   | X |   | x |   | x   |   | x   |   | x   |   | x   |   | x   |   |     |
| NOV                 |   |   |   |   |   |   |   |   |   |   | x |   | x |   | X |   | x |   | x   |   | x   |   | x   |   | x   |   | x   |   | (x) |
| DEC                 |   |   |   |   |   |   |   |   |   |   |   |   | x |   | X |   | 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 business day following the last day of trading in spot month, those marked “(x)” will commence trading. For example: in May, the officially quoted forward months will be: in the current year, May, July, September November; in the following year, January, March, May, July, September; and from the day following the last day of trading in spot month (that is, May in this example), November.