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FURTHER INFORMATION REGARDING THE MEMORANDUM OF UNDERSTANDING BETWEEN SFE AND NECA

On 29 August 2002, SFE announced the signing of a Memorandum of Understanding (MOU) with the National Electricity Code Administrator (NECA) regarding the exchange of expertise and co-operation in market surveillance activities. SFE has received a number of queries regarding monitoring of futures trading, the extent of the agreement with NECA and its implications for the transfer of information. This bulletin clarifies the queries raised, including the nature of the MOU and the strict limits on the transfer of any confidential information.

Anonymity of Futures Trading

Market users can be assured that trading on SFE's markets is anonymous, in that the identity of the client executing a trade is not publicly available information. Accordingly, market users can participate in the market without their competitors or other market users being aware of their trading activity.

MOU with NECA

Broadly, the MOU with NECA provides for the exchange of general electricity market information. The main objective is to assist both groups in fulfilling their respective roles, which will ultimately assist further enhancement and development of Australia's electricity market.

It is SFE's policy to seek to enter into MOUs with regulatory bodies in relevant physical markets where it may assist in the performance of SFE's front-line regulatory role, in particular SFE's overriding obligation to maintain a fair, orderly and transparent market. Whilst such MOUs may also provide for the exchange of specific or confidential trade information, such instances are rare and are strictly governed by statutory and regulatory confidentiality requirements.

Potential Exchange of Confidential Information

To fulfil its regulatory obligations, prescribed departments within SFE may access and monitor daily information relating to detailed allocations and holdings of end users across all contracts in the market. This information is highly confidential and its access and use is governed by SFE's Operating Rules and strict internal management procedures.

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

Consistent with this regulatory obligation, the MOU with NECA provides, where necessary, a mechanism for the provision of information relating to specific enquiries or market issues. It is important to note that this exchange of information would only occur in accordance with the strict confidentiality provisions that are applicable to each group. Further, confidential information held by SFE relating to specific instances of trading would only be provided to NECA where it is has been clearly established as necessary for regulatory purposes and within NECA's jurisdiction.

Should you have any further queries in relation to this matter please contact Mark Floyd at mfloyd@sfe.com.au or on (02) 9256 0477.

A handwritten signature in blue ink that reads "M Floyd". The signature is written in a cursive style with a horizontal line underlining the name.

Mark Floyd
Manager, Compliance and Surveillance

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