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

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## NZFOX NZSX 15 INDEX FUTURES (THE 'ZIF') AND EQUITY OPTIONS

The SFE and the New Zealand Exchange (NZX) are pleased to announce that, subject to regulatory approval:

- the NZFOX NZSX 15 index futures (the 'ZIF') will be available for trading from 9.45am New Zealand Time (NZT) on Tuesday **31 August 2004**; and,
- 5 NZFOX equity options products will be available for trading from 9.45am New Zealand Time (NZT) on Tuesday **28 September 2004**.

The first contract month for all contracts shall be December 2004. To assist SFE Participants with their preparations for the listing of these products (which complements SFE Bulletin No 18/04 issued on 8 April 2004) the attachments to this Bulletin highlight the:

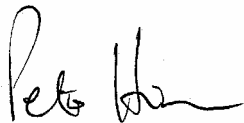
- head-line Exchange fees;
- a summary of data vendor codes;
- a summary of the Exchange's daily settlement process as it relates to the NZFOX Equity Options;
- the Exchange's determinations related to Pre-negotiation Rules and the Block Trading Facility;
- how the Exchange will adjust NZFOX Products for Corporate Actions;
- settlement procedures for the delivery of shares pursuant to the exercise of NZFOX equity options. Note that these settlement procedures differ from those previously published in SFE Bulletin 18/04; and,
- Contract Specifications for NZFOX Equity Options that differ from those published in SFE Bulletin 18/04 with respect to the settlement procedures outlined above.

SFE Bulletin No 18/04 detailed the Initial Margins and SPAN parameters for the NZFOX NZSE 15 index futures and the NZFOX Equity Options together with a description of SPAN margining and worked examples for NZFOX Equity Options. SFE Clearing Participants should note that a delivery margin will apply from the point an equity option is exercised to the point where delivery obligations have been satisfied.

Should you have any queries regarding the introduction of NZFOX equity index futures and equity options please contact:

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## ATTACHMENT 1 – EXCHANGE FEES

<b>Item</b>	<b>Fee (per contract side)</b>
Options contract	NZD \$2.00/contract side (ex GST)
Options delivery fee	NZD \$2.00/contract side (ex GST)
ZIF (NZSX 15 Future)	NZD \$1.50/contract side (ex GST)
ZIF Settlement	NZD \$1.50/contract side (ex GST)

Block Trading and Exchange for Physical (EFP) fees are NZD \$12.50 per deal per side (ex GST).

**ATTACHMENT 2 – SUMMARY OF MARKET DATA VENDOR CODES**

LISTING PLATFORM	NZ PLATFORM	NZ PLATFORM	NZ PLATFORM	NZ PLATFORM	NZ PLATFORM	NZ PLATFORM
COMMODITY CODE	ZI	ZC	ZE	ZF	ZT	ZW
PRODUCT NAME	NZSX 15 Index	Carter Holt Harvey	Contact Energy	Fletcher Building	Telecom NZ	Warehouse Group
	FUTURES	EQUITY OPTION	EQUITY OPTION	EQUITY OPTION	EQUITY OPTION	EQUITY OPTION
TeleCommunication Systems	-	-	-	-	-	-
Bloomberg Bourse Data	ZIA <index> ZI	CAH NZ<equity>OMON ZC	CEN NZ<equity>OMON ZE	FBU NZ<equity>OMON ZF	TEL NZ<equity>OMON ZT	WHS NZ<equity>OMON ZW
CQG Derivatives.com.au	- ZIMMY	- ZCMMYYSSSS(C or P)	- ZEMMYSSSS(C or P)	- ZFMMYYSSSS(C or P)	- ZTMMYYSSSS(C or P)	- ZWMMYYSSSS(C or P)
FT Interactive Data FutureSource	Zlmy NZI	ZCmytypestrike -	ZEmytypestrike -	ZFmytypestrike -	ZTmytypestrike -	ZWmytypestrike -
Infoscan IRESS	- ZI	- ZC	- ZE	- ZF	- ZT	- ZW
MarketCast MarketSource	Zlmy -	ZCmyssss -	ZEmyssss -	ZFmyssss -	ZTmyssss -	ZWmyssss -
Moneyline Telerate Codes Moneyline Telerate Pages	NZ@ZI+ -	NZ@ZC+ -	NZ@ZE+ -	NZ@ZF+ -	NZ@ZT+ -	<a href="#">NZ@ZW+</a> -
Orange Reuters 2000	- 0#NZI:	- 0#CAH*.SF	- 0#CEN*.SF	- 0#FBU*.SF	- 0#TEL*.SF	- 0#WHS*.SF
Comstock - Aspen Comstock - Internet	1mZlmy 1mZlmy	1mZC_my_ssss 1mZC\my\sssss	1mZE_my_ssss 1mZE\my\sssss	1mZF_my_ssss 1mZF\my\sssss	1mZT_my_ssss 1mZT\my\sssss	1mZW_my_sss 1mZW\my\sssss
Telekurs	3,Zlym,359	3,ZCymcstrike,359 3,ZCypstrike,359	3,ZEymcstrike,359 3,ZEypstrike,359	3,ZFymcstrike,359 3,ZFypstrike,359	3,ZTymcstrike,359 3,ZTypstrike,359	3,ZWymcstrike,359 3,ZWypstrike,359
Thomson Financial	ZI	ZC	ZE	ZF	ZT	ZW

### ATTACHMENT 3 – THE SFE’S DAILY SETTLEMENT PROCESS

In determining closing prices for all options, the SFE uses an option pricing model which is based on the internationally recognised Black and Scholes pricing formula. In making its calculations, SFE uses implied volatilities provided by the bids, offers and trades of market participants. These volatilities are then input into the pricing model and daily settlement prices are generated.

The Options Daily Settlement Price Procedures are outlined in SFE’s Operating Rule 1.9.2, which is proposed to be amended to read as follows:

- (a) An Interim Daily Settlement Price shall be calculated by the Exchange for Option Contracts:
  - (i) in the case of Option Contracts over Futures Contracts, following the establishment of the Underlying Futures Contract Daily Settlement Price of the Underlying Futures Contract and having regard to implied volatilities, the Daily Settlement Price of the Underlying Futures Contract, and other relevant factors); and
  - (ii) in the case of Options over an Underlying Physical, having regard to implied volatilities, the price of the Underlying Physical on the underlying market and other relevant factors.
- (b) The Interim Daily Settlement Price shall be displayed on the Trading Platform.
- (c) Option orders that may be included in the calculation of the Interim Daily Settlement Price must be entered into the Trading Platform for a ten (10) minute period immediately prior to the Close.
- (d) Participants shall have five (5) minutes to object to an Interim Daily Settlement Price for Option Contracts as determined pursuant to Rule 1.9.2(a). At least two (2) objections from different Participants need to be received by the Exchange before the matter will be reviewed by the Trading Manager.
- (e) If no objections are received within five (5) minutes the Interim Daily Settlement Price shall become the Daily Settlement Price.
- (f) No attempt may be made to alter the Daily Settlement Price or any component thereof by artificial means.

Please note that:

- In the absence of bids, offers and trades the SFE will use the implied volatility from the previous day’s settlement price together with the settlement price of the underlying security and other relevant factors to generate daily settlement prices. In the absence of trades or eligible bids and offers from which to derive implied volatilities on the first day of trading the SFE will use the ‘starting’ volatility provided by NZX in consultation with market participants.
- The steps involved in determining daily settlement prices for options are as follows:
  - 1) SFE will calculate the daily settlement price for the ATM strike using the implied volatility of the last trade, or the implied volatility of the bid (offer) where it is higher (lower) than the implied volatility of the last trade together with the settlement price of the underlying security and other relevant factors.
  - 2) In the absence of a last trade the implied volatility of the previous settlement price will be used unless the implied volatility of a bid (offer) is higher (lower) than the implied volatility of the previous settlement price – in which case the implied volatility of the bid (offer) will be used.
- The implied volatility of the ATM strike will be used together with the volatility skew to set the volatility levels to be used to calculate daily settlement prices for other strikes. Where the implied volatility of the bid (or offer) is higher (lower) than the volatility generated by the skew then it will be used in the daily settlement process.

## ATTACHMENT 4 - A GUIDE TO PRE NEGOTIATED BUSINESS FOR NZFOX PRODUCTS

The SFE's Pre-negotiated Business Orders Rules provide SFE Participants with the opportunity to facilitate client business in order to obtain the best price for that business at that time. These rules permit SFE Participants (subject to client agreement) to withhold orders, disclose order specific information to prospective counterparties and aggregate orders for entry into the SYCOM® Trading Platform, subject to first issuing a Request for Quote (RFQ) and waiting for a 'Prescribed Time Period'. The requirement to send a RFQ and wait a prescribed time period before entering opposing orders into the Trading Platform is designed to enable other market participants to lodge their best bids and offers and, subject to these orders being competitive, participate in trades that have been pre-negotiated.

The premise behind Pre-Negotiated Business Orders Rules is to give incentive to the originating Broker to obtain counter-parties to a trade, whilst not excluding other market participants from the ultimate trade and to ensure the best price is achieved for counterparties.

### Determinations

Subject to regulatory approval having been given for the new Operating Rules for the new contracts, the Exchange proposes that the NZSX 15 Index futures contracts and NZFOX equity option contracts may be entered into under SFE's Pre-Negotiated Business Orders Rules with the following maximum prescribed time periods and minimum volume thresholds.

Interest Rates	NZSX 15 Index Futures	Individual Equity Options
<b>Prescribed Time Period:</b>		
Futures	30 seconds	-
Equity Options	-	30 seconds
Custom Market Strategies	1 minute	1 minute
<b>Minimum Volume Threshold:</b>	1	1

- A Participant must have written authorisation from its Client(s) allowing it to pre-negotiate business on each Clients behalf; and
- once the prescribed time period has elapsed, the orders must be entered immediately – currently deemed by the Exchange to be no longer than **60 seconds**.

### Trading Procedures

Operating Rule 3.3 deals with Pre-negotiated Business Orders.

- 1 As per Rule 3.3.3 where a Participant receives an instruction from a Client which can be executed as pre-negotiated business, the Participant may:
  - (a) withhold transmission of the instructions in order to solicit orders from Clients and other Participants;
  - (b) disclose details of Clients' instructions; and
  - (c) aggregate orders received from Clients in satisfaction or part satisfaction of the originating Client order.

The Participant may withhold the order from the market, disclose order related information not known to the rest of the market and pre-negotiate an opposing order for execution. An order may of course still be

entered into the market prior to arranging an opposing order, but it is not a requirement when pre-negotiating business.

2. As per Rule 3.3.4 once counterparties have been solicited the Participant(s) must enter the orders on the Trading Platform for execution.
3. As per Rule 3.3.5(a) prior to entering the pre-negotiated orders on the SYCOM Trading Platform for execution in the relevant contract month or strategy, the Participant holding the originating Client order must make an enquiry via the SYCOM Trading Platform Message Facility or via the SYCOM Trading Platform Request For Quote Facility for a market in that contract month or strategy.
4. As per Rules 3.3.5(b) and (c) no pre-negotiated business order shall be entered into the Trading Platform unless the prescribed period has elapsed after the entry of the enquiry.
5. As per Rule 3.3.6:
  - (a) Where the SYCOM Trading Platform Request for Quote Facility is available all requests for quote must be made via that facility.
  - (b) Where a SYCOM Trading Platform Request for Quote Facility is not available, all requests for quote must be made via the SYCOM Trading Platform Message Facility.
6. If an order is not pre-negotiated and a Request for Quote or Message is not sent prior to entry of opposing orders then the Participant must conform to the usual Rules. This includes prohibitions on withholding, disclosure and trading to the exclusion of the market. If Participants are unsure whether orders have been pre-negotiated or not they are encouraged to send a Request for Quote or Message and wait the prescribed period before releasing opposing orders.
7. Following the entry of an enquiry via the SYCOM Trading Platform Message Facility or SYCOM Trading Platform Request for Quote Facility, the pre-negotiated orders must be entered on the Trading Platform for execution immediately after the prescribed period has elapsed. When entering orders after this prescribed period they can be entered simultaneously, for instance, by 'tagging and releasing'.
8. Where a Participant holds opposing orders at a particular price, and a market is made following a Request for Quote or Message that touches or overlaps that specific price, then a Participant must trade with the market even if it means missing out on a cross trade. To hold back execution of a client order that is in market would be inconsistent with client instructions and detrimental to the client's best interests.

9. **Definition of Client**

For the purpose of the Pre-Negotiated Business Facility 'a Client' of a Participant which is a corporation shall include a related body corporate as defined in the Corporations Act or a division of the Participant which is separate from that Participant's futures division.

10. **Client Authorisation**

As per Rule 3.3.8 before entering a pre-negotiated business trade on behalf of a Client, a Participant Trader must be authorised in writing by the Client to do so either specifically or generally.

There is no prescribed format for this authorisation other than that it be in writing (e-mail is acceptable) and that it must state that the client authorises trades to be pre-negotiated on its behalf. This can be a general authorisation and only needs to be done once, and it can also be part of a Client Agreement. The written authorisation should be kept on file.

## ATTACHMENT 5 - A GUIDE TO SFE'S BLOCK TRADING RULES FOR NZFOX PRODUCTS

The Block Trade Facility (BTF) is a trading mechanism available for all NZFOX products. The BTF permits SFE Participants to arrange and execute nominally large transactions on behalf of their clients, via a facility that is separate from the SYCOM® Trading Platform. The BTF is simply an alternative way for market users to transact SFE contracts that exceed a minimum volume threshold.

### Features & Benefits

- **Price certainty** - With a Block Trade you can lock in the price negotiated between two parties. This price may be legitimately different to prices on the SYCOM® Trading Platform. Volume-Weighted-Average-Price (VWAP) trading is also permitted.
- **Execution certainty** - Block Trades will be approved by SFE as long as they occur in prescribed contracts and do not contravene the business rules of the BTF
- **Flexible order arrangement** - Pre-arrangement, disclosure and withholding prohibitions do not apply to orders arranged under BTF rules. Facilitating Participants therefore have maximum flexibility to execute large orders.
- **Extended disclosure period** - Block Trades are disclosed to the market by the Exchange at 9:15am (NZ time) on the following business morning. This allows Participants facilitating Block Trades as principal to unwind their risk prior to the market reacting to the large trade
- **Extended trading hours** - Block Trades may be transacted up to ten minutes after the regular Trading Session for the product is closed. This is a practical consideration to allow Block Trades to occur that are conditional upon a closing futures price; for example, a market-on-close order.

### Determinations

Subject to regulatory approval having been given for the new Operating Rules for the new contracts the Exchange proposes that the Block Trading Facility will be available for NZFOX equity options and NZSX 15 Index Futures as follows:

CONTRACTS	NZSX 15 INDEX FUTURES CONTRACT – THE 'ZIF'	NZFOX EQUITY OPTIONS
MINIMUM VOLUME THRESHOLD	35 lots	300 lots
CHANGE OF SPOT MONTH (DAYS PRIOR TO EXPIRY)	N/A	N/A
MINIMUM TRADING INCREMENT	One Index point	0.5 cents per share
LAST TRADING DAY	Block Trades may be executed up to and including the Last Trading Day.	Block Trades may be executed up to and including the Last Trading Day.

### Trading Procedures

Operating Rule 3.4 deals with Block Trading

- 1 As per Rule 3.4.3 where a Participant receives a Block Trade Order from a Client, the Participant may:
  - (a) solicit counterparties to the Block Trade Order amongst other Participants;
  - (b) withhold transmission of the Block Trade Order in order to solicit those counterparties;



- (c) disclose those details of the Block Trade Order as authorised by the Clients; and
- (d) aggregate orders where each order is greater than or equal to the Minimum Volume Threshold for that contract.

2 As per Rule 3.4.6 Participants to a Block Trade:

- (a) shall communicate the agreed terms of the Block Trade Order immediately to the Exchange;
- (b) must each complete the attached Block Trade Facility Registration Form and submit the form to the Exchange for validation-within five (5) minutes of the time at which the Block Trade Order was agreed. The time limit for the submission of the Block Trade Facility Registration Form or such other notification to the Exchange commences as soon as the agreed terms of the Block Trade Order are communicated to the Exchange. The Exchange may grant an extension of time beyond five (5) minutes but the Exchange is under no obligation to grant such an extension.

3 The Exchange will assess the validity of the details recorded on the Block Trade Facility Registration Form or such other notification as prescribed by the Exchange. When the Exchange is satisfied that the details recorded are valid and complete, then the Exchange will confirm the execution of the Block Trade.

4. The Exchange is under no obligation to accept record details where:

- (a) the information cannot be readily and properly validated; and
- (b) the proposed price of the Block Trade varies significantly, as assessed by the Exchange, from the price at which trades are being effected on the SYCOM Trading Platform at the time that the record details are lodged.

5. Any Block Trade which is not executed in accordance with Rule 3.4 shall be invalid. The decision of the Exchange as to the invalidity of a Block Trade shall be final. The Exchange shall notify the effected Participants of that decision and send a message to the market identifying the Block Trade concerned.

6. Details of all Block Trades validated and confirmed by the Exchange shall be published by the Exchange to Participants. The details published to Participants will include the commodity, quantity, time, expiry month(s) and price of each Block Trade.

7. The original completed Block Trade Facility Registration Form(s) or such other notification as prescribed by the Exchange will be retained by the Participant(s) to a Block Trade Order and a copy of the completed, validated and confirmed Block Trade Facility Registration Form or such other notification as prescribed by the Exchange will be retained by the Exchange.

8. Confirmation by the Exchange of the execution of a Block Trade does not preclude the Exchange from taking disciplinary action in the event that the Block Trade is found to be other than in compliance with the Operating Rules.

9. Where counterparties have been solicited pursuant to Rule 3.4 and the Block Trade Order remains unfilled, then the Block Trade Order may revert to a Permitted Order as described in Rule 3.1.3 and can be executed by the Participant on the SYCOM Trading Platform in accordance with the Client's instructions.

The Block Trade Facility Registration Form can be found on SFE's website.

10. **Block Trade Order versus Block Trade Interest**

A Participant must be holding an order that meets the requirements of a Block Trade Order before it can solicit counterparties. If a Participant has received 'interest' in a Block Trade but not a firm order it may continue to 'broke' the interest but must do so in accordance with the Operating Rules. For instance, only revealing to potential counterparties information that has already been shown to the market via the message facility.

11. **Block Trade Order Recording**

Although Block Trades are not executed on SYCOM ® they are still subject to the requirements to maintain order records.

Although Local Participants may also execute Block Trade Orders, they must not attempt to obtain counterparties to a Block Trade Order.

12. **Authorisation by Client to Execute Block Trade Orders**

As per Rule 3.4.7 Participants must be authorised in writing by the Client to execute a Block Trade Order on their behalf, either specifically or generally. This may be included in the Client Agreement Form between the Participant and the Client or may be obtained by a separate written authorisation.

13. **Block Trade Pricing**

The Exchange reserves the right to refuse to accept a Block Trade where the price varies significantly from the price of the underlying at the time the Block Trade was lodged. The Exchange may still accept a Block Trade where the price is well away from the current underlying market, but it is likely to query the Participant(s) involved to establish the rationale for the price.

As a guide, the price of a Block Trade will be acceptable without query where it is within the tick range, either side of the current market price. Where a Block Trade price falls outside this range the Exchange will generally query the Participants involved. However, it is important to note that prices outside this range may still be acceptable. For instance, a price determined on VWAP (Volume-Weighted-Average-Price) may be outside this range but the Exchange will accept prices based on VWAP.

14. **Aggregation of Orders and Roll Business**

As per Rule 3.4.5(a) Participants cannot aggregate smaller orders to make up a Block Trade Order, thereby satisfying the Minimum Volume Threshold. Block Trade Orders may only be aggregated where each individual order meets or exceeds the Minimum Volume Threshold. This does not preclude an order from one client being allocated to several accounts. For instance, a fund manager may place an order that satisfies the Minimum Volume Threshold and is executed as a Block Trade, but it may then be allocated to several sub-accounts under the fund manager's control.

As per Rule 3.4.5(b) it is prohibited to use the Block Trade Facility to execute Roll business.

15. **Non-Availability of Block Trading**

Block Trading is restricted to certain prescribed contracts and months. Block Trading for NZFOX products is not restricted to the spot month or for a number of days prior to a contracts expiry.

16. **Sequencing**

Block Trade Orders are subject to the sequencing provisions, that is, orders must be executed and trades allocated in the sequence in which they are received and recorded. It is not appropriate to 'pro-rata' volumes executed amongst clients.

17. **Procedures upon Execution of a Block Trade**

As per Rule 3.4.6 where a Block Trade Order is to be crossed, the executing Participant must advise the Exchange (at Business Operations) of the details of the Block Trade via the message facility, within five minutes of the trade. The time on this message will be the official time stamp used by the Exchange.

Where two or more Participants are involved in a Block Trade, the initiating Participant must send the message to the Exchange, including details of the counterparty(s). Again, the time stamp on the message will be the official time stamp used by the Exchange.

Once the message has been sent to Business Operations, each Participant involved must complete and send the Block Trade Facility Registration Form via facsimile within five minutes of the text message, ensuring all relevant details have been filled out correctly and legibly. Each Participant must fill out their side of all trades and the Exchange will match opposing sides.

18. **When is a Block Trade Executed?**

A Block Trade is not executed (or novated) until it is accepted by the Exchange. An agreement between parties to execute a Block Trade does not constitute a 'filled' trade - it must firstly be accepted by the Exchange.

Execution of Unsuccessful Block Trades on SYCOM®

Where a Participant is unsuccessful in obtaining counterparties to a Block Trade Order (i.e., the Minimum Volume Threshold cannot be met), but counterparties wish to execute a trade for a lesser volume, the Participant may take the orders to SYCOM® for execution. However, as the trade would essentially have been 'prearranged' the Participant must not attempt to execute a cross trade unless a period of sixty (60) seconds has elapsed from the entry of the originating Client order. This will enable other Participants, and therefore their clients, to enter opposing orders into SYCOM®.

19. **Block Trade Worked Examples**

**Example One**

***10:00am (trade negotiation)***

Client A places an order with Participant A to fill a 500 lot buy order in September NZSX 15 index futures (the 'ZIF') via the BTF. On this occasion, Participant A contacts a House trader from a division within the Participant firm, who is able to take the sell side of the proposed transaction at a price of 4,850.

***10:10am (trade notification)***

The two parties to the BTF agree on all trade details by 10:10am. As the initiating Participant (and the only Participant to the trade), Participant A notifies the Exchange of the proposed Block Trade via the SYCOM® message facility.

***10:15am (trade confirmation)***

On behalf of Client A, Participant A confirms the proposed Block Trade to the Exchange via the official Block Trade Facility Registration Form ("Trade Registration Form").

***10:20am (trade validation)***

After receipt of all details of the Block Trade, the Exchange validates the trade with the executing Participant.

***9:15am (New Zealand time) on the following business day (trade publication)***

The Exchange disseminates information regarding the transaction to the market.

**Example Two**

***10:00am (trade negotiation)***

Client B places an order with Participant A to fill a 1,750 lot sell order in June NZSX 15 (the 'ZIF') futures via the BTF. Participant A is not able to obtain a counterparty to its Client's Block Trade order from within its internal or external client base, and thus proceeds to contact other Participants and clients.

***10:40am (trade notification)***

By 10:40am, a House trader from Participant B has agreed to buy 1,750 June NZSX 15 (the 'ZIF') futures contracts at 4,850 from Participant A's customer (Client B). As the initiating Participant, Participant A notifies the Exchange of the proposed Block Trade via the SYCOM® message facility.

***10:45am (trade confirmation)***

On behalf of Client B, Participant A notifies the Exchange of the proposed Block Trade via the Trade Registration Form.

On behalf of its internal client (House), Participant B confirms the proposed Block Trade to the Exchange via the Trade Registration Form.

***10:50am (trade validation)***

After receipt of all details of the Block Trade, the Exchange validates the trade with the executing Participant.

***9:15am (New Zealand time) on the following business day (trade publication)***

The Exchange disseminates information regarding the transaction to the market.

### **Example Three**

***10:00am (trade negotiation)***

Client C places a market-on-close order (defined in this case as the 4:30pm price between the counterparties) with Participant A to fill a 750 lot buy order in December NZSX 15 (the ‘ZIF’) futures. On this occasion, a House trader from another division of Participant A is able to take the sell side of the proposed transaction.

***4:30pm (trade notification)***

Following receipt of the closing price of 4,860 at 4:30pm, all details of the proposed trade have now been agreed. As the initiating Participant, Participant A notifies the Exchange of the proposed Block Trade via the SYCOM® Message Facility.

***4:35pm (trade confirmation)***

On behalf of Client C, Participant A confirms the proposed Block Trade to the Exchange via the Trade Registration Form.

***4:40pm (trade validation)***

After receipt of all details of the Block Trade, the Exchange validates the trade with the executing Participant.

***9:15am (New Zealand time) on the following business day (trade publication)***

The Exchange disseminates information regarding the transaction to the market.

### **Example Four**

***10:00am (trade negotiation)***

Client D places an order with Participant A to fill a 5,000 lot sell order in March NZSX 15 (the ‘ZIF’) futures contract via the BTF. On this occasion, Participant A is not able to completely fill the Block Trade order from within its internal or external client base and thus proceeds to contact other Participants and clients.

***11:30am (trade notification)***

By 11:30am, Participant A has filled the buy side of Client D’s order at an agreed price of 4,600 as follows: Participant A (for a House account of another division) 500 lots; Participant A (on behalf of Client E) 1,500 lots; Participant B (on behalf of Client F) 1,000 lots; and Participant C (on behalf of Client G) 2,000 lots.

As the initiating Participant, Participant A notifies the Exchange of the proposed Block Trade via the SYCOM® message facility.

***11:35am (trade confirmation)***

Participants A, B and C each confirm the proposed Block Trade to the Exchange via the Trade Registration Form on behalf of all clients involved.

***11:40am (trade validation)***

After receipt of all details of the Block Trade, the Exchange validates the trade with the executing Participant.

***9:15am (New Zealand time) on the following business day (trade publication)***

The Exchange disseminates information regarding the transaction to the market.

### **Example Five**

***10:00am (trade negotiation)***

Client H places an order with Participant A to fill a 1,500 lot sell order in March NZSX 15 (the ‘ZIF’) futures via the BTF. Participant A proceeds to contact other Participants and internal and external clients.

***10:30am (trade notification)***

By 10:30am, Participant A has filled the buy side of Client H’s order at an agreed price of 4,850 with another of its customers, Client I.

As the initiating Participant, Participant A confirms the proposed Block Trade to the Exchange via the SYCOM® message facility.

***10:35am (trade confirmation)***

On behalf of Clients H and I, Participant A notifies the Exchange of the proposed Block Trade via the Trade Registration Form.

***10:40am (trade validation)***

After receipt of all details of the Block Trade, the Exchange validates the trade with the executing Participant.

***9:15am (New Zealand time) on the following business day (trade publication)***

The Exchange disseminates information regarding the transaction to the market.

## **ATTACHMENT 6 - A GUIDE TO SFE ADJUSTMENTS BY THE EXCHANGE FOR NZFOX EQUITY OPTION PRODUCTS IN THE EVENT OF A CORPORATE ACTION**

### **Introduction**

This Guide outlines the methods which may be employed by the Exchange to adjust NZFOX Equity Option Products where the company underlying an NZFOX Equity Option announces a Corporate Action that affects shares in a specific way.

This document compliments the Exchange's Operating Rules<sup>1</sup> which identify and formally define the policy for adjusting equity options in Item 6 of Operating Rule 6.44.

### **What is meant by Adjustment?**

An adjustment may be defined as an amendment to the contract specifications of an NZFOX Equity Option, in most cases to the securities that underlie the NZFOX Equity Option, in response to a Corporate Action that affects the value of the underlying securities.

A 'Corporate Action' is defined as an event announced by a company affecting its shareholders. Sometimes a company announces a corporate action which will have the effect of causing the share price to change, even though the underlying value of the company has not changed. An example of a Corporate Action is a Consolidation which brings about a proportional reduction in the number of shares on issue and consequently a proportional increase in the stock price.

### **What is the Purpose of an Adjustment?**

The SFE adjusts for Corporate Actions to ensure (as far as possible) that buyers and sellers of NZFOX Equity Options are neither better nor worse off as a result of a corporate event relating to the underlying stock. In other words, the value of an NZFOX Equity Option holder's position (be they an option buyer or seller) both before and after the Corporate Action will be more or less equal (exclusive of market movement) subject to rounding.

If the exchange were not to adjust an NZFOX Equity Option following the announcement of a corporate event which affects the underlying share price and/or the nature of the shareholding, the shares delivered by the seller may be more (or less) valuable than originally contracted and the buyer would receive shares that are worth more (or less) than originally contracted. This has implications for fairness and market integrity.

In an adjustment, the assessment of the value of the underlying securities is exclusive of market movements. However, where the ex price is used in determining the adjusted contract unit, some market movement may be included.

### **What Elements of a Contract may be Adjusted?**

A corporate action may result in any one or more of the following being altered: Contract Unit, Strike Price, Product Code, Minimum Price Movement or Product Name.

### **Which Contract Months are Adjusted and When?**

Only contracts with open interest are adjusted. Further-dated contracts with no open interest are de-listed and replaced with a new NZFOX Equity Option series of the relevant expiry. After an adjustment to an existing series

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<sup>1</sup> The content and examples presented in this Guide are not binding on the Sydney Futures Exchange. The Sydney Futures Exchange reserves the right to employ the adjustment method that in its judgement best ensures that the value of NZFOX holder's positions both before and after the corporate event will be most equitable.

(eg where the contract size is changed to say 1050 shares per contract), SFE will revert to listing any new expiries subsequent to the farthest dated adjusted series at the standard contract size (1,000 shares). In most cases, adjustments to NZFOX equity options become effective on the day the stock is first traded on an ex entitlement basis.

### **Which Corporate Actions Require Adjustment and which do not?**

An adjustment to an NZFOX Equity Option occurs where the value of an NZFOX Equity Option is affected due to a company announcement of a Corporate Action that will directly effect the value of the underlying stock.

The most defining feature of a Corporate Action is that it is a pro rata event, and therefore the value of the underlying shares must be affected equally. For example, a bonus issue is a pro rata event as it affects the value of the underlying stock equally.

Where the Corporate Action does not affect all underlying shares equally, no adjustment will be made as it is not certain whether each holder of an NZFOX Equity Option is affected in the same way. For example a share placement, despite the fact that it may reduce the value of all stockholdings, is not a pro rata event. This is because shareholders are not obliged to participate in share repurchase schemes and if they choose to participate they may purchase different amounts of shares, thus it is not possible to determine with certainty what impact the repurchase scheme will have on the value of an NZFOX Equity Option contract.

Ordinary dividends are corporate actions, however, although ordinary dividends are pro rata payments, SFE does not adjust equity contracts for ordinary dividends. This is because they are considered part of the customary practice of a company and have therefore already been (or should have been) factored into the price of an NZFOX Equity Option.

The following is a list of some of the instances where SFE is unlikely to adjust NZFOX Equity Option contracts unless an adjustment is deemed appropriate:

- On market repurchase schemes
- Non pro-rata entitlement issues
- Employee share purchase plans
- Share placements
- Ordinary dividends
- Offers to takeover other entities
- Stock price reaction to profit announcement

### **How are Corporate Actions monitored?**

With the assistance of the New Zealand Exchange (NZX), SFE conducts thorough and ongoing monitoring of the market for information on corporate events on a daily basis. SFE notifies SFE Participants of NZFOX option adjustments as soon as it is practicable to do so. The Bulletin is distributed outside of trading hours. SFE Bulletins are available to the general public via SFE Participants or the SFE website – [www.sfe.com.au](http://www.sfe.com.au).

### **Chronology of Events**

Where one of the above methods has been chosen to adjust an NZFOX equity option contract, the SFE will generally do the following:

1. Notify the market of the proposed course of action
2. De-list all contracts without open interest and where there are no further dated contracts with open interest.

3. Apply the chosen adjustment method to the remaining contracts. (Once adjusted contracts have expired, they will not be replaced. Once the furthest dated contract month expires the contract will terminate outright.)
4. Create a new contract (if required) with a new commodity code and standard contract elements. This contract will be a completely separate contract to the adjusted contract.

### Corporate Actions Requiring Adjustments

The following is a list (although not exhaustive) of Corporate Actions that may require an adjustment for NZFOX Equity Option contracts. The examples illustrate one approach that may be taken in dealing with these Corporate Actions however they are not the only means of adjustment. The SFE will assess each Corporate Action on a case by case basis and employ the method that in its judgement brings about the most equitable result regarding the position of NZFOX equity option holders.

#### Important Note on Rounding Rules

The examples presented in this Bulletin are simplified for the purposes of illustration. In practice it may be that the SFE will have to implement rounding to establish new strike prices. In all instances the SFE will round to three decimal places.

#### 1. Stock Splits and Bonus Shares

A Stock Split or the issuance of Bonus Shares results in an increase in the number of a company's shares outstanding and also involves a proportional adjustment of the share price to the extent that the total value of the shares both pre and post split are maintained. In this way, the value of the shareholders holdings *per se* stay the same.

##### Example

If Company X has 100 million shares on issue worth \$10 each and announce a 2 for 1 stock split (or a 1:1 bonus issue) then after the Corporate Action the company will have 200 millions shares worth \$5.

(a) Company X Options	Old Contract Specifications	
	Exercise Price	= \$10
	Quantity per contract	= 1000 shares
	Number of contracts held	= 1 contract
	Outlay for shares on exercise	= \$10,000

On the exercise of the call option, the holder receives a parcel of 1000 shares worth \$10,000 (1 parcel of 1,000 shares valued at \$10 each) for which the holder outlays \$10,000 (1 contract times 1,000 shares per contract times \$10 exercise price).

(b) Company X Options	New Contract Specifications	
	Exercise Price	= \$5
	Quantity per contract	= 2,000 shares
	Number of contracts held	= 1 contract
	Outlay for shares on exercise	= \$10,000

The option holder now holds 1 contract of 2000 shares per contract. The old strike price is proportionally reduced by multiplying by a factor of 1000/2000. That is, the new strike price is \$10 (old exercise price) times 0.5 = \$5.



On exercise of the two call options, the holder receives a parcel of 2000 shares worth \$10,000 for which the holder still outlays \$10,000. The total exercise value of the adjusted option remains the same.

## 2. Consolidation

Also known as a Reverse Stock Split or Reorganisation of Capital

A Consolidation is the opposite of a Stock Split and results in a decrease in the number of a company's shares outstanding and also involves a proportional adjustment of the share price to the extent that the value of the shares both pre and post consolidation are maintained. The number of shares outstanding decreases by recalling a fixed number of shares from a shareholder for a fixed number of shares that the shareholder already owns.

### Example

If Company X has 100 million shares on issue worth \$10 each and announce a 2 for 1 reverse stock split) then after the Corporate Action the company will have 50 millions shares worth \$20 today. Likewise, if the company had 1,000,000 shares outstanding yesterday, it will have 500,000 shares outstanding today.

(a) Company X Options	Old Contract Specifications	
	Exercise Price	= \$10
	Quantity per contract	= 1000 shares
	Number of contracts held	= 1 contract
	Outlay for shares on exercise	= \$10,000

On the exercise of the call option, the holder receives a parcel of 1000 shares worth \$10,000 (1 parcel of 1,000 shares valued at \$10 each) for which the holder outlays \$10,000 (1 contract times 1,000 shares per contract times \$10 exercise price)

(b) Company X Options	New Contract Specifications	
	Exercise Price	= \$20
	Quantity per contract	= 500 shares
	Number of contracts held	= 1 contract
	Outlay for shares on exercise	= \$10,000

The option holder now holds 1 contract of 500 shares per contract. The old strike price is proportionally reduced by multiplying by a factor of 2. That is, the new strike price is \$10 (old exercise price) times 2 = \$20.

On exercise of the one call option, the holder receives a parcel of 500 shares worth \$10,000 for which the holder still outlays \$10,000. The total exercise value of the adjusted option remains the same.

## 3. Special Dividend

Also known as abnormal, nonrecurring, extra, extraordinary and additional dividend or a return of capital. A special dividend is an announced cash dividend payment outside of the scheduled and custom practice of an entity. The SFE will adjust for a special dividend where:

- the dividend is in relation to a scheme of arrangement or takeover
- the dividend is in relation to a special distribution involving return of capital

### Example

The contract size will be adjusted to the quantity determined in using the following formula

**Contract Size:** New Size =  $\frac{\text{Old Size} + \text{value of return for each old contract size}}{(\text{VWAP} - \text{return per share})^*}$

- \* Which will generally be based on the volume weighted average price (VWAP), as determined by SFE, on the last cum dividend date. The exercise price will be adjusted to maintain the total exercise value for options – this implies that the special dividend is notionally reinvested.

$$\text{Strike Price: New Strike} = \text{Old Strike times (Old Contract Size/ New Contract Size)}$$

(calculated to 4 decimal places and rounded up to the nearest share).

#### 4. Demerger

Also known as Spin-Off or Bonus Issue involving different Shares

- A Demerger involves a company dividing its assets and as a result creating an independent company. Shares of the new company are issued to stockholders of the original corporation.
- SFE will assess each corporate event on a case by case basis and employ the method that in its judgement brings about the most equitable result regarding the position of NZFOX Equity Option holders.
- The SFE will more than likely adopt:
  - a) **a reinvestment method** if the estimated value of the demerged/ spun-out entity is 15% or less of the total aggregate market value of the resulting entities\*; and,
  - b) **'package' or a basket option adjustment method** using a substitution of the basket of Underlying Securities without any change in the Series Exercise Price if the estimated demerged/ spun-out entity\* is greater than 15% of the total aggregate market value of the resulting entities\*.

- \* The determination of the estimated value of the demerged/ spun-out entity will generally be taken with reference to the date of the announcement, but the SFE reserves the right to determine another reference date (such as the date of the Scheme document), if the SFE considers another date as providing a more appropriate basis for the valuation estimate.

#### 5. Takeovers and Mergers under Schemes of Arrangement

Note that takeovers and mergers are events whereby it is not possible to prescribe a standard form of adjustment to be used. SFE will assess takeovers and mergers on a case by case basis and employ the method that in its judgement brings about the most equitable result the position of NZFOX Equity Option holders.

#### 6. Renounceable Rights

- A renounceable rights issue is one where there is a market in rights conducted by NZX. In this situation, the tradable rights can be renounced (that is, sold in the NZX official market) by the shareholder who is entitled to the rights.
- The adjustment method is generally employed for this type of event is the 'nominal reinvestment' method. Here the value of the rights is implied from the VWAP (Volume-Weighted-Average-Price) market value of the rights. The reinvestment amount of ex-entitlement securities is based on the number of ex-entitlement VWAP shares on the first day of ex-rights trading that can be notionally invested using the value of the rights.
- The formula used to calculate both a new contract size and strike price adjustment is determined by ascertaining the average rights price for the full day's trading on the ex-date and calculating the average traded price of the shares (ex-rights) on that day.
- The contract size is calculated by multiplying the number of rights attributable to the number of ordinary shares underlying one old contract by the average traded price of the rights, divided by the average traded price of shares (ex-rights) and then adding the result to the old contract size.
- The adjusted strike price is obtained by multiplying the old strike price by a factor which is calculated by

adding the contract size adjustment previously calculated to the ruling contract size, ie usually 1,000, and then dividing the result into the old contract size.

- Trading in the adjusted option contracts on the first ex-rights day will be on an adjusted basis even though the extent of the adjustment will not be known until the close of trading.

## **7. Name Changes**

A company may also announce a name change that necessitates an adjustment to NZFOX equity options.

In this case, SFE will simply, redesignate all NZFOX equity options on the shares of the old name, to NZFOX equity options on the shares of the new name. The NZFOX equity options code need not change.

## ATATCHMENT 7 – SETTLEMENT PROCEDURES

This attachment sets out the settlement procedures for the delivery of shares pursuant to the exercise of NZFOX equity options. These settlement procedures differ from those previously published in SFE Bulletin 18/04. The changes, which enable SFE Clearing to control the delivery process more closely than originally proposed, will:

- reduce the complexity of administrative processes for Clearing Participants;
- replicate the existing delivery procedures for Individual Share Futures contracts, enabling Clearing Participants to utilize internal procedures already in place; and,
- reduce the risk of a Clearing Participant failing to deliver.

In summary, the proposed rules now require Clearing Participants to lodge funds with SFE Clearing and for SFE Clearing to release funds when the securities have been transferred between Clearing Participants through NZX's FASTER settlement system, whereas the previously proposed system was for Clearing Participants to arrange their own delivery and payment.

The following table summarises the settlement procedures for the delivery of shares pursuant to the exercise of NZFOX equity options.

### Summary of the Exercise and Delivery Process for New Zealand Equity Options<sup>2</sup>

Day	Event	Prescribed Form <sup>3</sup> / Process
<b>T</b>	<ul style="list-style-type: none"> <li>• Options may be exercised on any business day up to and including the Final Trading Day.</li> <li>• In-the-money options are automatically exercised at expiry unless abandoned via a Deny Exercise Request. At-the-money and out-of-the-money options are abandoned at expiry unless manually exercised via an Exercise Request.</li> <li>• Trading will cease at the close of trading on the Declaration Date (4.55pm).</li> <li>• The Settlement Price shall be the last traded price, on the Final Trading Day, of the Underlying Security.</li> <li>• Final time for lodgement of an Exercise Request on any business day up to and including the final trading day is 5.30pm.</li> <li>• Final time for lodgement of a Deny Exercise Request is 5.30pm on the Final Trading Day.</li> </ul>	As per the existing process for SFE Option products in the OM Secur Clearing and Settlement System
<b>T+ 1</b>	<ul style="list-style-type: none"> <li>• SFE Clearing will notify Clearing Participants of exercised NZFOX equity options via Daily Registration Statements before 7.00am.</li> <li>• Clearing Participants who are buyers and sellers of exercised NZFOX equity options must give details of their intention to give or take delivery to SFE Clearing in the Prescribed Form by no later than 12.00 pm.</li> </ul>	Daily Registration Statements  Prescribed Form 1
<b>T + 2</b>	<ul style="list-style-type: none"> <li>• SFE Clearing will advise Clearing Participants by no later than 9.00am in respect of each Contract:               <ol style="list-style-type: none"> <li>i) the name of the participant or participants of the approved transfer facility from whom or to whom securities are to be transferred;</li> <li>ii) details relating to securities to be transferred or received; and,</li> <li>iii) the amount (being the gross Settlement value) which is payable to SFE Clearing.</li> </ol> </li> <li>• Clearing Participants that are sellers of puts and buyers of calls must lodge the amount (being the gross settlement value) which is payable to SFE Clearing by no later than 1.00 pm.</li> </ul>	SFE Clearing Participants to use NZ Austraclear  Prescribed Form  SFE Clearing Participants (or their agents) to effect the transfer of securities via

<sup>2</sup> Unless otherwise indicated, all times are New Zealand times.

<sup>3</sup> Subject to regulatory approval having been given for the new Operating Rules for the new contracts, the prescribed forms will be published in the Procedures, Determinations and Practice Notes document on the SFE web-site – [www.sfe.com.au](http://www.sfe.com.au)

	<ul style="list-style-type: none"> <li>▪ SFE Clearing will give authorisation for the transfer of securities in the Prescribed Form as soon as practicable after 1.00pm once confirmation that payment (see above) has been received.</li> <li>▪ Clearing Participants who are Buyers of exercised put Options and Sellers of exercised call Options shall ensure that by no later than 4.00pm, transfers of securities in accordance with the instructions received from SFE Clearing have been effected.</li> <li>▪ Buying and Selling Clearing Participants must lodge with SFE Clearing by no later than 4.00 pm, a report in the Prescribed Form which indicates the status of transfers.</li> <li>▪ SFE Clearing will remit settlement funds to Clearing Participants who are Sellers of exercised call Options and Buyers of exercised put Options as soon as practicable after 4.15pm once the status of transfers has been confirmed (see above),and provided delivery has occurred in accordance with the Operating Rules.</li> </ul>	<p>the Faster settlement system.</p> <p>Prescribe Form 2</p> <p>Prescribed Form 3</p> <p>SFE to effect the delivery of cash via NZ Austraclear.</p>
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**Sydney Futures Exchange Limited – NZFOX Equity Option Contract**



**Notice of Intention to Deliver**  
Operating Rule 6.45 Item 4.2

Form 1

TO:	SFE CLEARING		FAX NO: (612) 9256 0426
FROM:			DATE:
Contact Name			
Mnemonic		House / Client	Expiring Contract: Strike (P/C):

The information contained below is correct and in accordance with the Individual Contract Specifications for the NZFOX Equity Option contract.

In conformity with the above-mentioned Individual Contract Specifications, we confirm our intention to

- deliver shares against sold call / bought put contracts listed below and/or
  - take delivery of shares in satisfaction of bought calls / sold put contracts listed below
- through the Fully Automated Screen Trading and Electronic Registration administration system (FASTER) and have authorised the FASTER Participant(s) listed below to act on our behalf.

We accept that we are fully responsible for our agent's actions and failures to act in respect of these deliveries.

Bought / Sold Put / Call	Number of Option Contracts	Number of Underlying Securities	FASTER Participant Name	FASTER Identification Number (FIN)	CSN [Customer Security Number]
Total Bought					
Total Sold					

**Notes:** 1. Separate Intention to Deliver documents must be lodged for House and Client Accounts and for EACH expiring contract.  
2. Intention to Deliver documents must be lodged with SFE Clearing by 12.00pm (NZ time) on the day after the exercise day.

\_\_\_\_\_  
AUTHORISED SIGNATORY

\_\_\_\_\_  
AUTHORISED SIGNATORY

\_\_\_\_\_  
NAME AND TITLE

\_\_\_\_\_  
NAME AND TITLE





**Transfer Authorisation**  
Operating Rule 6.45, Item 4.4(b)

Form 2

TO:	.....	DATE: .....
Contact Name	.....	
Mnemonic	.....	

In accordance with Operating Rule 6.45, Item 4.4(b) you are now authorised to transfer shares via FASTER in relation to

..... deliveries as notified in your Intention to Deliver.  
Name of NZFOX Equity Option Contract

Notes:

1. Participants should notify their nominated FASTER participant(s) of this authority as soon as possible.
2. The Selling Clearing Participant (or their nominated FASTER Participant(s) must enter the relevant transfer messages into FASTER to effect transfer of securities.

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**SFE CLEARING CORPORATION PTY LTD**

**Sydney Futures Exchange Limited – NZFOX Equity Option Contract**



**Delivery Status Report**  
Operating Rule 6.45 Item 4.4(f)

Form 3

TO:	SFE CLEARING		FAX NO: (612) 9256 0426
FROM: Contact Name			DATE:
Mnemonic		House / Client	Expiring option:

We confirm that securities listed below have been transferred to our nominated FASTER Participant(s) and conform with details advised to us by SFE Clearing in the relevant Buyer's Summary.

FASTER Participant Name	Number of Underlying Securities
<b>TOTAL</b>	

**Notes:** 1. Separate Delivery Status Reports must be lodged for House and Client Accounts and for EACH expiring contract.  
2. Delivery Status Report must be lodged with SFE Clearing by no later than 4:15pm (NZ time) on the settlement day.

\_\_\_\_\_  
AUTHORISED SIGNATORY

\_\_\_\_\_  
NAME AND TITLE

\_\_\_\_\_  
AUTHORISED SIGNATORY

\_\_\_\_\_  
NAME AND TITLE



## ATTACHMENT 8 – CONTRACT SPECIFICATIONS

These Contract Specifications comprise a summary of product information for the NZSX15 Index Futures and equity options contracts. They differ from those previously published in SFE Bulletin 18/04 with respect to the Settlement Day for the NZFOX Equity Options, which is now the *first* Business Day following the exercise of an option.

For full information readers should refer to the Individual Contract Specifications and the Determinations for each contract, which are available in draft form on request from SFE and which will be published in Section 6 of the Operating Rules when regulatory approval has been obtained.

### NZSX15 Index Futures Contract The “ZIF”

<b>Underlying Security:</b>	NZSX15 Index
<b>Contract Unit:</b>	Valued at NZ\$10 per NZSX15 Index point (eg NZ\$ 44,000 at 4,400 index points).
<b>Settlement Months:</b>	March/June/September/December, two quarters ahead.
<b>Commodity Code:</b>	ZI
<b>Minimum Price Movement:</b>	One index point (NZ\$10)
<b>Final Trading Day:</b>	Trading in maturing contracts will cease at the close of trading (5.15pm) on the third Thursday of the relevant Settlement Month or the first business day thereafter.
<b>Cash Settlement Price:</b>	The Cash Settlement Price is based on the average value of the NZSX15 Index every 5 minutes between 4.05pm and at the time of the random closing price on the Last Trading Day. Of the 12 measured values, the highest and lowest will be discarded and the remaining 10 will be averaged to the nearest one decimal place, eg. 0.05 points will be rounded up. The Cash Settlement Price will be announced by the SFE as soon as practicable.
<b>Trading Hours:</b>	9.45am – 5.15pm <sup>1</sup>
<b>Settlement Day:</b>	On the second business day after the Last Trading Day, SFE Clearing settles cash flows as a result of the Cash Settlement Price.

Last Modified: 08/04/04

1 Unless otherwise indicated, all times are New Zealand times.

### Carter Holt Harvey Ltd Share Options

<b>Underlying Security:</b>	Carter Holt Harvey Limited ordinary shares (CAH)
<b>Contract Unit:</b>	1000 Carter Holt Harvey Limited shares
<b>Expiry Months:</b>	March/June/September/December, four quarters ahead.
<b>Commodity Code:</b>	ZC
<b>Exercise Price:</b>	Exercise prices are set at NZ\$0.10 intervals. New option exercise prices are created as the underlying security price moves.
<b>Premium:</b>	Quoted in NZ cents per share, with a minimum fluctuation of 0.5 cent.
<b>Settlement Price:</b>	The final settlement price is the last traded price of the Underlying Security.
<b>Final Trading Day:</b>	The Thursday before the last Friday of the Settlement Month or first business day prior. Trading will cease at the close of trading on the Expiration Day (4:55pm).
<b>Settlement Date:</b>	The second business day following the date of exercise of an option.
<b>Exercise of Options:</b>	Options may be exercised on any business day up to and including the Last Trading Day. In-the-money options are exercised at expiry, unless manually abandoned. At-the-money and out-of-the-money options are abandoned at expiry unless manually exercised.
<b>Trading Hours:</b>	9.45 am – 4.55pm <sup>1</sup>
<b>Adjustment Methodology:</b>	No contract adjustments will be made for scheduled dividends. Adjustments will occur for all other capital reconstructions that are pro-rata events eg share splits, bonus & rights issues etc.

Last Modified: 01/06/04

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

### Contact Energy Ltd Share Options

<b>Underlying Security:</b>	Contact Energy Limited ordinary shares (CEN)
<b>Contract Unit:</b>	1000 Contact Energy Limited shares
<b>Expiry Months:</b>	March/June/September/December, four quarters ahead.
<b>Commodity Code:</b>	ZE
<b>Exercise Price:</b>	Exercise prices are set at NZ\$0.25 intervals. New option exercise prices are created as the underlying security price moves.
<b>Premium:</b>	Quoted in NZ cents per share, with a minimum fluctuation of 0.5 cent.
<b>Settlement Price:</b>	The final settlement price is the last traded price of the Underlying Security.
<b>Final Trading Day:</b>	The Thursday before the last Friday of the Settlement Month or first business day prior. Trading will cease at the close of trading on the Expiration Day (4:55pm).
<b>Settlement Date:</b>	The second business day following the date of exercise of an option.
<b>Exercise of Options:</b>	Options may be exercised on any business day up to and including the Last Trading Day. In-the-money options are exercised at expiry, unless manually abandoned. At-the-money and out-of-the-money options are abandoned at expiry unless manually exercised.
<b>Trading Hours:</b>	9.45 am – 4.55pm <sup>1</sup>
<b>Adjustment Methodology:</b>	No contract adjustments will be made for scheduled dividends. Adjustments will occur for all other capital reconstructions that are pro-rata events eg share splits, bonus & rights issues etc.

Last Modified: 01/06/04

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

### Fletcher Building Ltd Share Options

<b>Underlying Security:</b>	Fletcher Building Limited ordinary shares (FBU)
<b>Contract Unit:</b>	1000 Fletcher Building shares
<b>Expiry Months:</b>	March/June/September/December, four quarters ahead.
<b>Commodity Code:</b>	ZF
<b>Exercise Price:</b>	Exercise prices are set at NZ\$0.25 intervals. New option exercise prices are created as the underlying security price moves.
<b>Premium:</b>	Quoted in NZ cents per share, with a minimum fluctuation of 0.5 cent.
<b>Settlement Price:</b>	The final settlement price is the last traded price of the Underlying Security.
<b>Final Trading Day:</b>	The Thursday before the last Friday of the Settlement Month or first business day prior. Trading will cease at the close of trading on the Expiration Day (4:55pm).
<b>Settlement Date:</b>	The second business day following the date of exercise of an option.
<b>Exercise of Options:</b>	Options may be exercised on any business day up to and including the Last Trading Day. In-the-money options are exercised at expiry, unless manually abandoned. At-the-money and out-of-the-money options are abandoned at expiry unless manually exercised.
<b>Trading Hours:</b>	9.45 am – 4.55pm <sup>1</sup>
<b>Adjustment Methodology:</b>	No contract adjustments will be made for scheduled dividends. Adjustments will occur for all other capital reconstructions that are pro-rata events eg share splits, bonus & rights issues etc.

Last Modified: 01/06/04

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

### Telecom Corporation of New Zealand Ltd Share Options

<b>Underlying Security:</b>	Telecom Corporation of New Zealand Limited ordinary shares (TEL)
<b>Contract Unit:</b>	1000 Telecom Corporation of New Zealand shares
<b>Expiry Months:</b>	March/June/September/December, four quarters ahead.
<b>Commodity Code:</b>	ZT
<b>Exercise Price:</b>	Exercise prices are set at NZ\$0.25 intervals. New option exercise prices are created as the underlying security price moves.
<b>Premium:</b>	Quoted in NZ cents per share, with a minimum fluctuation of 0.5 cent.
<b>Settlement Price:</b>	The final settlement price is the last traded price of the Underlying Security.
<b>Final Trading Day:</b>	The Thursday before the last Friday of the Settlement Month or first business day prior. Trading will cease at the close of trading on the Expiration Day (4:55pm).
<b>Settlement Date:</b>	The second business day following the date of exercise of an option.
<b>Exercise of Options:</b>	Options may be exercised on any business day up to and including the Last Trading Day. In-the-money options are exercised at expiry, unless manually abandoned. At-the-money and out-of-the-money options are abandoned at expiry unless manually exercised.
<b>Trading Hours:</b>	9.45 am – 4.55pm <sup>1</sup>
<b>Adjustment Methodology:</b>	No contract adjustments will be made for scheduled dividends. Adjustments will occur for all other capital reconstructions that are pro-rata events eg share splits, bonus & rights issues etc.

Last Modified: 01/06/04

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

### The Warehouse Group Limited Share Options

<b>Underlying Security:</b>	The Warehouse Group Limited ordinary shares (WHS)
<b>Contract Unit:</b>	1000 The Warehouse Group Limited shares
<b>Settlement Months:</b>	March/June/September/December, four quarters ahead.
<b>Commodity Code:</b>	ZW
<b>Exercise Price:</b>	Exercise prices are set at NZ \$0.25 intervals. New option exercise prices are created as the underlying security price moves.
<b>Premium:</b>	Quoted in NZ cents per share, with a minimum fluctuation of 0.5 cent.
<b>Settlement Price:</b>	The final settlement price is the last traded price of the Underlying Security.
<b>Final Trading Day:</b>	The Thursday before the last Friday of the Settlement Month or first business day prior. Trading will cease at the close of trading on the Expiration Day (4:55pm).
<b>Settlement Date:</b>	The second business day following the date of exercise of an option.
<b>Exercise of Options:</b>	Options may be exercised on any business day up to and including the Last Trading Day. In-the-money options are exercised at expiry, unless manually abandoned. At-the-money and out-of-the-money options are abandoned at expiry unless manually exercised.
<b>Trading Hours:</b>	9.45 am – 4.55pm <sup>1</sup>
<b>Adjustment Methodology:</b>	No contract adjustments will be made for scheduled dividends. Adjustments will occur for all other capital reconstructions that are pro-rata events eg share splits, bonus & rights issues etc.

Last Modified: 01/06/04

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