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AMENDMENTS TO OPERATING RULES OF SYDNEY FUTURES EXCHANGE LIMITED

This Bulletin deals with amendments to the Operating Rules of Sydney Futures Exchange Limited (SFE):

- to make an amendment to Trading Rule TR.17.1(c)(vi) so that it reads (deletion highlighted):
“No Participant or SYCOM® Trader shall seek to avoid trading with other parties with the ~~express~~ intent to cross.”
- and
- to remove all references to Registered Representatives (as set out in the Annexure).

Registered Representatives

The removal of all references to Registered Representatives and Registered Representatives (Managed Discretionary Accounts) from SFE's Operating Rules means that the concept of registered representative will be completely removed and Participants will no longer be required to have their client advisers approved by SFE as registered representatives. **SFE will terminate all existing registrations without the need for Participants to lodge notices of termination, and no further applications for approval as a registered representative should be lodged.**

The SFE Registered Representative regime was initially introduced to provide training requirements and to set a standard of educational quality for Participants' employees in the futures industry at a time when no other organisation offered an alternative facility. This regime is no longer necessary having regard to the current availability of educational training courses and facilities. In addition the responsibilities of licensed Participants in relation to their employees has shifted under the Financial Services Reform (FSR) provisions of the Corporations Act from market operators (SFE) to Participants. Participants must ensure that their employees:

- are fully aware of their duties and the limits of their authority;
- are adequately trained and are competent to provide financial services;
- are properly supervised and monitored; and
- maintain the competence to provide financial services.

Participants who provide advice to retail clients are required to comply with the minimum training standards set out in ASIC's Practice Note 146.

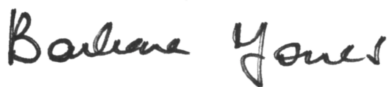
S F E B U L L E T I N C O N T I N U E D

Participants should note that these rule changes will not diminish SFE's right to take disciplinary action against Participants and their representatives/employees/officers where the activities of those individuals who are in breach of the Operating Rules.

In summary:

1. *in General By-Law 1.1 the definition of Registered Representatives and associated references has been deleted and definition of representative amended.*
2. *General By Law 3.16(z) has been deleted as it is no longer required in view of Policy Statement 146: (Licensing & Training of Financial Product Advisers) and the provisions contained in Part 7.6 of the Corporations Act 2001 (Cwlth).*
3. *General By Law G.3.16(aa) has been deleted as no longer required in view of the new regulatory provisions and Policy Statement 146. SFE pursuant to TR 4.5 approves SYCOM Traders.*
4. *General By-Law 8 which dealt with Registered Representatives, has been deleted in its entirety as it is no longer necessary.*
5. *The reference to Registered Representative in G.11.2 deleted as it is no longer necessary.*
6. *Power to terminate or suspend the registration of a representative in G.11 deleted, as it is no longer required (and remaining sub-paragraphs have been renumbered).*
7. *Reference to 'Registered' in G.12.50 deleted.*
8. *References to Registered Representative in G.52 and G.65 have been deleted. (Current ASIC Policy Statement 146 and legislative requirements impose obligations on the Licensee to ensure adequate training of Representatives, employees and Authorised Representatives).*
9. *24th Schedule has been amended to remove the word "Registered".*

Should you have any queries please contact Ms Patricia Gillian on 9256-0661 or pgilligan@sfe.com.au



Barbara Jones
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Amendments to the Operating Rules of Sydney Futures Exchange Limited as indicated (additions underlined, deletions ~~lined through~~), to remove references to Registered Representatives

G.1 INTERPRETATION

Registered Representative	Any person who has been approved as a Registered Representative in accordance with these General By Laws or the constitution of the Exchange in force prior to the Adoption Date, and whose registration has not been terminated.
Representative	<u>In respect of a Participant, a SYCOM® Trader, <u>Officer</u> or other <u>representative</u>. <u>A representative shall include a person who has been engaged or is otherwise subject to an agreement or understanding, whereby that person will advise, or solicit instructions from other persons, or trade on the Participant's behalf in relation to dealings in Futures Contracts or Option Contracts.</u></u>

G.3.16 Subject to General By-Law G.3.17 it shall be the responsibility of each Full Participant:

~~(z) Other than a Proprietary Full Participant, subject to General By Law G.3.16 (aa), to ensure that any Director, partner, employee, representative of the Participant who advises, or solicits instructions from, persons or corporations in relation to the sale or purchase of Futures or Options Contracts is registered with the Exchange as a Registered Representative at the time of engaging in such activities and where the Registered Representative is approved under General By Laws G.8.5 or G.8.9 that such activities are within the restrictions or conditions imposed under those General By Laws~~

~~(aa) Where the Full Participant accesses SYCOM® pursuant to TR.4.3, any Officer or Representative duly authorised by the Full Participant, is not required to be registered with the Exchange as a Registered Representative where the Full Participant can must demonstrate to the satisfaction of the Business Conduct Committee that the Officer or Representative is regulated within the relevant offshore jurisdiction to a standard equivalent to that applying to Registered Representatives within that jurisdiction.~~

G.8 REGISTERED REPRESENTATIVES

Applications for Registration as Registered Representatives

G.8.1 Applications for registration as Registered Representatives shall be made to the Exchange by Full Participants, Associate Participants and Local Participants on behalf of persons seeking registration.

G.8.2 Such applications shall be in a form approved by the Exchange and shall be accompanied by an application fee determined by the Exchange. The application fee shall not be refundable.

G.8.3 The Exchange may call for such further information and evidence as it considers necessary to establish the probity, experience, integrity and character of the person seeking registration.

G.8.4 The Exchange shall deal with an application as expeditiously as possible and prior to the Exchange approving an application:

- (a) the Exchange shall satisfy itself that the person has been a Director, partner or employee of the Participant for a continuous period of not less than three (3) months immediately prior to the date of application or, where the application is made by an Associate Participant on his own behalf that he has been a Participant for such a period; and
- (b) the person seeking registration shall perform to the satisfaction of the Exchange in a written examination of a form approved by the Exchange.

~~PROVIDED THAT the Exchange may dispense with condition (a) of this General By Law where evidence satisfactory to it of equivalent experience is submitted.~~

G.8.5 The Exchange may at its absolute discretion approve an application on a restricted basis.

G.8.6 Restrictions which the Exchange may impose include restrictions that the Registered Representative may act as a Registered Representative:

- (a) in specified contracts only;
- (b) in specified Markets only;

(c) — for specified Clients or classes of Clients only; and

(d) — for a specified Participant or Participants;

and where the Exchange grants registration on a restricted basis, such restrictions or any part thereof may at any time be removed by the Exchange.

G.8.7 — Notwithstanding that the person seeking registration may have satisfied the conditions of General By Law G.8.4, the Exchange may in its absolute discretion approve an application on a provisional basis.

G.8.8 — Where the Exchange is satisfied that a person seeking registration has qualifications or experience, other than that contained in General By Law G.8.4, which in the opinion of the Exchange would make the person suitable for registration, the Exchange may in its absolute discretion approve an application on a provisional basis.

G.8.9 — In approving registration on a provisional basis, the Exchange may impose such conditions as it sees fit. No person shall be granted provisional registration for a period greater than twelve (12) months and upon expiration of the period of the provisional registration the person shall either be granted registration (and in the case where provisional registration was granted under General By Law G.8.8, without otherwise being required to satisfy the conditions of General By Law G.8.4), or his provisional registration shall be terminated.

G.8.10 — During the period of provisional registration, the Exchange may call upon the Participant making the application to supply such further information or evidence as the Exchange considers necessary in determining whether or not registration should be granted or provisional registration should be terminated.

G.8.11 — If an application for registration as a Registered Representative is approved by the Exchange the person seeking registration and the Participant shall be notified In Writing by the Exchange.

Registration as a Registered Representative (Managed Discretionary Accounts)

G.8.12 — Applications for registration as Registered Representatives (Managed Discretionary Accounts) may be made by Full Participants, Associate Participants and Local Participants on behalf of persons who:

(a) — are currently Registered Representatives of the Participant making the application;

(b) — have been Registered Representatives for one (1) or more Participants for not less than two (2) years within the period of five (5) years prior to the date of the lodgement of such application with the Exchange;

(c) — have been actively employed in the futures industry for not less than three (3) years within the period of five (5) years prior to the date of the lodgement of such application with the Exchange;

(d) — the Participant certifies are fit and proper persons to manage Managed Discretionary Accounts; and

(e) — if registered as a Registered Representative (Managed Discretionary Accounts) will be appointed to manage Managed Discretionary Accounts conducted by the Participant.

PROVIDED ALWAYS that the Exchange may in its absolute discretion and upon such conditions as it determines from time to time waive the requirements contained in paragraphs (b) and (c) above.

G.8.13 — Such applications shall be in a form approved by the Exchange and shall be accompanied by an application fee determined by the Exchange. The application fee shall not be refundable.

G.8.14 — The application shall be accompanied by all relevant information and evidence necessary to establish, to the Exchange's satisfaction, the experience and expertise of the person seeking registration to demonstrate the person's ability to manage funds and an appropriate awareness of the responsibilities arising therefrom. The Exchange may call for any information and evidence as it considers necessary to establish the financial experience and probity, trading experience (including information regarding the person's ability to manage funds for clients for their own account or for a proprietary account), business integrity and character of the person seeking registration.

G.8.15 — In considering the application for registration, the Exchange shall have particular regard to the level of experience and expertise of the person seeking registration, in the managing of funds, and their awareness of the responsibilities arising from managing funds on behalf of others. If the person seeking registration is unable to establish to the Exchange's satisfaction that he or she has the required level of experience or expertise and the appropriate understanding of those responsibilities, the Exchange shall reject the application.

G.8.16 — If an application for registration as a Registered Representative (Managed Discretionary Accounts) is approved by the Exchange, the person seeking registration and the Participant shall be notified In Writing by the Exchange.

Commodity Trading Adviser Representative

G.8.17 — A Registered Representative (Managed Discretionary Accounts) who is acting as a representative of a Commodity Trading Adviser Associate shall be known as and shall be entitled to be described as a Commodity Trading Adviser Representative or CTA Representative.

- G.8.18 A Registered Representative (Managed Discretionary Accounts) who is employed by a Participant which is entitled to act for Clients and which holds a Futures Brokers licence may be described as a Commodity Trading Adviser Representative or CTA Representative, subject to:
- (a) the approval of the Exchange on the application of the Participant; and
 - (b) the representative only acting in relation to that part of the Participant's business which is carried on as if the Participant was a CTA Participant.

Where an approval under paragraph G.8.18(a) is granted, the Participant shall ensure that paragraph G.8.18(b) is complied with and that the Participant complies with the Business Rules in relation to the relevant part of its business as if it were a CTA Participant (other than General By Laws G.4.28, G.4.29 and G.4.30), and in particular shall not receive fees, commission or brokerage, by whatever name called from Clients or a broker or other entity, based on the number of trades which the CTA Representative causes to be executed on behalf of a Client.

Rejection of Application or Termination of Registration

G.8.19 The Exchange may in its absolute discretion reject an application for registration as a Registered Representative, or a Registered Representative (Managed Discretionary Accounts), or the Board may in its absolute discretion terminate a person's registration as Registered Representative or Registered Representative (Managed Discretionary Accounts) where:

- (a) the person has been involved in any proceedings before the Board, BCC or MPC as a result of which there has been a finding that a Participant or the person has been guilty of a breach of the Business Rules; or
- (b) the person has within a period of five (5) years previously been declared bankrupt or has been convicted of offences referred to in Section 206B of the Corporations Law; or
- (c) the person has been disciplined by the Board of the Exchange in accordance with Section TR 6.5(b) and TR 8 of the Trading Rules; or
- (d) the Exchange is of the view that the person's previous conduct is such that it would not be in the interests of the Exchange and its Participants for approval to be granted or for the registration to continue; or
- (e) the Exchange is of the view that the application and any supporting information or evidence contains or contained a materially false statement; or
- (f) the Exchange is of the view that the person is not a fit or proper person to be or to continue to be a Registered Representative or Registered Representative (Managed Discretionary Accounts); or
- (g) the person has breached the restrictions or provisions imposed by the Exchange pursuant to General By Law G.8.6 or G.8.9; or
- (h) where the Exchange is considering an application for registration, the Exchange is not satisfied that an applicant for registration as a Registered Representative (Managed Discretionary Accounts) has the required level of experience or expertise or an appropriate understanding of the responsibilities arising from managing funds on behalf of others, and where the Exchange is considering termination of a Registered Representative (Managed Discretionary Accounts) the registered person does not have the required level of experience or expertise or an appropriate understanding of the responsibilities arising from managing funds on behalf of others.

G.8.20 Where the Exchange or the Board takes action under General By Law G.8.19 the Exchange shall cause written notice of such action together with reasons for the Exchange's or the Board's decision to be sent to the Participant and to the registered person or the person on whose behalf the application was made.

G.8.21 Before action is taken by the Board to terminate a registration under General By Law G.8.19 the Board shall give the Participant an opportunity to make submissions to the Board.

G.8.22 The registration of a Registered Representative may be terminated:

- (a) whether or not any conduct or matter giving rise to the termination occurred while the Registered Representative was registered as a representative of that or of a different Participant; or
- (b) while the Registered Representative was acting on behalf of a Participant in any other capacity; or
- (c) prior to any such registration or prior to acting in any such capacity.

Cessation of Registration

G.8.23 A Participant (referred to in General By Law G.8.25 as "the outgoing Participant") shall immediately notify the Exchange In Writing where a Registered Representative or Registered Representative (Managed Discretionary Accounts) is no longer a Director, partner, employee or representative of the Participant as the case may be and whether the Participant has any objection to the person becoming a Registered Representative for another Participant, or in the case of a Registered Representative (Managed Discretionary Accounts) ceases (except for temporary interruptions) to manage Managed Discretionary Accounts.

- ~~G.8.24 Registration of a person as a Registered Representative or Registered Representative (Managed Discretionary Accounts) shall be terminated immediately where:~~
- ~~(a) the person ceases to be a Director, partner or employee of the Participant on whose behalf his application was made; or~~
 - ~~(b) the Participant status and rights of the Participant in respect of which the person is a Director, partner or employee are terminated; or~~
 - ~~(c) in the case of a Registered Representative (Managed Discretionary Accounts), the person ceases (except for temporary interruptions) to manage Managed Discretionary Accounts; or~~
 - ~~(d) in the case of an Associate Participant who is a Registered Representative or Registered Representative (Managed Discretionary Accounts) on his own behalf, upon the suspension or termination of his Participant status and rights.~~

- ~~G.8.25 Where a Participant makes application for registration as a Registered Representative on behalf of a person who was previously a Registered Representative or Registered Representative (Managed Discretionary Accounts) (other than a Registered Representative approved by the Exchange under General By Law G.8.5) whose registration was terminated under sub clause (b) hereof within a period of twelve (12) months prior to the new application the Exchange may in its absolute discretion approve the application without applying the conditions of General By Laws G.8.1 to G.8.11 PROVIDED HOWEVER that such application shall not be approved:~~
- ~~(a) until the Exchange has received notification, pursuant to General By Law G.8.23, that the outgoing Participant has no objection to the person becoming a Registered Representative for another Participant; or~~
 - ~~(b) unless the Exchange is satisfied that any such objection is not sufficient to prevent the transfer from proceeding; or~~
 - ~~(c) until a period of two (2) weeks has elapsed from the date the Registered Representative ceased acting for the outgoing Participant; or~~
 - ~~(d) until any fines that may be imposed on that person pursuant to the Business Rules are paid.~~

~~The Exchange may delegate to the Chief Executive and/or to one or more members of staff the power set out in General By Law G.8.25(b) above but such delegation shall not preclude the Exchange from itself exercising the powers so delegated. A person to whom any powers have been delegated shall exercise those powers in accordance with any guidelines issued by the Exchange, and the powers so exercised shall be deemed to have been exercised by the Exchange. A delegate shall not be obliged to exercise such delegated powers and may elect to refer any matter to the Exchange for decision.~~

Nature of Registration

- ~~G.8.26 For the purposes of clarification, and notwithstanding any other provision of the Business Rules:~~
- ~~(a) the registration of a person as a Registered Representative or Registered Representative (Managed Discretionary Accounts) or CTA Representative shall constitute the registration by the Exchange on the application of a Participant of that person's registration as a representative of the Participant; and~~
 - ~~(b) such registration shall not constitute the grant of any personal right, power, entitlement or privilege by the Exchange to that person.~~

G.11.2 In this General By-Law G.11 the words and expressions in the first column hereunder shall bear the meaning set out in the second column.

<u>Word or Expression</u>	<u>Meanings</u>
Representative	Registered Representative, SYCOM® Trader, <u>Officer</u> or other representative. For the purpose of this provision a representative shall include a person who has been engaged, or is otherwise subject to an agreement, arrangement or understanding, whereby that person will advise, or solicit instructions from, other persons, or trade on a Participant's behalf in relation to Dealings In Futures or Options Contracts.

General Disciplinary Powers of Board, BCC and MPC

G.11.36 Where the Board, BCC or MPC is, whether upon reference to it under the Business Rules or on its own motion or otherwise, satisfied that a Participant, officer or representative of a Participant has been guilty of a breach or breaches of the Business Rules or other misconduct or has made a materially false or misleading statement in the course of an application for Participant status or registration relating to the Participant or person, the Board, BCC or MPC, as the case may be, shall have the following powers:

- (a) in the case of the Board to terminate the Participant status and rights of any Participant;
- (b) to fine a Participant up to two hundred and fifty thousand dollars (\$250,000) (or in the case of the BCC or MPC, twenty-five thousand dollars (\$25,000)) for a breach of the Business Rules;
- (c) to suspend a Participant, in the case of the Board, for a period of not more than six (6) months, or in the case of the BCC, three (3) months (exclusive of any period of interim suspension);
- (d) to reprimand a Participant or a person who is an officer or a representative of a Participant;
- ~~(e) to terminate, or suspend for a period of not more than two (2) years, the registration of a representative;~~
- ~~(f)(e)~~ to fine an officer or representative an amount not exceeding fifty thousand dollars (\$50,000) (or in the case of the BCC or MPC, ten thousand dollars (\$10,000)) for each breach of the Business Rules;
- ~~(g)(f)~~ to direct that an officer or representative not be concerned in the futures business of any Participant or a particular Participant or Participants, for a period not exceeding two (2) years;
- ~~(h)(g)~~ to bring a matter to a Participant's, officer's or representative's notice, or to the notice of the relevant Participant in the case of an officer or representative;
- ~~(i)(h)~~ to impose conditions in relation to any actions taken under this General By-Law G.11 or in relation to the future conduct of a Participant (including measures to ensure future compliance), officer or representative or otherwise to direct that a Participant, officer or representative desist from specified conduct, and give directions in relation to Open Positions; and
- ~~(j)(i)~~ in the case of the BCC or MPC, to refer the question of penalty to the Board (or in the case of the MPC, to the BCC) in accordance with its powers with or without a recommendation as to the nature of any penalty or action which the BCC or MPC considers appropriate. In determining any such penalty the Board or BCC, as the case may be, shall be entitled but is not obliged to rely upon any finding made by the BCC or MPC, as the case may be, under this General By-Law G.11.

G.11.62 Subject to any express provision of the Business Rules, failure by ~~an individual~~ a Representative to pay a fine within the time specified shall result in a direction being made to that Representative ~~in immediate suspension,~~ without reference to the Board, BCC or MPC, in relation to the future conduct of the ~~individual's registrations as Registered Representative,~~ including a direction that the Representative not be concerned in a Participant's futures business ~~or SYCOM® Trader and right to trade on the Exchange's Markets,~~ until payment of the fine.

Arbitrator's Report

- G.12.50 An Arbitrator who has conducted the hearing of an arbitrations shall within fourteen (14) days after the termination of the arbitration hearing provide the Arbitration Administrator with a written report which shall contain:
- (e) a report to the Business Conduct Committee as to the evidence before the Arbitrator at the arbitration hearing as to the behaviour of any Participant who was a party to or a witness before the arbitration, or whose affairs were dealt with in evidence at the arbitration hearing, or the behaviour of any ~~Registered Representative, SYCOM® Trader, Trainee, employee, consultant, agent or other representative of that Participant where the Arbitrator is of the opinion that further investigation of the affairs of that Participant or his Representative by that Committee would be justified.~~

MANAGED DISCRETIONARY ACCOUNTS

- G.52(d) Where a Participant operates a Managed Discretionary Account on behalf of a Client the Participant shall:
- ~~(i) Ensure that only persons who have been approved as a Registered Representative (Managed Discretionary Accounts) under G.8 at the request of that Participant shall exercise discretion in respect of that account.~~
 - ~~(ii) Appoint a Director, partner or senior employee or more than one such person as designated officer(s) to supervise the Registered Representative (Managed Discretionary Accounts).~~
 - ~~(iii) Ensure that all orders prepared on behalf of Managed Discretionary Accounts are approved as soon as practicable by a designated officer as referred to in paragraph (ii).~~
- ~~PROVIDED ALWAYS that the Business Conduct Committee may in its sole discretion and upon such conditions as it determines from time to time, exempt a Participant from compliance with the requirements of paragraphs (ii) and (iii) above, where because of the nature of the business of the Participant and the limited number of staff employed by the Participant it would be impracticable to comply with such requirements.~~

- G.62(vi) A full and complete record of each exercise of the discretionary authority showing the name of the Client, the details of the Futures Contract, the date and time of the transaction being effected, and the name of the ~~Registered Representative (Managed Discretionary Accounts)~~ placing the order.

DISCRETIONARY ACCOUNTS

G.65 (a) A Participant shall not operate a Discretionary Account on behalf of a Client unless properly authorised In Writing so to do in accordance with the minimum particulars as set out in the relevant section of Part B of the First Schedule hereto.

(b) Where a Participant operates a Discretionary Account on behalf of a Client the Participant shall:

~~(i) ensure that only persons who have been approved as Registered Representatives under G.8 at the request of that Participant shall exercise discretion in respect of that account; and~~

~~(i)(ii)~~ maintain a full and complete record of each exercise of the discretionary authority showing the name of the Client, the details of the Futures Contract, the date and time of the transaction being effected and the name of the Registered Representative placing the order. Such records are to be maintained for a period not less than ~~seven (7)~~ five (5) years from the date of exercising the discretionary authority.

TWENTY-FOURTH SCHEDULE

STATEMENTS AND INFORMATION TO BE CONTAINED IN DISCLOSURE DOCUMENTS

Replace all references to 'Registered Representative (Managed Discretionary Accounts)' throughout the Twenty-Fourth Schedule with references to 'Representative (Managed Discretionary Accounts)'.